

**COMPREHENSIVE
ANNUAL FINANCIAL REPORT**

of the

**TOWN OF VERNON,
CONNECTICUT**

FOR THE YEAR ENDED

JUNE 30, 2013

**PREPARED BY:
THE FINANCE DEPARTMENT**

JAMES LUDDECKE, FINANCE OFFICER/TREASURER

TOWN OF VERNON, CONNECTICUT

COMPREHENSIVE ANNUAL FINANCIAL REPORT

AS OF AND FOR THE YEAR ENDED JUNE 30, 2013

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Introductory Section

TOWN OF VERNON, CONNECTICUT

**PRINCIPAL OFFICIALS
JUNE 30, 2013**

MAYOR

George F. Apel

TOWN COUNCIL

Bill F. Campbell
Juile Clay
Thomas A. Didio
Virginia M. Gingras
Marie A. Herbst
John C. Kopec

Brian R. Motola, Deputy
Steven C. Patterson
Thomasina C. Russell
Daniel Sullivan
Adam B. Weissberger
Michael A. Winkler

TOWN OFFICIALS

Town Administrator
Finance Officer / Treasurer
Town Clerk
Chief, Police
Captain, Police
Chief, Fire / Ambulance
Director, Data Processing
Director, Emergency Management
Director, Public Works
Director, Recreation
Director, Senior Center
Director, Social Services
Director, Waste Treatment
Director, Youth Services
Ambulance Coordinator
Animal Control Officer
Assessor
Assistant Town Administrator
Building Inspector
Business Manager, Waste Treatment
Cemetery Superintendent / Foreman
Collector of Revenue
Controller
Fire Marshal
Registrar (D)
Registrar (R)
Town Attorney
Town Engineer
Town Planner
Economic Development Coordinator

John D. Ward
James M. Luddecke
Bernice K. Dixon
James Kenny
Stephen Clark
William M. Call
Robert Sigan
Michael J. Purcaro
Robert Kleinhans
Bruce W. Dinnie
Paula Claydon
Marina Rodriguez
David R. Ignatowicz
Alan M. Slobodien
Jean Gauthier
Craig P. Segar
David A. Wheeler
Dawn Maselek
Harry Boyko
George Rostkowski
Alan B. West
Terry A. Hjarne
Frank J. Zitkus
Raymond A. Walker
Judith A. Beaudreau
John K. Anderson
Harold R. Cummings
Terry D. McCarthy
Leonard Tundermann
Shaun Gately

BOARD OF EDUCATION

Michelle B. Arn
Laura B. Bush
Amarjit Singh Buttar
Anne H. Fisher, Vice-chairperson
Terri J. Goldrich

Dean A. Houle, Chairperson
David G. Kemp
William Nicholson
Kyle W. Percy

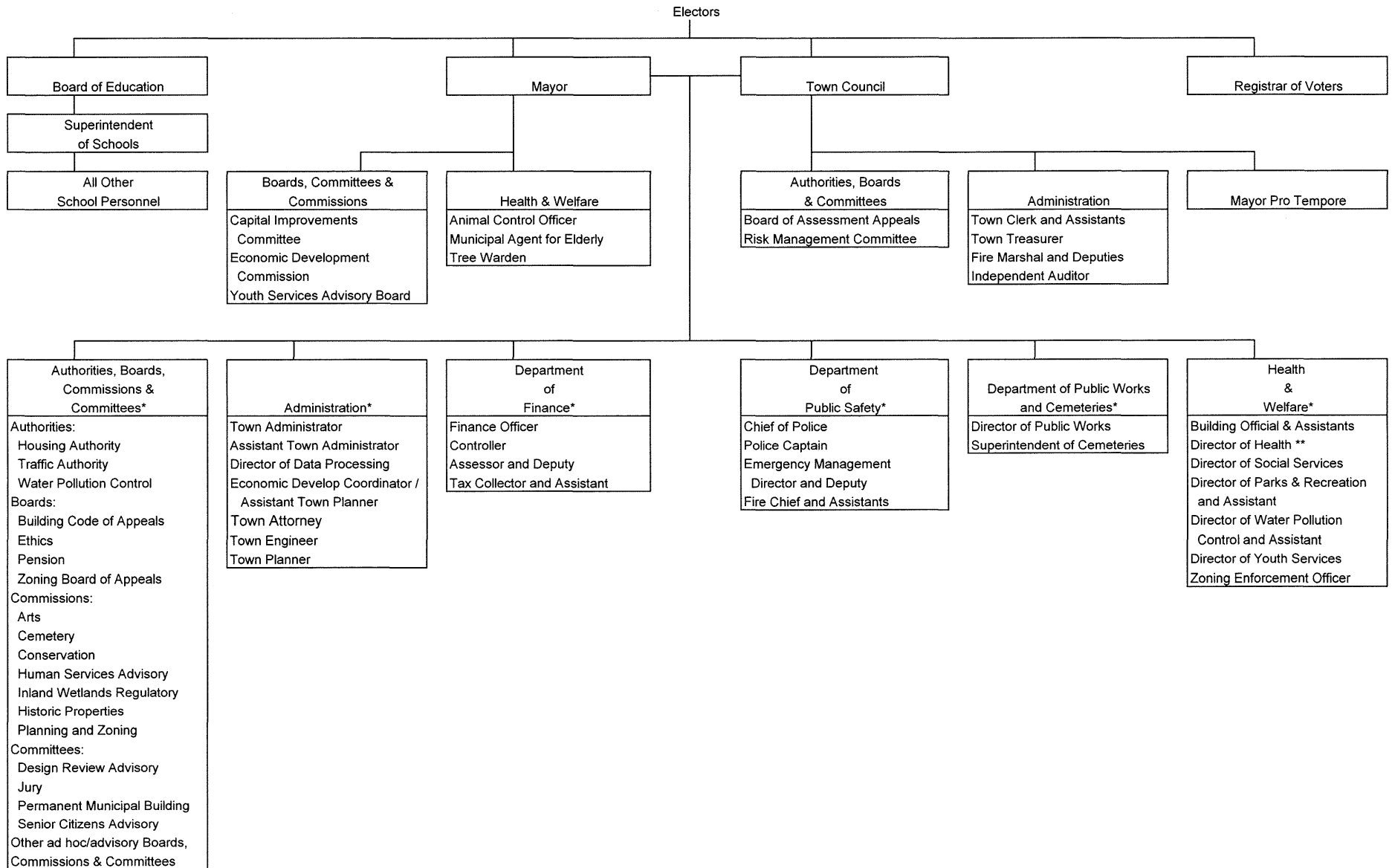
EDUCATION OFFICIALS

Superintendent of Schools
Assistant Superintendent of Schools
Director of Business and Finance

Mary P. Conway
Deborah Murasso
Michael J. Purcaro

TOWN OF VERNON, CONNECTICUT

ORGANIZATION CHART



* Mayor recommended, Town Council approved.

** The Town is a member of the North Central District Health Department.



TOWN OF VERNON

OFFICE OF THE
FINANCE DEPARTMENT

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December 30, 2013

To the Honorable Mayor,
Members of the Town Council, and Residents of the
Town of Vernon, Connecticut

I am pleased to submit the Comprehensive Annual Financial Report (CAFR) of the Town of Vernon, Connecticut, for the year ended June 30, 2013. This report was prepared in its entirety by the Town's Finance Department and consists of management's representations concerning the finances of the Town of Vernon. Consequently, responsibility for both the accuracy of the data and the completeness and fairness of the presentation, including all disclosures, rests with the Town. As management, we assert that, to the best of our knowledge and belief, this financial report is complete and reliable in all material respects; that it is presented in a manner designed to fairly set forth the financial position and results of operations of the Town as measured by the financial activity of its various funds; and that all disclosures necessary to enable the reader to gain maximum understanding of the Town's financial condition and the financial results of its operations have been made. To provide a reasonable basis for making these representations, management of the Town of Vernon has established an internal control framework that is designed both to protect the government's assets from loss, theft, or misuse and to compile sufficient reliable accounting information for the preparation of the Town of Vernon's financial statements in conformity with generally accepted accounting principles for governmental units as promulgated by various authoritative bodies through their publications, statements of position, and other pronouncements. These bodies include the Governmental Accounting Standards Board (GASB), the American Institute of Certified Public Accountants, and the State of Connecticut Office of Policy and Management. The internal controls are designed to provide reasonable, but not absolute, assurance that these objectives are met. The concept of reasonable assurance recognizes that:

- the cost of control should not exceed the benefits likely to be derived and;
- the valuation of costs and benefits requires estimates and judgments by management.

The purpose of the CAFR extends beyond accepted requirements in an effort to present all the information necessary to meet the needs of many persons and groups with legitimate interests in the financial affairs of the Town.

The Town of Vernon Charter requires an annual audit of the books of account, financial records, and transactions of all administrative departments of the Town by independent certified public accountants selected by the Town Council. This requirement has been complied with and the Town's financial statements have been audited by CohnReznick LLP, a firm of licensed certified public accountants. 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, 2013, are free from 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 management; and evaluating the overall financial statement presentations. The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unmodified opinion that the Town's financial statements for the fiscal year ended June 30, 2013, are fairly presented in conformity with GAAP. The independent auditor's report is presented as the first component of the financial section of this report.

The independent audit of the financial statements of the Town was part of a broader, federally mandated "Single Audit" designed to meet the special needs of federal grantor agencies. The standards governing Single Audit engagements require the independent auditor to report not only on the fair presentation of the financial statements, but also on the audited government's internal controls and compliance with legal requirements, with special emphasis on internal controls and legal requirements involving the administration of federal awards. The state single audit, in conformity with legal requirements and internal controls for state assistance was also performed. These reports are available in the Town's separately issued Single Audit Report.

Generally accepted accounting principles (GAAP) require that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement MD&A and should be read in conjunction with it. The Town of Vernon's MD&A can be found immediately following the independent auditor's report.

Profile of the Town

The Town of Vernon located in the northeast part of the state, was originally part of Bolton, Connecticut, and eventually incorporated as a separate township in October 1808. In 1965, the Town of Vernon, in its current form, was created when the Town, the City of Rockville and the Vernon Fire District were consolidated. At that time, the Town of Vernon assumed all assets and liabilities of each of the governmental units and a new town charter was adopted. Since 1970, when the charter was revised, Vernon has operated under a Mayor-Town Council form of government with a full time professional Town Administrator. Policy-making and legislative authority are vested in the Town Council consisting of twelve council members, with the Mayor presiding over meetings and eligible to vote in the event of a tie. The Town Council is responsible, among other things, for passing ordinances, approving the budget, appointing committees, the town attorney, auditing firms, and hiring the Town Administrator and other department heads. The Town Administrator is responsible for implementing the approved policies and ordinances, and for overseeing the day-to-day operations of the government. The Mayor and the Town Council are elected at large on a partisan basis to serve two-year terms. The maximum amount of seats for one political delegation is eight.

The Town of Vernon provides a full range of services, including police and fire protection, ambulance services, construction and maintenance of streets and other infrastructure, solid waste and recycling services, building maintenance; and also offers and supports a variety of human services, recreational activities and cultural events. The Town owns and operates an advanced wastewater treatment facility that serves approximately 80% of the Town's residents. With the capability of treating an average flow of 7.1 million gallons per day, the facility also accepts sanitary waste from portions of the surrounding towns of Tolland, Ellington, Manchester and South Windsor in accordance with the provisions of Intergovernmental Sewer Agreements between each of those communities and the Town.

The Town's educational system for its residents consists of five elementary schools, one middle school, and one senior high school that includes a regional Vo-Ag school on its campus. In addition, Vernon has one K-8 parochial school. The annual operating budget serves as the foundation for the Town of Vernon's financial planning and control. Exhibit K, section II.A, in the Notes to the Financial Statements (Notes) describes the budget process used by the Town. The appropriated budget is prepared by fund, function (e.g., public safety) and department (e.g. police). Department heads may request transfers of appropriations within account classifications to the Finance Officer. Other transfers within a department and between other departments, however, require the approval of the Town Council. Budget to actual comparisons are provided in this report for the general fund, the only legally adopted budget as prescribed by the Town Charter.

In addition to budget preparation and amendments, the Town maintains extensive budgetary controls. The objective of these budgetary controls is to ensure compliance with legal provisions embodied in the annual appropriated budget adopted for the General Fund and as may be amended by the Town Council during the year. To aid in budgetary control, the Town maintains an encumbrance accounting system to record obligations by line item. Certification of funds available is required prior to issuance of purchase orders, which are recorded as encumbrances in the budgetary accounting system.

The various funds utilized by the Town of Vernon are further described in Exhibit K, section I.A, of the Notes. As demonstrated by the statements and schedules in the financial section of this report, the Town continues to meet its responsibility for sound financial management.

Local Economy and Major Initiatives

Local Economy

The Town of Vernon is a residential community of 18.6 square miles located 14 miles east of Hartford on Interstate 84 in north central Connecticut. Interstate 84, traverses the Town, having four interchanges within the Town's borders, and connects with I-90, I-384, I-91 and I-291, which provide convenient highway access to all areas of Connecticut, Massachusetts and New York. Additional accessibility is provided by U.S. Route 44 and State Routes 30, 31, 74, and 83. National and international air service is provided by Bradley International Airport, which is only thirty minutes from Vernon. The well-situated access provided by Interstate 84 within the Greater Hartford area has contributed to Vernon's development as a residential suburban community and a regional commercial center for neighboring towns.

The economic base for Connecticut, as well as for Vernon, has had an overall change from that of manufacturing to retail commerce and professional services. Of the top fifteen firms in Vernon, 73.2% are employed in services, 19.6% are employed in retail sales and only 7.2% are employed in manufacturing and printing. Approximately 42.3% of this employment is with non-profit and public organizations. The largest Vernon employer is the Town of Vernon, which has 840 employees.

The second largest employer is Rockville General Hospital with 523 employees, followed by Visiting Nurse and Health Services with 505 employees, Stop and Shop with 323, Price Chopper with 221, the State of Connecticut with 204, New England Mechanical Services with 200 employees, Fox Hill Nursing and Rehabilitation with 190, Vernon Manor with 175 and Rein's Delicatessen with 155 employees.

In Vernon, the number of individuals employed by the top ten companies increased by 83 or 2.55% during the past year. There were no reported decreases in employment by the top ten employers while increases include 5 at the Town of Vernon, 47 at Visiting Nurse and Health Services, 6 at Stop and Shop and 25 at Fox Hill Nursing and Rehabilitation. Employment at the next top 5 employers increased by a net 8 employees, with an increase of 30 at Healthwise Medical Associates and decreases of 13 at Kmart and 9 at the Reminder Press.

Vernon's population for the year ended June 30, 2013, was 29,122 compared with 29,179 on June 30, 2012, a decrease of 57 or .20%. This decrease follows a decrease in population of 26 or .09% during the previous one-year period.

Approximately 82% of Vernon's labor force is employed outside the town. On a regional basis, our residents' income is derived from major insurance firms, defense industries, financial institutions and capital goods producers. The town's unemployment rate at June 30, 2013 was 7.5%, a .5% decrease from the June 30, 2012 rate of 8.0%. In recent history, the unemployment rate was 8.4% in 2011, 8.4% in 2010, 7.3% in 2009, 5.5% in 2008, 4.3% in 2007, 4.2% in 2006, and 4.9% in 2005. The unemployment rate continues to be influenced by the slow to steady growth in the overall economy. Vernon's unemployment rate compares favorably to that of the State of Connecticut, 8.1%, and for the nation, 7.8%.

The Town of Vernon generally shares the same economic health as the State of Connecticut and the Hartford region, therefore, experiencing the gains in service producing sectors of the economy, as the recovery from the 2008 recession is steady. In terms of jobs, Connecticut has regained about half of the 120,000 jobs lost in the recession, which trails the national average of approximately three quarters. Contributing factors include a shrinking and aging workforce. But job growth that lags behind the national trend is not a new phenomenon; it has been a consistent feature of Connecticut's economy, as has the attribute of wages long surpassing national averages. The continued investment into bio-science, medical care, education, the small business development center and new technologies retains the potential for substantive job growth in a recession-proof corner of the economy. Taken as a whole, decisions made in Congress have and will impact Connecticut's economic future, as will growing competition from surrounding states, such as the expansion of gaming industries in neighboring states, prospectively will impact state revenue. Connecticut, as home to one of the most developed economies in the world, can serve as a counterbalance to the uncertainty intrinsic in national and global economic outlooks, providing modest growth in the near future.

The October 1, 2012 grand list, effective for fiscal year 2013-14, decreased by .23% from the prior year, which included an increase in real property of .45%, a decrease in personal property of 9.39% and a decrease in motor vehicles of 2.17%. This follows a 9.20% decrease in the prior year grand list, which was influenced by a town wide revaluation of property. That decrease included decreases in real estate of 11.28% and 4.54% in personal property; and an increase in motor vehicles of 10.12%.

Property taxes have been supported by strong collection rates, averaging 98.30 % over the past ten years.

The number of building permits decreased from 2,017 to 1,903, and the value of those permits decreased from \$28,163,805 to \$27,638,857.

The 2013-2014 operating budget was approved by the Town Council and sent to the annual Town Meeting for adoption on April 23, 2013. The budget was petitioned to a referendum vote, held on May 7, 2013, at which the budget was not adopted. A second referendum vote on May 21, 2013 was unsuccessful; and at the third referendum held on June 4, 2013, the voters adopted the budget. The mil rate increased by 1.77 mils, or 5.26%, from 33.63 mils to 35.40 mils. We will continue to provide the voters with information to make knowledgeable decisions, as we have a responsibility to educate our residents on the programs and services presently provided, as well as those proposed.

The local economic base serves the region as a commercial, governmental, legal, and medical center. Local employment in manufacturing has been replaced by employment in these service areas. This shift is revealed in the additions to the tax base as planned development and new construction are related to retail commerce and professional services.

In November 2011, the Vernon Planning and Zoning Commission adopted an updated Plan of Conservation and Development, which became effective January 30, 2012. The updated plan focuses, in part, on revitalization of the Rockville section and on pursuing economic development opportunities at two primary interchanges on I-84, at exits 66 and 67.

The economic areas for new development are downtown Rockville, Vernon Circle, Lafayette Square, the I-84 corridor, and the Gerber Farm area.

Rockville Section:

The former Rockville mills section has made a transition from being primarily an industrial and commercial center to being a professional and governmental center. It is the site of local government, education, and State of Connecticut administrative offices and courthouses. The initial development of downtown Rockville occurred over one hundred years ago, creating its distinctive Victorian urban character and invaluable architecture. However, this also creates the need for reinvestment and modernization. Currently, the Planning and Zoning Commission is considering the establishment of a Village District Zone in the Rockville downtown area in an effort to ensure that future development is encouraged, but also be compatible with the historic attributes and character of this area. In addition to improvements to municipal and state buildings, the following recent advancements have been made.

The Town of Vernon has actively supported the redevelopment of the Village Street area adjacent to Rockville General Hospital in supporting the Vernon Nonprofit Housing Corporation's (VNHC) rehabilitation of eleven structures on the street, by providing Community Development Block Grant (CDBG) funds to assist first time home buyers. The houses controlled by VNHC have received environmental remediation and new roofs. The VNHC has renovated and sold 7 units on Village Street, is currently renovating 2 others and has erected an additional 4 units on vacant lots. To further this effort of reinforcing neighborhood rehabilitation activities, Village and Orchard Streets have recently been reconstructed.

The Rockville Public Library at 52 Union Street received approval in April 2009 for a new addition to the existing facility. Construction commenced in June 2013. In support of this effort, the Town worked with the Library to transfer resources from the Alice Maxwell Trust fund; and waived the \$45,210 building construction permit. At One Ellington Avenue, a carriage house to an existing long-vacant mansion was converted to seven apartments for veterans.

Conversion of the mansion into ten similar units began in the fall of 2012 and was dedicated in August, 2013. An additional four units have been approved by the Town during the fiscal year.

A long-time vacant building at 176 Union Street was sold and has undergone major renovations and, subsequently, was opened as a new restaurant in early 2012. Another vacant structure was recently converted into a convenience store / deli at 60 Prospect Street, which has cultivated a village feel to this neighborhood.

In October, 2008, the Vernon Planning and Zoning Commission (PZC) adopted zoning regulations for a comprehensive multi-family development zone. The PZC approved a preliminary plan in April, 2010 within this zone for 35 units on a 16-acre site at 41 Pleasant Street. It is anticipated that as market conditions improve with a boost in capital lending, an application for final approval will be submitted to build these units.

In October, 2010, the PZC revised an adaptive re-use zoning regulation originally developed for conversion of obsolete mill buildings and made it applicable to any structure in Rockville built no later than 1910 and containing a minimum of 5,000 square feet. This amendment will allow old buildings that have outlived their original uses to be returned to economically viable uses. There are four Mill properties that are in the process of being redeveloped and may make use of this provision (Talcott Mill, Hockanum Mill, Amerbelle Mill and Roosevelt Mill). These projects are in various stages of redevelopment.

Vernon Circle Area, Routes 30 and 83: Hartford Turnpike / Talcottville Road:

The Vernon Circle area continues to make a positive adjustment to the regional shopping center development in the Buckland Hills section of Manchester, and Evergreen Park in South Windsor, just one highway exit west on I-84. The Tri-City Plaza has a successful retail mix of value-oriented stores.

The State of Connecticut completed the reconstruction and safety improvements along a section of Talcottville Road (Route 83). This project extends from the I-84 off ramp, northerly to Pitkin Street and provides for improved operations and safety, by the addition of a center landscaped median, lane additions and traffic signal additions and modifications. This project, 100% funded by the State, supports and enhances the commercial and retail developments in the area.

The K-Mart Plaza, located on Pitkin Road and Route 30, and the Goodyear Tire Plaza, 378 Kelly Road, although both endured transition phases of businesses closing and new businesses opening, remain stable and attractive developments in promising locations. Scooter Pros, 99 Restaurant, Stop and Shop and Economy Oil on Hartford Turnpike; and Dunkin Donuts, the Sunoco and Citgo service stations, Taco Bell, McDonald's, all on Talcottville Road, as well as Johnnie's Mobil on West Street, have all been renovated in recent years.

In the past year, several auto dealerships have been remodeled with additions. At 704 Talcottville Road, Olenders Automotive is constructing an additional 8,900 square foot addition scheduled for completion in 2013. This project received approval for a three-year tax abatement phase-in; at 777 Talcottville Road, Scranton Motors has added 6,250 square feet to the existing structures; at 21 Hartford Turnpike, Key Hyundai has merged two lots and completely rebuilt their 20,737 square foot structure; and at 14 Hartford Turnpike, Suburban Subaru completed a 13,144 square foot renovation along with a 1,720 square foot addition in the current year. Also completed was an addition to Ray Seraphin Ford at 100 Windsor Ave, adding 2,862 square feet of space for a Quick Lane service center.

A proposed 70 room hotel, (Home 2 Suites project), to be located at 355-361 Kelly Road across from Holiday Express, has been approved which would include upgraded service facilities. The Candlewood Suites project received approval for a seven-year phase-in tax abatement. Plans to renovate the Holiday Express include a ground floor indoor pool, eliminating the first-floor rooms, and a new third floor resulting in a net increase of 4 rooms. Although the Colony Banquet Hall and Restaurant closed in December 2007, plans have been approved for a 70-room Marriot Spring Hill Suite Hotel in place of the Colony Restaurant on Hartford Turnpike. Presently, the project is non-active. Completion of these developments will strengthen the Vernon Circle area overall. There is a clear pattern that as the vacancies in Vernon Circle become occupied, the available space on the periphery is being filled and is becoming more attractive for extended development.

An 84-residential unit complex at Talcott Mill, 47 Main Street, is under reconstruction. In addition, an enhancement project was just completed along Main Street and Elm Hill Road in the historic section of Talcottville. Improvements include the development of a walking trail with informational signage, period lighting, the construction of an information center Kiosk, selective plantings, and entrance signage to the area. The project was 100% funded by the two federal grants, with exception of approximately \$12,800 for engineering and inspections costs.

A 3-acre portion of 400 Talcottville Road was subdivided to create 404 Talcottville Road where an 18,750 square foot Tractor Supply Company store was constructed in October 2012. The store offers a welcome addition to Vernon's retail base and offers a range of products not found elsewhere in Vernon. Also at 400 Talcottville Road, a two-story, 6,500 square foot medical office is under construction. The site at 404 Talcottville Road was re-subdivided into two parcels, including a proposed 9,000 square foot Dollar General store that will occupy 426 Talcottville Road.

The new owners of the former Heartland Plaza at 425 Talcottville Road continue restoration improvements and have made a remarkable visual change to the property. This highly visible and long time vacant and blighted commercial structure has undergone a vibrant and aesthetically pleasing overhaul. The upgraded site, currently including an upscale exercise facility, Cardio Express; a Verizon Wireless center; and with other tenants anticipated, has dramatically improved the marketability of the area.

A new Cumberland Farms convenience store and gasoline station at 333 Talcottville Road was completed in September, 2013. The store contains 4,514 square feet of retail space within an attractively designed building. Also in the area, an 8,372 square foot Liquor Store was constructed at 482 Talcottville Road in 2011. Pervious pavement was utilized within the parking areas, consistent with Low Impact Design (LID) principles.

In the current year, approval was granted by the Town for an 8,250 square foot multi-use retail store located at 444 Hartford Turnpike with construction scheduled for 2014.

The Santini Villas apartment complex, recently added 32 high-end residential units and a club house to their 1085 Hartford Turnpike development, and the construction of 66 units was completed at 1031 Hartford Turnpike. In addition, numerous condominium units with nearby access to Routes 30 and 83 have been recently constructed.

Stop & Shop, after making substantial renovations at its Windsorville Road store location, constructed a fuel station at 793 Talcottville Road, which is adjacent to the supermarket. Also, The Garden Barn, located at 212 West Street, has recently expanded their operation, doubling the useable space.

Lafayette Square:

The Lafayette Square commercial area has been experiencing steady development. The 28,000 square foot complex at 10 Hyde Avenue, known as 30 Lafayette Square, was purchased and the new owners rejuvenated the property, both interior and exterior, inclusive of architectural improvements to the building façade. In June 2010, the owners received approval to add a building containing a 1,800 square foot restaurant for a Dunkin Donuts and a 2,800 square foot area of retail space within the plaza. The building has been completed and opened early in 2011. Two proposals for assisted living elderly facilities of approximately 100 units each have been approved by the Planning and Zoning Commission (PZC), but no action has occurred. At 75 Hyde Avenue, construction continues for 76 luxury townhouse units at the new Bridlewood development. As part of this approval, the developer has offered to construct sidewalks from the new development along Route 30 to the Northeast School to safely accommodate school children. 56 Hyde Avenue was also converted last year from a dilapidated residential structure into a similar sized, yet completely modern, commercial building occupied by a dog grooming salon. At the shopping plaza on East Street, the Red Apple Supermarket gutted the interior and was completely renovated; and neighboring Nature's Grocer, a natural and organic food facility dedicated to a wheat and gluten free environment, recently expanded its store within the plaza. The store attracts customers from adjacent towns. Moore's Automotive received approval for a 1,227 square foot addition to its commercial building, along with other site improvements.

I-84 Corridor:

The I-84 corridor offers potential for office park development around the Exit #66 interchange and retail development around the Exit #67 interchange. Home Depot had received approval to build on the site but has since abandoned their plans. The site may, however, be marketed with the approval plan in place. The Town is considering a Tax Increment Financing District that would bring water and sewer lines up to the sites.

On the north side of Exit 67, the Planning and Zoning Commission significantly reduced a setback requirement within the mixed-use zone that substantially expands the buildable area within the zone.

The industrial park off Exit 66 continues to undergo minor development. A bulk propane distribution facility was approved late in 2009, and its construction was completed in 2011. A small addition was approved in 2010 for a vacant building in the park, which was purchased for the relocation of a business from a neighboring town.

Gerber Farm:

With co-investments from the Town of Vernon, a bridge and access road for the new Hockanum Boulevard was constructed several years ago. The bridge and road provide access to the approximately 275-acre Gerber Farm area for development. The developer constructed a 424-luxury rental unit complex, the Mansions at Hockanum Crossing, and three industrial buildings amounting to 64,000 square feet. Subsequently, the construction of Mansion 2 occurred, a 280 luxury apartment complex. Nine additional apartment buildings were constructed at Mansions II, 95 Hockanum Boulevard during the past year.

The project's total net assessment, considering its real estate and personal property is approximately \$61,725,320, ranking as the largest taxable property in the Town of Vernon.

Mill Properties (Amerbelle, Hockanum, Roosevelt and Talcottville Mills):

Industrial development continually proves to be the most difficult economic challenge for municipalities in Connecticut as manufacturers leave the state and available employment declines. The decline of industry in Vernon relates to the lack of industrial land and the obsolescence of existing facilities, as well as to the general diminishing of manufacturing employment. With only 7.6% of the town zoned for commercial and industrial use, the town continues to pursue the possibility of merging parcels of land for industrial development while facing the additional task of addressing the redevelopment of older mill properties.

The Town received a \$9,000 state technical assistance grant to provide architectural adaptive reuse drawings for Talcott Mill. The drawings were to be used to apply for federal and state tax credits and to establish potential construction costs for reuse of the mill. Owners of the former Talcottville Mill, on 47 Main Street, have received approval for Federal and State historic property tax incentives and grants to allow them to convert the now vacant deteriorating site into an 84-unit residential complex. The project received local approvals in September 2012 and the estimated construction start date of this project is in the spring of 2014. Owners of a planned project planned for 68 residential units at 215 East Main Street, the remediated former Roosevelt Mill site, have also received historic property tax credits and plans to commence construction in 2014. Two businesses currently occupy a portion of the Hockanum Mill at 200 West Main Street. The owner plans on renovating and developing a warehouse in support of a computer retail store, along with maintaining leases for other businesses. Amerbelle Mill located at Brooklyn and East Main Streets, ceased operations and closed in August 2012. The Town Council has authorized \$150,000 to secure and winterize the complex due to public safety concerns. Control over the Mill has been transferred to a private developers group familiar with adaptive reuse projects.

For the past three years, the economy has felt the impact of the inability that federal lawmakers demonstrate in managing fiscal matters. The budget showdown, debt ceiling crisis, the fiscal cliff, and ultimately the sequester that led to a government shutdown, which ended in sixteen days, just one day before the country would have exhausted its borrowing capacity. This type of crisis management resulted in a downgrade of the U.S. credit rating and continues to influence the overall economic recovery below its long-run potential, contributing to slower GDP growth. Funding to keep the U.S. government running has been authorized only through January 15, 2014, while the debt ceiling has been lifted through February 7th. Thus continued uncertainty about government spending plans is likely to constrain investment and hiring, at the very least, with those companies that contract with the government, consequently, an impact felt in Connecticut. If Congress can resolve the budgetary and debt limitation issues without drama, it will offer a much more favorable backdrop for hiring and capital investment. The prospect that the economy will continue to attain gradual growth at the end of the next twelve months is reasonable. Lacking a comprehensive economic recovery package, the overall economy will need to benefit from actions already in place, such as financial regulatory controls; health care relief; taxing multi-nationals, while rewarding companies that maintain jobs here rather than abroad; stabilizing energy prices; reductions to the U.S. trade deficit; the end of the recession in Europe; job creation programs; and moderate gains in the housing market. Improvements were achieved during 2013 in the Gross Domestic Product, employment and business spending, but the growth, as anticipated, did not accelerate as it normally has during past recoveries, as this remains the slowest recovery in the past seventy years.

For over three decades, the erosion of federal domestic spending has placed a serious burden on the budgets of state and municipal governments, and the spending pressures of global terrorist security and military operations, has exacerbated the situation. The continued reduction of military activity, among other aspects, will help to remedy deficit spending. Yet as that occurs, a myriad of natural disasters and the related cost has exposed how vulnerable the economy remains to unexpected events. Investments in infrastructure and education; and the continuance of the federal government discounting credit for community banks willing to make new business loans, especially to young entrepreneurs, will have a positive effect; and the approval of a new stimulus and jobs program will factor into a prospective long-term approach to economic recovery and stability.

For the Town of Vernon, successful and continued pursuit of the economic development cited in this section enables the town to take advantage of any gradual business expansion and demand for developmental sites, thus greeting the future with a stable tax base strengthened by those objectives.

Major Initiatives

General Government:

Renovations at the Town Hall Memorial Building continue, following the completion of extensive renovations to the third floor, which cost \$1,864,873. These improvements included an expanded Town Council Chambers and administrative offices. Funding was primarily supported by three state grants. During the fiscal year, \$75,000 was authorized by the Town Council for an improved Town Council Chambers audio/visual system. This project has yet to commence.

Renovations to the second floor mezzanine and former Town Council Chambers to serve the Finance Department commenced during the fiscal year and were substantially completed in October 2013. For a variety of reasons, inclusive of the movement of other departments in and out of Town Hall, this project had been deferred for twelve years. This concludes the renovations to the second floor. Funding for this project was provided by \$90,000 available from a designation in the Town Capital Nonrecurring Fund, along with an operating budget allocation of \$24,605.

The projects that ensued on the first floor include shelving for Town Clerk's office vault was completed at a cost of \$29,723. There is an additional allocation of \$16,111 for current modifications and \$190,000 is available major improvements to increase storage space by expanding the vault. Another project, funded in the amount of \$55,000, authorized building renovations at 55 West Main Street to house the Planning, Engineering and Economic Development Coordinator offices. Renovations are nearly completed with \$51,884 expended to date. With the movement to 55 West Main Street, along with the Registrar of Voters to Center 375, from the first floor of Town Hall, a newly constructed, and much needed conference room was completed at the space that was vacated for the Probate Court; and in addition, the Social Services Department moved from a rented facility to the first floor.

Americans with Disabilities Act (ADA) improvements to town facilities continued, and will proceed with available funds of \$102,389.

Other recent renovations include the expenditure of \$16,165 of State LOCIP grant funds for the replacing the Town Hall Annex building roof. The Town Data Center, located on the second floor of the Annex, operates as an internal service fund, and consolidates the general government and education IT functions. The Data Center was recently renovated to integrate and house the former school technology personnel, expanding the staff from four to ten. In response to expanding technology demands, the Town executed a four-year \$660,000 operating lease for the data center to acquire servers and storage that enabled the establishment of a unified network. The project was completed in October, 2012. The Town also approved \$83,965 to implement a new document management system for both the general government and school system, with one of the objectives to reduce physical storage requirements. Also, the general government and school system invested in time and attendance software and hardware at an approximate cost of \$143,125. The system will be hosted by an external company.

The Data Center is in its final stages of an optic fiber infrastructure project that is connecting the greater part of general government and school system buildings. The majority of the project is being funded through the internal service fund, along with a \$200,000 town allocation provided in the Capital Nonrecurring expenditures account. Grant funds through the State of Connecticut have also been sought. Project completion is anticipated by the end of fiscal year 2015.

Community Development:

In a continued effort to support and initiate interest in economic development in town, \$40,000 was appropriated to the Economic Development special revenue fund during the year to finance targeted advertising and marketing efforts. Annual appropriations to this Fund commenced in 1999 and have funded several property reuse studies, retail façade improvements and the most recent Plan of Conservation and Development and its Downtown Association. A fiscal year 2013/14 appropriation of \$39,600 further supports these efforts.

The town received a \$300,000 Community Development Block Grant (CDBG) award for housing rehabilitation during the fiscal year. This new project has just commenced and has recently been supplemented with an additional \$400,000 CDBG housing rehabilitation grant award in fiscal year 2013/14.

The Town is in the tenth year of a new housing rehabilitation grant / loan program that utilizes funds derived from former programs that produced loan program income. Participants that meet income requirements are eligible for projects involving owner occupied housing. A total of \$24,352 was expended this past fiscal year, with \$54,126 as the available balance. In June 2010, the Town Council approved a designation of \$250,000 of this available program income to fund phase III reconstruction improvements to Prospect Street. Such funding was fully utilized in fiscal year 2011/12.

During the current year, a Blight Reduction Special Revenue Fund was established to purchase or demolish blighted and unsafe structures in town. Proceeds from the sale of town-owned properties will fund these activities. Receipts of \$42,579 are currently available in this Fund. In recent years, the Town Council approved funding totaling \$199,927 for the demolition of certain foreclosed, blighted or fire damaged properties at Ward, Lawrence, McLean and High Streets, due primarily to public safety concerns; in addition to assisting the properties return to a collectable tax status and for provided parking use by the local hospital.

In August 2012, the operations at the Amerbelle Mill ceased. The Town Council authorized \$75,000 to winterize the building for public safety concerns. An additional \$75,000 was approved to further secure the Mill. A court injunction permits the Town access to the property. Prior to its closing, the Town secured and utilized a \$125,000 state grant to conduct an engineering and architectural feasibility study to determine the most effective building improvements for the Amerbelle Mill. In addition, the town received an additional \$196,000 federal grant to fund a roof replacement and additional building improvements, which were recently completed. A group of developers familiar with adaptive reuse have taken control over the complex.

As noted above, in the past year, the Town received a \$9,000 state technical assistance grant to provide architectural adaptive reuse drawings for Talcott Mill. In the less recent past, the Town received two state grants totaling \$1,200,000 which provided funding for selective site demolition and environmental remediation at the currently vacant Roosevelt Mill located at 215 East Main Street. These grant funds were preceded by federal Brownfield cleanup funds utilized for a site evaluation and remediation project recently completed. It is envisioned that the property will be redeveloped for future mixed use. Financing is currently being sought to move the project forward.

Also, the Town used a \$20,000 state grant award to fund a feasibility study of the Citizens Block. The town-owned Citizens Block is a primarily vacant commercial and mixed use 1879 building, adjacent to the 1867 senior center building, located next to Town Hall. This study required the use of \$17,303 from the town's Economic Development Fund to complete.

Public Safety:

The fire department's 155 members, the largest volunteer force in the state, enable the town to apply the savings from personnel costs to equipment needs. Although the members are not employees, the Town has recognized their commitment to protecting the lives and property of our residents, and has established a Length of Service Award Program (LOSAP). This is a non-qualified employer retirement plan that commenced on January 1, 2000. To attain normal retirement, a minimum of ten years of credited service is required, with maximum credited service of thirty years. Since inception, the Town has made its employer contribution to an investment fund set up exclusively for this program as follows:

Year	Employer Contribution
2000 through 2010	\$968,467
December 31, 2011	\$34,123
December 31, 2012	\$45,237

During the fiscal year, three fire trucks were acquired with proceeds of a lease purchase agreement at a cost of \$1,479,761. Accessory equipment for the trucks was purchased for \$25,380. Also during the year, the town fully expended a \$195,435 federal Firefighters Assistance Grant for the purchase of firefighting and protective equipment, emergency training equipment and a soft-shell emergency rehab portable structure. Funds totaling \$51,000 were encumbered at year-end to purchase a vehicle for the Fire Marshal and Police Captain. In addition, construction of a police firing range was completed using General and State Asset Forfeiture funds.

In May 2013, the town council authorized the use of state Local Capital Improvement Funds for a \$250,000 Police Digital Radio System Upgrade, a \$225,000 Fox Hill Communication Center Renovation and a \$16,450 Fire Monitoring and Suppression System in the equipment systems room of the Police Department.

In the past fiscal year, the Town received and utilized a \$300,000 Department of Justice COPS Tech grant and a \$100,000 state LoCIP grant to fund a digital Police radio system. The Town also used a federal Homeland Security grant award to fund the purchase of an \$85,428 emergency generator at the Vernon Center Middle School (recently used during the October 29, 2011 snow storm which resulted in an area power outage of 10 days).

The Town recently received and utilized four federal grants totaling \$156,309 for two police department vehicles, digital video equipment and in-car laptops and cameras; partial grant funding for a hybrid vehicle was also received. A federal \$2,826 DUI enforcement grant was used to fund DUI enforcement equipment. The Town Council approved \$44,000 for remediation of the police firing range. Two federal grants totaling \$16,716 were used to purchase emergency management equipment. During the year, the Town approved \$27,701 for a fire department air compressor; and \$30,000 to complete the \$105,000 radio project undertaken by the fire department to comply with the FCC narrow banding requirement. Other prior year grants have funded firefighter, ambulance and emergency management equipment and fire station improvements.

From February, 2011 to February, 2013, a period of twenty-five months, five weather events have resulted in federally declared disasters making the Town eligible to receive FEMA Public Assistance. The events included two historic snowstorms, in terms of record snowfall, a tropical storm resulting in damaging winds and flooding, a surprise October snowstorm that resulted in unprecedented tree damage and Superstorm Sandy which caused substantial tree damage as well. The town's Emergency Operations Center and Shelter locations were utilized for each event. Claims for Superstorm Sandy and Storm Charlotte were prepared in 2013 and the Town has successfully recouped approximately 75% of the costs of the five storms from FEMA to a total reimbursement of \$3,227,230, over the past three fiscal years. In addition, \$22,831 was recouped from the Federal Highway Transportation Administration for debris cleanup of federal-aid roads.

For the animal control facility, there is a remaining allocation of \$12,347 from a prior year \$58,000 appropriation to enclose the dog runs and expand the shelter; as well as a \$48,100 appropriation to construct an incinerator and \$17,000 for animal control shelter caging. Subsequent to June 30, 2013, the \$48,100 was re-designated by the Town Council for animal control renovations and caging.

Maintenance and Development:

On November 2, 2004, voters approved a public improvement bond authorization, and prior to June 30, 2011, the Town had issued four general obligation bonds: \$10,300,000 on February 15, 2007, \$5,000,000 on February 1, 2008, \$720,000 on February 12, 2009; and \$3,755,000 on April 12, 2011. In April 2012, the Town refunded several debt issues including several prior public improvement bond issues. The total amount of public improvement bonded (general purpose and sewer bonded) defeased debt was \$13,174,000. The April 11, 2012 refunding issue includes \$12,517,000 of public improvement bonded debt.

The authorizations / expenditures for the above projects are as follows:

Project	Amount Authorized	Expended Current Year	Expended Cumulative
Roads; sidewalks; and bridge reconstruction	\$ 19,103,000	\$ 379,056	\$ 17,939,590
Improvements to waste treatment plant	1,295,000	-	-
Improvements to sewer system	1,211,000	-	1,055,536
Issuance costs		-	182,301
Accrued note interest		-	712,745
Total:	\$ 21,609,000	\$ 379,056	\$ 19,890,172

The roadway improvements include the reconstruction / repaving of 22 town roads, replacement of sidewalks, and the renovation of two (2) bridges, on West Main Street and Bolton Road. Sidewalks have been constructed at Peterson Road at a cost of \$165,583. The sewer improvement projects have been completed and consist of relining a critical sewer line on Route 30; sewer repairs at twenty (20) various roads; and the replacement of the Dart Hill pump station equipment. The authorization to upgrade the waste treatment plant, to meet or surpass designated nitrogen limits, will not be utilized. The roadway improvement program is 99% complete.

In addition to the roadway improvement expenditures incurred by the Public Bond Improvements Fund noted above, the town's Town Aid Road special revenue fund expended \$207,562 during the year, including \$160,352 for paving and crack sealing of various town roads.

In the Town's Capital Nonrecurring Fund, \$26,457 was expended during the fiscal year utilizing the remainder of a \$240,000 state LoCIP grant for additional roadway repairs and improvements. In the prior year an \$800,000 authorization for roadway repairs and improvements was completed; which was preceded by another \$141,000 LoCIP grant, fully utilized for road improvements.

To address the rising pavement costs, the Town applied for offsetting grants in the recent past, and was awarded a \$500,000 federal CDBG grant to upgrade High Street and two CDBG grants totaling \$750,000 to upgrade Prospect Street. In addition, available CDBG program funds of \$250,000 were utilized to finance the third phase upgrade of Prospect Street. The efforts from the Vernon Department of Public Works to complete several roads during the course of the road improvement project, has saved the Town considerable costs.

The Town has received a grant from the State Department of Transportation (DOT) in conjunction with the Capital Region Council of Governments (CROG) for the reconstruction of a portion of South Street from Vernon Avenue to West Street. The grant is funded by the federal STP Urban funding program and is in the amount of \$3,257,700. Funding is provided through 80% federal, 10% state and 10% local funds. Survey activities were initiated in June 2013 and preliminary roadway design is underway. The town has funded the \$20,000 required match for estimated design costs. This project complements significant roadway and sidewalk improvements on a portion of nearby Vernon Avenue that were constructed by the State DOT in the recent past.

A \$925,000 federal STP grant has been awarded through CRCOG for the construction of various new sidewalks throughout the Town. A local match of \$185,000, or 20%, is required. In addition, a \$25,000 appropriation is available in the Town Capital Nonrecurring Fund for sidewalk construction.

Subsequent to fiscal year-end, the Town Council approved an ordinance to finance certain road reconstruction and improvements over a six year period with an authorization of bonds and notes not to exceed \$27,637,000. The proposal anticipates improvements to approximately 220 roadways. The ordinance requires voter approval and a referendum is set for January 28, 2014.

Construction work for the **River Street and Spring Street Bridges** has recently been completed. An 80% federal / 20% state grant provided funding for the \$1,947,948 replacement cost of the Spring Street Bridge and an 80% federal / 20% state grant provided funding for the \$1,581,268 River Street Bridge reconstruction project.

The **Bolton Road Bridge** reconstruction, completed in a prior year at a cost of \$986,754, was partially grant funded, while funding for the replacement of the **Phoenix Street Bridge** is provided by an 80 % federal / 10% state grant amounting to \$1,251,000. The 10% local match is funded by a \$145,000 Special Act state grant, avoiding the need to issue debt for this November 2008 referendum-approved project. Redesign costs of \$1,772 for this bridge were incurred during the fiscal year with available Town Capital Nonrecurring Funds, and reconstruction costs, totaled \$10,182 for the fiscal year. The bridge reconstruction was completed in the summer of 2012 at a final cost of \$1,397,346.

Design costs, now estimated at \$332,490, for the **West Main Street Bridge** are 80% federally funded and 20% locally funded through the Public Bond Improvements Fund. \$258,089 has been expended to date. The reconstruction cost, estimated at \$1,950,000, is also eligible for the 80% federal grant award; the 20% local requirement will be funded partially with available funds in the Public Bond Improvements Fund. The project has received all state, federal and local approvals; and has been advertised for construction bids, to be opened in January 2014. The construction date for this project is scheduled for April 2014.

The estimated cost for the replacement of the **Main Street Bridge** over the Tankerhoosen River is \$3,283,200. Funding for the replacement will be by an 80% federal grant of \$2,626,560, with the remaining 20%, or \$656,640, to be locally funded. Local funds of \$250,000 are currently appropriated and available in the Town Capital Nonrecurring Fund with the remaining \$406,640 recently authorized by Town Council to be provided by a state LoCIP grant. A November 2008 referendum to authorize such local funding was unsuccessful, therefore requiring identification of these two local funding sources. Consultants have submitted qualifications for the design of the project. The selection process is currently underway.

In addition, the DOT is currently designing the replacement of the existing bridge over the Hockanum River on Windsorville Road. All costs associated with this project for design and construction will be state administered and state funded.

There is also a \$40,000 appropriation available in the Town Capital Nonrecurring Fund for design of the Dart Hill Road bridge reconstruction project.

The Town continues to address major **rolling stock** demands in an effort to replace equipment and vehicles that have met their useful life. Besides being better equipped to serve the residents of Vernon, a favorable result of this effort is the reduction to overall maintenance budgets for the subsequent year.

During the fiscal year, the town entered into two capital lease purchase agreements totaling \$2,010,000 for the acquisition of two fire pumper trucks, a fire rescue truck, an automated refuse / recycling truck, an excavator, a loader mounted snow blower and a parks tractor. In addition, a new capital lease will be issued to finance five dump trucks at a cost of \$430,489 that have been acquired via internal funding, as well as three pickup trucks at a cost of \$105,959 and plows and truck bodies for new trucks at a cost of \$404,764. A parks dump truck, acquired in fiscal year 2013/14 at a cost of \$38,253, will also be included in the new capital lease.

Also during the fiscal year, a \$36,505 portable lift for fire apparatus was purchased along with a front loading refuse truck at a cost of \$60,055. Funds have also been encumbered to purchase a new vehicle for the Fire Marshal, \$26,120, and Police Captain, \$24,880. In addition, three police vehicles, at \$26,656 each, were purchased with a FY 2012/13 original budget appropriation; and the Cemetery department purchased a replacement pickup truck at a cost of \$28,333.

In the recent past, appropriations funding the purchase of new refuse and recycling tote containers for the Town's newly implemented automated refuse and single stream recycling program were approved. Available funds in the Town Capital Nonrecurring Fund were utilized to fund the \$279,000 purchase of refuse tote containers and the \$170,740 purchase of recycling tote containers. Further authorizations amounting to \$319,590 were approved to purchase additional refuse and recycling totes. These costs are being reimbursed to the Fund from the General Fund over a five year period. In addition, a federal grant was obtained to fund the \$108,756 purchase of additional recycling containers.

To further support this new program, the Town Council re-designated \$100,000 of available funds in the Town Capital Nonrecurring Fund to fund the purchase of two used automated side-loading refuse / recycling trucks and authorized the use of Town Capital Nonrecurring Funds to fund the \$214,839 purchase of a new automated side-loading refuse truck. A \$48,105 refuse truck was also purchased by the General Fund. In addition, as noted above, a \$224,633 refuse truck was acquired via lease purchase; and a \$60,055 front loading refuse truck was also purchased with available funds. An additional re-designation of \$60,000 was used to construct a new transfer station compactor to handle the additional recyclable collections. This has produced significant annual savings in hauling fees. Also, an asphalt hot patch reclaimer was obtained in a prior year capital lease.

Items also acquired in the prior fiscal year, include an \$119,380 roadside mower with funding from the CL&P Municipal Brush Control program; a \$30,790 hybrid vehicle supported by partial funding of \$8,168, from the Connecticut Clean Energy program; and two police vehicles at a cost of \$48,216, supported in part by the use of available Town Capital Nonrecurring Funds of \$28,516. In the recent past, the Town also purchased a new \$27,700 pickup truck and a used \$31,000 bucket truck for Public Works; three police cruisers were obtained through a \$67,500 capital lease; two new, low-emission lawn tractors totaling \$15,640 for the Vernon Cemetery department were purchased with partial funding from a \$6,255 state lawn equipment exchange fund grant which required the scrap metal recycling of the mowers replaced.

Other recent acquisitions include an Animal Control vehicle (\$19,898), a used backhoe for Parks and Recreation (\$44,725), a used fire department vehicle (\$2,495), a fire department trailer (\$3,633), a trailer for park and recreation (\$3,789), eleven GPS chemical control units for use in snow / ice removal (\$90,036) and, via capital lease, three (3) new dump trucks, one (1) refuse packer, a sweeper, vac-all and a recycling truck were acquired.

The Town Capital Nonrecurring Fund has a \$25,000 appropriation to upgrade generators at three town locations.

The Ambulance Medical Services account in the Special Revenue Fund reserves funds to periodically replace each of the three ambulances that the department maintains. Reserves, accumulated over the past several years, were used to fund the replacement of all three ambulances in current operation.

Bolton Lakes Wastewater Disposal: The Town of Vernon and the neighboring Town of Bolton entered into a consent order with the Connecticut Department of Environmental Protection (CTDEP) on October 14, 1999, requiring the towns to take the necessary steps to address wastewater disposal alternatives for the Bolton Lakes area. The design and construction costs of a sewer system are estimated to be \$21,699,000, with 29% or \$6,293,300 attributable to Vernon and the remainder to Bolton. Federal and state grants are estimated to offset approximately 57% of the costs, reducing Vernon's share to \$2,737,000, prior to the levy of assessments. Voters in both towns approved a special referendum held on September 27, 2005, regarding ordinances that guarantee funding for the project. Plans and funding applications have been completed. Construction, which is to be phased in over a five-year period to maximize grant-funding sources, commenced in the Bolton area in the spring of 2009 and in Vernon in 2012. Project work in Vernon is anticipated to be completed in 2015.

Parks and Recreation:

Recreation programs remain very popular with our residents as demand and participation increases. The town has 582 acres dedicated to recreation, which consist of 26 parks, 35 miles of trails, two pools, two beaches on lakes providing swimming, a camp, boat launch, picnic areas, and fishing and ice skating. Additionally, the Town has a teen center, numerous playgrounds, baseball and softball diamonds, soccer fields, and tennis and basketball courts. The department is also responsible for maintaining the athletic fields throughout the public school system, which includes a lighted football field and track.

Three federal grants totaling \$578,088 to fund design and construction enhancements in the Talcottville section of town have now been fully utilized. The improvements include a kiosk, period lighting, sidewalks, signage and other land improvements. Extensive renovations to the Vernon Community Arts Center were completed this year at a final cost of \$1,794,846 and were funded entirely by two state grants. A \$27,620 designation of Downstream Funds continues to be utilized to fund invasive aquatic species surveys, management studies and removal from Valley Falls and Gages Brook Ponds, Walkers Reservoir, Middle and Lower Bolton Lakes and the Hockanum Marshes. Of the designation, \$13,140 has been expended to date. The Town Council also authorized \$16,000 for repairs to the Fox Hill Tower at Henry Park, of which \$3,713 have been expended to date. In May 2012, the town council authorized the use of \$18,500 in state LoCIP grant funds to fund roof replacements at Camp Newhoca.

Also during the year, the town received a generous \$114,250 contribution from the Russell Hartmann Trust to fund a pavilion at Henry Park.

The State Bonding Commission has authorized \$605,000 for design and construction activities on the Valley Falls and Walkers' Reservoir dams. The Town's Capital Nonrecurring Fund also has a \$12,000 appropriation available for the proposed Valley Falls Park Dam reconstruction.

Recent park improvements included the following: Valley Falls Nature Center improvements, \$69,040, funded by state LoCIP grants; \$4,800 from the Downstream Fund to finance a completed Baseline Aquatic Study of the Dobsonville, Talcottville, Valley Falls and Eckers Ponds and Walkers Reservoir; replacement of restrooms at Valley Falls Park; renovations to Valley Falls Barn; trail improvements; improvements at Talcott Park; renovations to the Community and Horowitz Pools; \$715,112 of improvements at Rockville Central Park, funded by federal and state grants; \$283,000 of state grant funded restorations at the Vernon Historical Society Grange; Rockville Downtown and Train Depot and Mill rails-to-trails projects, which were funded by two federal grants totaling \$51,870; and three tree grants totaling \$7,167 expended to fund replacement of historic trees at Talcott and Henry Parks; and at Center 375. Also, the Parks Department expended \$11,400 for new refuse and recycling receptacles.

Education:

On March 29, 2005, voters approved three referenda questions for the renovations to school buildings and facilities and prior to June 30, 2011 the Town had issued four school bonds: \$2,515,000 on February 15, 2007; \$16,040,000 on February 1, 2008; \$10,155,000 on February 12, 2009; and \$1,600,000 on April 12, 2011. In April 2012, the Town refunded several debt issues including several prior school bond issues. The total amount of school defeased debt was \$23,016,000. The April 11, 2012 refunding issue includes \$22,168,000 of school bonded debt. Bond anticipation notes of \$3,730,000 were issued on April 11, 2012 and were retired on October 11, 2012, with the receipt of school construction progress payments from the State of Connecticut. The authorizations and expenditures are as follows:

Project	Amount Authorized	Expended Current Year	Expended Cumulative
Rockville High School - Additions & renovations	\$ 34,657,000	\$ 6,589	\$ 30,732,342
Vernon Center Middle School - Renovations	11,519,000	-	10,783,543
Center Road School	4,420,600	-	4,281,052
Lake Street School	5,828,800	-	4,958,686
Maple Street School	3,743,200	-	2,643,296
Northeast School	3,556,000	-	2,933,689
Skinner Road School	4,597,400	-	4,012,396
Total Elementary Schools - Additions and renovations	22,146,000	-	18,829,119
Issuance costs		-	338,891
Accrued note interest		29,011	1,175,907
Total:	\$ 68,322,000	\$ 35,600	\$ 61,859,802

The school building commission that was formed as of December 6, 2005, oversaw these completed projects. The recorded state progress payment reimbursements received as of June 30, 2013, is \$30,496,717. In addition, June 30, 2013, school progress receivables of \$124,599 have subsequently been received.

In addition to the school bond improvement authorization, several recent appropriations from the Education Capital Nonrecurring Fund have funded various school projects. Year-end education transfers to this Fund of \$394,000, \$53,306 and \$50,404 in the previous three fiscal years have provided funding for these appropriations which include two \$100,000 appropriations to repair the Vernon Center Middle School chimney; \$80,000 to replace the boiler at the Education Central Administrative building; \$10,000 to fund a Rockville High School boiler replacement insurance deductible; \$50,000 to construct a natural gas line to the Education's Central Administration building; \$25,000 for the Center Road School's gym wall repointing, just completed; \$50,000 for Center Road School's bridge roofs replacement; and \$50,000 for Rockville High School bathroom repairs.

In addition, a \$146,390 state grant is funding vocational education equipment. Of this amount, \$133,546 has been expended to date. Current available resources for future education projects total \$364,943.

Other prior year-end transfers funded recently completed Education Capital Nonrecurring Fund projects and include the \$337,186 repair and repointing of the Board of Education administration building, the \$76,104 repaving of the Board of Education parking lot and the \$44,000 track resurfacing project at the Rockville High School.

The School system has received approval for a "Safe Routes to School Infrastructure Program" 2012 federal grant, as administered by the Connecticut Department of Transportation in conjunction with the Capitol Region Council of Governments. The \$491,470 grant provides funding for pedestrian access upgrades for students to the Skinner Road Elementary School and includes sidewalks, trails, signage and pedestrian bridge improvements. A design consultant will be selected shortly to perform engineering design activities associated with this project.

In addition, the Vernon school system was awarded a \$386,394 state school security competitive grant to fund safety and security improvements at each of the Vernon schools. When combined with the required local match of \$151,828, the total amount available is \$538,222.

Long-Term Financial Planning

In the prior year, the Town refunded \$36,190,000 of general obligation bonded debt in April 2012 with a \$34,685,000 general obligation bond issue. The refunding resulted in a net present value savings of \$2,789,733; and net budgetary savings of \$3,716,215. Bond Anticipation Notes of \$3,730,000, outstanding at June 30, 2012 for school facilities renovations, were retired in October 2012 with the receipt of school construction project grants. In addition, in August 2012, the Town entered into capital leases for the acquisition of several public safety and public works vehicles. The \$2,010,000 in capital leases were used to acquire two fire pumper trucks, a fire rescue truck, an automated refuse / recycling truck, an excavator, a loader mounted snow blower and a parks tractor.

We will continue to revise the six-year capital improvement plan to address community demands, understanding that the budgetary constraints imposed by varied economic factors requires the diligent pursuit of grants and alternative resources to fund capital needs.

Relevant Financial Policies

The Town's financial policies have been applied consistently with the prior year and had no notable current year effect on the financial statements. There were no developments at the State level that impacted the current year financial statements.

Awards

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the Town of Vernon for its comprehensive annual financial report (CAFR) for the year ended June 30, 2012. The Certificate of Achievement is a prestigious national award recognizing conformance with the highest standards for preparation of state and local government financial reports. In order to be awarded a Certificate of Achievement, a government unit must publish an easily readable and efficiently organized comprehensive annual financial report, whose contents conform to program standards. The CAFR must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. Vernon has received a Certificate of Achievement for the last twenty-two consecutive years. We believe that our current 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.

Acknowledgements

The preparation of this report on a timely basis could not have been accomplished without the professional, efficient services of the dedicated members of the Finance Department. The preparation of a Comprehensive Annual Financial Report requires a major effort and I would like to extend special recognition to **Frank J. Zitkus, Controller**; and to express my appreciation for each of the following members of the department who assisted and contributed to the preparation of this report:

Penny Calcasola	Payroll Coordinator
Diane Luddecke	Budget Analyst
Raelene Phillips	Accountant - Procurement
Beverly States	Assistant Treasurer

I would also like to thank the staff of CohnReznick LLP, for their assistance and review of the document. And finally, we acknowledge the Mayor, the Town Administrator, and the members of the Town Council for their continued interest and support in planning and conducting the financial operations of the Town in a responsible and progressive manner.

Respectfully submitted,



James M. Luddecke
Finance Officer and Treasurer



Government Finance Officers Association

**Certificate of
Achievement
for Excellence
in Financial
Reporting**

Presented to

**Town of Vernon
Connecticut**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2012

Executive Director/CEO

Financial Section

Independent Auditor's Report

Town Council
Town of Vernon, Connecticut

Report on the Financial Statements

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 Vernon, Connecticut, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

Management's Responsibility 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.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business type-activities, each major fund and the aggregate remaining fund information of the Town of Vernon, Connecticut, as of June 30, 2013, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the general fund budgetary comparison information and the schedules of Funding Progress and Employer Contributions – Vernon Retirement System and Other Post Employment Benefit Plans on pages 27-42 and pages 101-115, respectively, 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.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Vernon, Connecticut's basic financial statements. The introductory section, supplemental schedules, statistical section and trend data section are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The supplemental schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplemental schedules are fairly stated in all material respects in relation to the basic financial statements as a whole.

The introductory, statistical and trend data sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 30, 2013, on our consideration of the Town of Vernon, Connecticut'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 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 of Vernon, Connecticut's internal control over financial reporting and compliance.

A handwritten signature in cursive script that reads "CohnReznick LLP".

Farmington, Connecticut
December 30, 2013



OFFICE OF THE
FINANCE DEPARTMENT

TOWN OF VERNON

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MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED JUNE 30, 2013

This discussion and analysis of the Town of Vernon, Connecticut's (Town) financial performance is provided by management as an overview of the Town's financial activities for the fiscal year ended June 30, 2013. Please read this MD&A in conjunction with the transmittal letter and the Town's financial statements, Exhibits A to K.

FINANCIAL HIGHLIGHTS

- The Town's total net position increased as a result of this year's operations. Net position of our business-type activities increased by \$741 thousand, or 4.24%; while net position of our governmental activities increased by \$528 thousand, or .45%.
- During the year, the Town generated tax and other revenues, totaling \$97.073 million, that were \$528 thousand more than the \$96.545 million in expenses for governmental activities.
- In the Town's business-type activities, although revenues decreased to \$6.572 million (a decrease of \$80 thousand or 1.20%), expenses were nearly level, increasing by \$5 thousand, resulting in increased net position of \$741 thousand.
- Total combined cost of Town governmental and business activities increased by \$1.285 million from \$101.091 million to \$102.376 million.
- The General Fund reported a total fund balance this year of \$11.404 million, inclusive of unassigned fund balance in the amount of \$10.016 million.
- Bond anticipation notes, for improvements to school facilities, of \$3.730 million were retired during the fiscal year with available funds.
- Lease purchase agreements of \$2.010 million were issued during the fiscal year to purchase several vehicles for the public works and parks departments and three fire trucks for the fire department.
- Despite two federally declared disasters, resources exceeded General Fund expenditures by \$290 thousand. This was accomplished by effectively managing appropriations by means of spending and hiring controls, decreased refuse disposal and health insurance costs; and increased collections in other revenue sources and current and prior taxes.
- The tax collection rate against the original levy was 98.1%; and 98.5% against the adjusted levy.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of a series of financial statements. The statement of net position and the statement of activities (Exhibits A and B, respectively) provide information about the activities of the Town as a whole and present a longer-term view of the Town's finances. Fund financial statements are presented in Exhibits C to K. For governmental activities, these statements tell how these services were financed in the short-term as well as what remains for future spending. Fund financial statements also report the Town's operations in more detail than the government-wide statements by providing information about the Town's most significant funds. The remaining statements provide financial information about activities for which the Town acts solely as a trustee or agent for the benefit of those outside of the government.

Government-Wide Financial Statements

The analysis of the Town as a whole begins with Exhibits A and B, found in the Basic Financial Statements section of this report. The statement of net position and the statement of activities report information about the Town as a whole and about its activities for the current period. These statements include all assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the Town's net position and changes to it. The Town's net position, the difference between assets and liabilities and deferred inflows of resources, is one way to measure the Town's financial health, or financial position. Over time, increases or decreases in the Town's net position is an indicator of whether its financial health is improving or deteriorating. The reader needs to consider other non-financial factors, however, such as changes in the Town's property tax base and the condition of the Town's capital assets, to assess the overall health of the Town.

In the statement of net position and the statement of activities, we divide the Town into two types of activities:

- *Governmental activities* — Most of the Town's basic services are reported here, including education, public safety, maintenance and development of streets and buildings, sanitation, human services, recreation, public improvements, community planning and development, and general administration. Property taxes, charges for services, and state and federal grants finance most of these activities.
- *Business-type activities* — The Town charges a fee to customers to help it cover all or most of the cost of certain services it provides. The Town's operation of the wastewater treatment facility and rentals at Center 375 are reported here.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

Fund Financial Statements

The fund financial statements begin with Exhibit C and provide detailed information about the most significant funds — not the Town as a whole. Some funds are required to be established by Charter. However, the Town Council establishes many other funds to help control and manage financial activities for particular purposes (like the Ambulance Services Fund, Sewer Assessments Fund, and Cemetery Operations) or to show that it is meeting legal responsibilities for using funds for those purposes, and other money (like grants received for education from the State and Federal governments and accounted for in the Special Revenue Fund). The Town's funds are divided into three categories; governmental, proprietary and fiduciary.

- *Governmental funds (Exhibits C, D and E)* — Most of the Town's basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the Town's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the Town's programs. The relationship (or differences) between governmental activities (reported in the statement of net position and the statement of activities) and the governmental funds is described in the reconciliations on Exhibits C and E.
- *Proprietary funds (Exhibits F, G and H)* — When the Town charges customers for the services it provides, whether to outside customers or to other units of the Town, these services are generally reported in proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the statement of net position and the statement of activities. In fact, the Town's enterprise funds (a component of proprietary funds) are the same as the business-type activities reported in the government-wide financial statements, but provide more detail and additional information, such as cash flows, for proprietary funds. Internal service funds (the other component of proprietary funds) are used to report activities that provide supplies and services for the Town's other programs and activities — such as the Town's Data Processing Internal Service Fund.
- *Fiduciary funds (Exhibits I and J)* — The Town is the trustee, or fiduciary, for its employees' pension and Other Post Employment Benefit plans. It is also responsible for other assets that, because of a trust arrangement, can be used only for the trust beneficiaries. All of the Town's fiduciary activities are reported in separate statements of fiduciary net position and changes in fiduciary net position. These activities are excluded from the Town's other financial statements because the Town cannot use these assets to finance its operations. The Town is responsible for ensuring that the assets reported in these funds are used for their intended purposes.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

GOVERNMENT-WIDE FINANCIAL ANALYSIS

NET POSITION

The Town's combined net position increased from a year ago from \$135.085 million to \$136.354 million. The analysis below focuses on the net position (Table 1) and changes in net position (Table 2) of the Town's governmental and business-type activities.

TABLE 1
NET POSITION
JUNE 30, 2013 AND 2012
In Thousands

	Governmental Activities		Business-Type Activities		Total	
	2013	2012	2013	2012	2013	2012
Current and other assets	\$ 24,160	\$ 32,729	\$ 8,845	\$ 7,515	\$ 33,005	\$ 40,244
Capital assets (net)	155,239	156,679	10,111	10,640	165,350	167,319
Total assets	179,399	189,408	18,956	18,155	198,355	207,563
Non-current liabilities outstanding	50,564	53,198	412	373	50,976	53,571
Other liabilities	9,193	13,332	311	290	9,504	13,622
Total liabilities	59,757	66,530	723	663	60,480	67,193
Deferred inflows of resources	1,521	5,285	-	-	1,521	5,285
Net investment in capital assets	107,081	102,048	10,111	10,640	117,192	112,688
Restricted	3,078	3,257			3,078	3,257
Unrestricted	7,962	12,288	8,122	6,852	16,084	19,140
Total net position	\$ 118,121	\$ 117,593	\$ 18,233	\$ 17,492	\$ 136,354	\$ 135,085

Governmental Activities

Net position of the Town's *governmental activities* increased by \$528 thousand or .45%, (\$118.121 million compared to \$117.593 million). Unrestricted net position — the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements — changed from \$12.288 million, at June 30, 2012, to \$7.962 million at the end of this year.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

Governmental Activities, continued

The change in governmental net position resulted primarily because of the following factors:

- 1) The increase in net position of the internal service funds applicable to governmental activities of \$280 thousand.
- 2) Capital assets activity and increases in other long-term liabilities (compensated absences, retirement obligations, accrued interest, and net OPEB) resulted in a net decrease in net position of \$1.172 million and \$316 thousand, respectively. These decreases were offset by the impact of debt activity totaling \$2.743 million.

The largest portion of the Town's net position, \$107.081 million or 90.60%, reflects its investment in capital assets, less any related debt used to acquire those assets that is still outstanding. The Town uses these capital assets to provide services to residents; consequently, these assets are *not* available for future spending. An additional portion of the Town's net position, \$3.078 million or 2.61%, represents resources that are subject to restrictions on how they may be used.

Business-Type Activities

In 2013, the net position of *business-type activities* increased by \$741 thousand or 4.24%, (\$18.233 million compared to \$17.492 million). Factoring into this change are reduced wage and benefit costs of \$30 thousand, reduced repair and maintenance costs of \$89 thousand and a decrease in utility costs of \$40 thousand in the Sewer User Fund. These and other favorable factors contributed to a \$762 thousand increase in Sewer User Fund net position. Center 375 rental revenues increased by \$4 thousand while repairs and maintenance costs increased by \$7 thousand and utilities expense increased by \$4 thousand from the prior year, contributing to the Fund's \$21 thousand decrease in net position.

Although there are \$8.122 million in the unrestricted net position, these funds however, cannot be used to make up for any decreases reported in governmental activities. The Town generally can only use this net position to finance the continuing operations of the wastewater treatment facility and Center 375.

CHANGES IN NET POSITION

The Town's total revenues were \$103.645 million. The total cost of all programs and services was \$102.376 million. Our analysis below separately considers the operations of governmental and business-type activities.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

TABLE 2
CHANGES IN NET POSITION
In Thousands

	Governmental Activities		Business-Type Activities		Total	
	2013	2012	2013	2012	2013	2012
Revenues:						
Program revenues:						
Charges for services	\$ 4,488	\$ 4,571	\$ 6,364	\$ 6,388	\$ 10,852	\$ 10,959
Operating grants and contributions	29,921	32,226			29,921	32,226
Capital grants and contributions	836	8,082			836	8,082
General revenues:						
Property taxes	58,972	57,712			58,972	57,712
Grants and contributions not restricted to specific programs	1,672	1,503			1,672	1,503
Investment income	135	35	1	1	136	36
Miscellaneous	1,005	1,079	207	263	1,212	1,342
Gain on sale of assets	44	173			44	173
Total revenues	97,073	105,381	6,572	6,652	103,645	112,033
Expenses:						
General government	5,907	5,374			5,907	5,374
Community and development	420	639			420	639
Public safety	12,414	16,324			12,414	16,324
Maintenance and development	8,841	8,937			8,841	8,937
Human services	1,311	1,385			1,311	1,385
Park, recreation and culture	2,658	2,391			2,658	2,391
Education	63,367	58,713			63,367	58,713
Interest on long-term debt	1,627	1,502			1,627	1,502
Sewer user			5,644	5,645	5,644	5,645
Center 375 (rental)			187	181	187	181
Total expenses	96,545	95,265	5,831	5,826	102,376	101,091
Change in net position	528	10,116	741	826	1,269	10,942
Net position - July 1	117,593	107,477	17,492	16,666	135,085	124,143
Net position - June 30	\$ 118,121	\$ 117,593	\$ 18,233	\$ 17,492	\$ 136,354	\$ 135,085

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

Governmental Activities

As noted earlier, net position from governmental activities increased \$528 thousand. Since the Town began preparing a statement of net position as of June 30, 2003, this is the eighth increase in the eleven-year period.

On the revenue side, key factors to the overall \$8.308 million decrease from the prior year were as follows:

- Property tax revenues, which comprise 60.75% of the Town's governmental activities revenues, increased by \$1.260 million as a result of the increase in the adopted budget and related levy to fund increased appropriations.
- Charges for services decreased by \$83 thousand, due primarily to decreases of \$31 thousand in educational tuition receipts, \$39 thousand in sewer connection charges, \$61 thousand in cafeteria sales, \$36 thousand in police special services and \$22 thousand in recycling fees; these decreases were partially offset by increases in town clerk receipts of \$82 thousand and \$7 thousand in park program fees.
- Operating grants and contributions decreased by \$2.305 million, a result of a \$2.781 million decrease in FEMA public assistance grant reimbursements received last year for federally declared disasters versus such assistance received in the current year; this decrease was partially offset by an increase of \$288 thousand in education grants, including a \$23 thousand increase in cafeteria grants, and \$176 thousand in Parks and Recreation revenues, including a \$114 thousand park pavilion contribution.
- Capital grants and contributions decreased by \$7.246 million due primarily to a \$3.959 million decrease in school construction grants, \$1.277 million decrease in bridge reconstruction grants, a \$400 thousand decrease in police equipment grants, \$187 thousand decrease in road improvement grants and \$1.467 million decrease in building (arts center) improvement grant receipts.
- Unrestricted investment earnings increased by \$100 thousand, reflecting an increase in the market value of invested assets.

For governmental activities, expenses increased \$1.280 million, or 1.34%, from the previous year. Of the total expenses of \$96.545 million, 65.6% are for educational services; 12.9% for public safety; 9.2% for maintenance and development; and 6.1% for general government.

Major expense factors include:

- The cost of educational services increased by \$4.654 million due primarily to increased general fund operating costs of \$1.877 million, including significant increases in special education costs, curriculum development, information technology and benefits costs; in addition on behalf retirement costs increased by \$189 thousand, cafeteria operational costs increased by \$63 thousand, special education grant costs increased by \$399 thousand, local adult education costs increased by \$153 thousand and allocable information technology costs increased by \$160 thousand.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

- General government costs increased by \$533 thousand, which included an increase for information technology operating and allocable costs of \$236 thousand; and increases in pension contributions, OPEB plan costs, municipal insurance costs offset by reductions in self-insured health insurance and workers' compensation costs.
- Community and development costs decreased by \$219 thousand due primarily to reduced federally funded roadway repair and improvement costs.
- Public safety costs decreased by \$3.910 million due primarily to reduced emergency storm related costs. In the prior year, \$3.418 million were expended on such costs compared to \$94 thousand in the current year. In addition, fire fighting and ambulance operating service costs were lower in the current year.
- Maintenance and development costs were \$96 thousand less than last year. Disposal fees for refuse disposal were negotiated and reduced and the volume of refuse and recycled materials removed were less than the prior year.
- Interest on long-term debt increased by \$125 thousand from the prior year based upon scheduled debt service payments.

Table 3 presents the cost of each of the Town's five largest programs — education, public safety, maintenance and development of streets and buildings, general government administration, interest on long-term debt and all other services — as well as each program's net cost (total cost less revenues generated by the activities.) The net cost shows the financial burden that was placed on the Town's taxpayers and other general revenues by each of these functions.

TABLE 3
GOVERNMENTAL ACTIVITIES
In Thousands

	<u>Total Cost of Services</u>		<u>Net Cost of Services</u>	
	2013	2012	2013	2012
Education	\$ 63,367	\$ 58,713	\$ 33,073	\$ 24,737
Public safety	12,414	16,324	11,281	15,140
Maintenance and development	8,841	8,937	7,712	3,612
General government	5,907	5,374	4,849	2,254
Interest on long-term debt	1,627	1,502	1,089	1,144
All others	4,389	4,415	3,296	3,499
Total	\$ 96,545	\$ 95,265	\$ 61,300	\$ 50,386

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

Business-type Activities

Revenues of the Town's business-type activities (see Table 2) decreased by 1.20 percent, or \$80 thousand, (\$6.572 million in 2013 compared to \$6.652 million in 2012) and expenses, remained nearly level, increasing by \$5 thousand. The factors influencing these results were: A reduction in service charge revenues from the prior year of \$28 thousand, due primarily to reduced septic fee and delinquent interest collections and increased rental receipts of \$4 thousand. In addition, miscellaneous revenues were lower than the prior year by \$56 thousand.

An increase in expenses of \$5 thousand is comprised of a decrease in utility costs of \$36 thousand, reduced wage and benefit costs of \$30 thousand, reduced repair and maintenance costs of \$82 thousand and decreased depreciation expense of \$5 thousand, offset by increases of \$158 thousand in other operating costs including supplies and materials and general and administrative.

TOWN FUNDS FINANCIAL ANALYSIS

Governmental Funds

As the Town completed the year, its governmental funds (as presented in the balance sheet - Exhibit C) reported a combined fund balance of \$17.59 million, which is a decrease of \$500 thousand from last year's total. Of total fund balance, \$6.18 million is nonspendable, committed or restricted because it has been committed for construction contracts, is set aside for capital projects and equipment, trust funds, special assessment debt service and inventory.

Included in this year's total change in fund balance is an increase of \$290 thousand in the Town's General Fund. The unassigned fund balance, which assigned \$431 thousand for encumbrances less than the prior year, reflects an overall increase of \$721 thousand. The unassigned fund balance of the General Fund at June 30, 2013 is \$10.016 million, which represents 12.10% of estimated revenues for the ensuing year. Maintaining adequate fund balance reserves allows the Town flexibility when budgets are restricted, emergency funds are needed, and prevents cash flow problems and the related costs that can result. It is essential to have reserves available to provide funding support for major capital projects that await reimbursement from grant or bond proceeds. Also, income earned by keeping the funds invested assists in limiting the need for future tax increases. The primary reasons for the General Fund's increase include some of the areas discussed in the governmental funds highlights on the following page, and as reported in Exhibit D.

The Town's other major governmental funds are the Debt Service, Public Bond Improvement and School Bond Improvement Funds. The Debt Service Fund collects annual contributions from area municipalities equal to their share of annual debt service payments relative to the latest upgrade to the Waste Treatment Plant (WTP) facility. The Town's annual contribution of the WTP debt service is transferred in from the General Fund. The Debt Service Fund receivable balance represents area municipality future debt service contributions. This Fund experienced a net increase of \$173 thousand resulting in a \$180 thousand fund balance. The increase is attributable to a one-time \$180 thousand supplemental contribution from the Town of Ellington allowing Ellington increased maximum daily flows into the Town's waste treatment plant.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

The Public Bond Improvement Fund expended available funds on continued roadway and bridge improvements. Fund balance is currently \$150 thousand, a decrease of \$379 thousand from the prior year. The School Bond Improvement Fund received intergovernmental revenue during the fiscal year increasing its fund balance by \$269 thousand from \$41 thousand to \$310 thousand.

Changes in fund balances of Nonmajor Governmental Funds include the following: in the Special Revenue Fund there was a decrease of \$115 thousand, with gains of \$111 thousand in the Sewer Connection Fund and \$212 thousand in the Miscellaneous Special Revenue Fund, including a \$114 contribution towards a park pavilion. Fund balance decreases include \$81 in Cafeteria Fund, \$75 thousand in the Sewer Assessment Fund and \$163 thousand in the Medical Savings Reserve Fund, primarily due to utilizing \$300 thousand of available funds transferred to the General Fund to cover excess special education costs incurred during the year. In addition, decreases in the Special Education and Adult Education Funds totaled \$91 thousand. The Nonmajor Capital Projects Fund had a decrease of \$855 thousand including a decrease in fund balance in the Education Capital Nonrecurring Fund of \$131 thousand and a decrease in fund balance in the Town Capital Nonrecurring Fund of \$720 thousand, primarily the result of capital asset equipment purchases to be financed by a future capital lease; and the Permanent Trust Fund increased by \$117 thousand due increased investment earnings.

Proprietary Funds

The Town accounts for five proprietary funds, two as Business-Type activities and three as Governmental Activities - Internal Service Funds, which are reported in Exhibits F, G and H. The Sewer User Fund and Center 375 are established as self-supporting Business-Type activities that reported a change in net position amounting to a \$775 thousand increase. The **Sewer User Fund** is established for the operation and maintenance of the wastewater treatment plant. Quarterly bills for sewer usage and interest earned on investments generate its resources. The net increase to the Sewer User Fund net position is \$796 thousand as compared to an increase of \$831 thousand in the prior year. An increase in the sewer user rate offset an anticipated reduction in treated flow resulting in a similar year-end gain. The October 1, 2012 sewer rate of \$5.86 was increased by 3.0% from the October 1, 2011 rate of \$5.69 per 1,000 gallons. The October 1, 2013 sewer user rate was not increased from the October 1, 2012 rate. The plant is in the sixteenth year of operation since major renovations, and the facility itself is reported in the Governmental Activities.

Center 375 is a former elementary school renovated for the rental of office space to private firms and to Town departments. The renovation was conducted in a manner that would enable the Town to restore the building back to a school if enrollments so demanded. The result of the year's activity decreased net position by \$21 thousand.

The **Internal Service Funds** are supported by department budgets. The **Data Processing Fund** serves both the Town and school administrations, which equally support its operating expenses. The future needs of the department require continual upgrades to the various computer systems, as well as maintaining a network for sharing common software and databases. Net position decreased by \$98 thousand primarily as a result of additional hired staff and a reconfiguration of the hardware infrastructure.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

The **Workers' Compensation Fund** provides for self-insurance of workers' compensation and is supported by contributions from the General and Sewer User Funds, as well as investment income. For fiscal year-end June 30, 2013, expenses exceeded revenues by \$30 thousand, decreasing the prior year net position deficit from \$1.495 million to \$1.525 million. Claims incurred for fiscal year 2012/13 decreased from the prior year from \$1.024 million to \$544 thousand resulting in this small net position reduction. The allocation of adequate contributions in the next year to meet financial demands is based on actual experience. The **Medical Self-Insurance Fund**, which became effective January 1, 2006, provides medical prescription coverage for employees and retirees. Effective July 1, 2007, dental coverage for general government employees and retirees became self-insured. The fund is supported by contributions from all covered participants and employer contributions. Contribution amounts are based upon historical experience of claims incurred and paid, and third-party administrators process the claims. At June 30, 2013, net position was \$726 thousand, an increase of \$281 thousand from the prior year, primarily due to favorable dental claims, changes in prescription plan provisions and supplemental education prescription contributions.

General Fund Budgetary Highlights

Differences between the original budget and the final amended budget amounted to an increase of \$2.915 million. Included in that amount is \$1.498 million of encumbrances carried forward from the previous fiscal year, of which \$1.076 million were expended; and \$232 thousand liquidated and \$190 thousand re-appropriated; and \$1.649 million of current year budget amendments that can be classified as follows:

Pass-through additional appropriations are those supported by revenue and other sources, amounting to \$995 thousand during the year, including \$596 thousand related to education activities; \$178 thousand for collections remitted to the state of Connecticut by the Town Clerk for the farmland and historic preservation act; \$12 thousand for youth service part-time wages; \$50 thousand in police special services pay; \$5 thousand for emergency management equipment and \$154 thousand for other items. Although these additional appropriations had revenue and other funding sources, they were legally appropriated from fund balance.

Other additional appropriations amounting to \$654 thousand were taken from fund balance position primarily for costs of debris removal and emergency management services, totaling \$110 thousand, for costs of three federally declared FEMA disasters during the fiscal year. Also, \$45 thousand were appropriated for attorney labor relations costs; \$61 thousand for Police overtime, \$75 thousand for capital improvements, \$67 thousand for computer software, \$73 thousand for snow removal, \$85 thousand for municipal insurance and \$138 thousand in other costs. These additional appropriations include funds for primary and election costs, payment of compensated absences and unemployment compensation. FEMA reimbursement of federally disaster costs were received subsequent to emergency management additional appropriation approvals totaling \$183 thousand.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

Actual final expenditures totaled \$81.587 million and can be summarized as follows. The budgetary unexpended, unencumbered resulted in a favorable amount of \$860 thousand. Contained within this amount are favorable variances of \$95 thousand in general government spending; \$58 thousand for police services; \$29 thousand in emergency management; \$13 thousand in firefighting services, \$109 thousand in refuse and recycling collection; \$23 thousand in public works maintenance; \$13 thousand for parks and recreation maintenance; \$16 thousand for FICA, and \$196 thousand for group insurance, the result primarily due to increased enrollment in a high deductible health plan and unfilled vacancies. The unused portion of these budgets exceeded the additional appropriations, (excluding pass-through appropriations) by \$206 thousand dollars. As the fiscal year progresses, financial measures are taken to manage areas where additional costs are required, as well as projecting revenue shortfalls. One example is a hiring deferral to cover additional costs associated with the payment of compensated absences. Another is seeking out alternative revenue sources such as prior year special education Medicaid reimbursements to help offset the increased costs of special education tuitions.

On the revenue side, final actual revenues exceeded the original budget by \$1.278 million due to favorable (unfavorable) variances in the following categories: \$183 thousand in federal reimbursement of three federally-declared weather related storms with all other intergovernmental revenue \$61 thousand below original estimates. Other revenues in excess of estimates include \$633 thousand in tax collections due to effective pursuit of current and prior taxes; charges for services were above estimates by \$227 thousand due in most part to the farmland preservation surcharge, \$180 thousand, police special services, \$91 thousand, and youth service receipts, \$7 thousand, which in turn are appropriated to cover the respective costs. Town Clerk recording fees were below projections by \$79 thousand. Licenses and permits were above projections by \$3 thousand for collections pertaining to building and transfer station permits. The decrease in interest rates produced a shortfall of \$44 thousand in investment income. Other financing sources were above original estimates by \$353 thousand due primarily to sale proceeds of capital assets, \$45 thousand, and a \$300 thousand transfer from the Medical Reserve Special Revenue Fund to cover excessive special education costs. Other revenue, which includes items such as insurance and gasoline reimbursements, were below estimates by \$25 thousand.

The Town's General Fund total of both revenue and expenditures differs from the amounts in Exhibit D and as reported in the budgetary basis comparison in the required supplementary information by \$5.171 million. This amount represents the on-behalf payments of the State of Connecticut contributions to the Teachers' Retirement System.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2013, the Town had \$165.35 million invested in a broad range of capital assets, net of depreciation, including land, buildings, park facilities, vehicles and equipment, roads, bridges, storm water drainage and sewer lines (see Table 4). This amount represents a net decrease (including additions and deductions) of \$1.97 million, or 1.19%, less than last year.

TABLE 4
CAPITAL ASSETS, NET
In Thousands

	Governmental Activities		Business-Type Activities		Total	
	2013	2012	2013	2012	2013	2012
Land	\$ 8,325	\$ 8,325	\$ 1,268	\$ 1,268	\$ 9,593	\$ 9,593
Construction in progress	20,845	24,062			20,845	24,062
Land improvements	2,297	1,873	39	45	2,336	1,918
Buildings and improvements	83,061	83,559	1,424	1,544	84,485	85,103
Machinery and Equipment	9,635	8,110	1,877	2,069	11,512	10,179
Intangible - computer software	39	105	25	32	64	137
Infrastructure	31,037	30,645	5,478	5,682	36,515	36,327
Total	\$155,239	\$156,679	\$10,111	\$10,640	\$165,350	\$167,319

Additions to total capital assets for the 2012-13 year were \$4.179 million, net of construction-in-progress reductions. Deductions to capital assets include \$5.949 million in depreciation expense, which considers a net loss of \$200 thousand in the disposal of depreciable capital assets. Construction-in-progress of \$20.845 million is for the following (in thousands):

Road & bridge reconstruction projects	\$ 19,590
Animal control facility expansion	46
School additions & renovations	70
Park improvements	10
Town office improvements	148
Sewer system improvements	981
Total Construction in progress	\$ 20,845

More detailed information about the Town's capital assets is presented in Notes I.C. and III.C. to the financial statements.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

Debt Administration

At June 30, 2013, the Town had \$46.748 million in bonds, notes, and lease purchase obligations outstanding versus \$49.396 million last year, a decrease of \$2.648 million or 5.36% - as shown in Table 5.

TABLE 5
LONG-TERM OBLIGATIONS
In Thousands

	Governmental Activities		Business-Type Activities		Total	
	2013	2012	2013	2012	2013	2012
General obligation bonds (backed by the Town)	\$39,335	\$42,190	\$ -	\$ -	\$39,335	\$42,190
Notes payable	5,614	7,160	-	-	5,614	7,160
Lease purchases	1,799	46	-	-	1,799	46
Total	\$46,748	\$49,396	\$ -	\$ -	\$46,748	\$49,396
Bond anticipation notes	\$ -	\$ 3,730	\$ -	\$ -	\$ -	\$ 3,730

Lease purchase agreements totaling \$2.010 million were issued during the year, while long-term debt principal payments of \$4.659 million were made.

The Town's Aa2 general obligation bond rating was reviewed and reaffirmed by Moody's Investors on March 26, 2012, as part of a recalibration to a global rating scale. The Town's prior rating, from March 23, 2011, was also Aa2. Moody's rating is, in essence, an equivalent rating which has been assigned to the Town's debt since 1994.

The State limits the amount of general obligation debt that cities can issue, utilizing a formula determined under State Statutes based on type of debt and tax base. The Town's outstanding general obligation debt is significantly below this \$411.8 million state-imposed limit.

Other obligations include accrued vacation pay and sick leave. More detailed information about the Town's long-term liabilities is presented in Note III.F. to the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The Town's elected and appointed officials considered many factors when setting the fiscal year 2013-2014 budget tax rates and fees that will be charged for the business-type activities. One of those factors is the economy. The unemployment rate for the Town at year-end was 7.5%, .5% less than the prior year-end. This compares with the State's unemployment rate of 8.1% and the national rate of 8.0 %.

Although inflation in the Northeast Urban area has consistently been more than the national Consumer Price Index (CPI) for all urban consumers - U.S. towns' rate, the Town's CPI increase was 1.49% for fiscal year 2013 compared with the average U.S. town rate of 1.74%.

These indicators were taken into account when adopting the General Fund budget for fiscal year-end 2014. Total appropriations in the General Fund budget are \$82.799 million, an increase of \$2.200 million over the original 2013 budget. Property taxes, total \$61.280 million, a revenue increase of \$2.974 million from 2013 levels. In the next fiscal year, the estimated aid from the State of Connecticut is expected to decrease by \$782 thousand to \$19.200 million, representing 23.19% of total revenue in the General Fund.

The Town will use these increases in revenues to finance programs currently offered and to offset the effect that we expect price increases will have on program costs. Increased funding for education, \$2.314 million, general government, \$241 thousand, and public safety, \$27 thousand, constitute the major increases in the 2013-14 budget, as capital improvements decreased by \$122 thousand and debt service decreased by \$214 thousand. There was little in the way of new programs in the General Fund, with the exception of a continuation of a policy concerning fuel conservation; the implementation of electronic payables and purchasing cards to improve procurement; the expansion of credit card acceptance for building and fire permits; and the execution of automated refuse and recycling services, reducing the tipping fees associated with solid waste; and the utilization of a compactor to reduce hauling costs. In an effort to develop cost control for special education costs, the school system and general government are engaging in financial and program consultation. Health insurance plans for all employee bargaining groups have been further redesigned to provide present and future budgetary relief, in addition to increasing the cost sharing to participants; and procuring new providers through competitive negotiations. The transition from a defined benefit to a defined contribution retirement plan for new employees in several bargaining groups focuses on budget relief in the long term. Technology advances, most notably a town-wide connectivity infrastructure, is nearing completion, with the combined effort of both the general government and school system. This project is expected to improve departmental operations and provide internal and public access to information.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

From a financial perspective and as detailed in this annual financial report, the Town of Vernon successfully addressed the many financial obstacles of 2012-13 through prudent, conservative fiscal management without a serious interruption of services. The 2013-14 Town budget experienced an overall 2.73% increase in appropriations with an increase of 1.77 mills in the tax rate from 33.63 to 35.40.

With the understanding of economic conditions; a slight decrease in the grand list; a reduction in revenue other than taxes, and a significant investment in the operating budget of the school system and town-wide computer systems; overall spending in the remaining operational budgets was reduced, most notably by health insurance plan redesign and continued savings from refunding bonded debt. Vernon will continue to address the difficult budgetary and economic times through sound management, well-managed fund balances and an active attention to its economic development program.

Concerning the Town's business-type activities, much attention has been given in the past and will continue in the future to preserve favorable unrestricted net position. As in all areas, most especially the waste treatment facility, the elevated cost of energy resources is a major concern. The Town continues to negotiate for price reductions on a town-wide basis with suppliers.

CONTACTING THE TOWN'S FINANCIAL MANAGEMENT

This financial report is designed to provide citizens, taxpayers, customers, investors and creditors with a general overview of the Town's finances and to show the Town's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Finance Department, Town of Vernon, 14 Park Place, Vernon, Connecticut 06066.

Basic Financial Statements

TOWN OF VERNON, CONNECTICUT

**STATEMENT OF NET POSITION
JUNE 30, 2013**

	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL
<u>ASSETS</u>			
Current assets:			
Cash	\$ 8,595,916	\$ 2,522,596	\$ 11,118,512
Investments	7,137,388	4,419,848	11,557,236
Receivables (net):			
Property taxes	1,072,814		1,072,814
Intergovernmental	3,083,782		3,083,782
Other	970,572	1,497,608	2,468,180
Internal balances	(404,898)	404,898	-
Other assets	80,647		80,647
Total current assets	20,536,221	8,844,950	29,381,171
Noncurrent assets:			
Restricted assets (temporary):			
Cash	98,034		98,034
Investments	412,914		412,914
Total restricted assets	510,948	-	510,948
Restricted assets (permanent):			
Cash	5,000		5,000
Investments	1,691,935		1,691,935
Total restricted assets	1,696,935	-	1,696,935
Receivables (net):			
Property taxes	798,004		798,004
Loans	196,666		196,666
Total receivables (net)	994,670	-	994,670
Other noncurrent assets:			
Net pension asset	421,164		421,164
Capital assets (net of accumulated depreciation):			
Land	8,324,925	1,267,840	9,592,765
Construction in progress	20,845,064		20,845,064
Intangible assets (net of accumulated amortization)	39,190	24,500	63,690
Buildings and improvements	83,061,346	1,423,487	84,484,833
Improvements other than buildings	2,297,150	39,119	2,336,269
Machinery and equipment	9,634,644	1,877,373	11,512,017
Infrastructure	31,037,000	5,478,353	36,515,353
Total capital assets (net of accumulated depreciation)	155,239,319	10,110,672	165,349,991
Total noncurrent assets	158,863,036	10,110,672	168,973,708
TOTAL ASSETS	179,399,257	18,955,622	198,354,879

(Continued)

TOWN OF VERNON, CONNECTICUT

**STATEMENT OF NET POSITION
JUNE 30, 2013**

	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL
<u>LIABILITIES</u>			
Current liabilities:			
Accounts payable	\$ 1,825,486	\$ 195,336	\$ 2,020,822
Accrued payroll and related liabilities	326,395		326,395
Accrued interest payable	567,141		567,141
Bond and notes payable	4,109,052		4,109,052
Capital lease payable	218,702		218,702
Compensated absences	1,001,551	115,591	1,117,142
Retirement obligations	680,795		680,795
Claims payable and other	464,593		464,593
Total current liabilities	9,193,715	310,927	9,504,642
Noncurrent liabilities:			
Bonds and notes payable and related liabilities	40,839,643		40,839,643
Capital lease payable	1,579,841		1,579,841
Compensated absences	3,038,496	357,028	3,395,524
Retirement obligations	2,448,869		2,448,869
Claims payable and other	661,776		661,776
Net OPEB obligation	1,994,992	54,999	2,049,991
Total noncurrent liabilities	50,563,617	412,027	50,975,644
TOTAL LIABILITIES	59,757,332	722,954	60,480,286
<u>DEFERRED INFLOWS OF RESOURCES</u>			
Deferred charge on refunding	1,410,936		1,410,936
Advance property tax collections	109,695		109,695
TOTAL DEFERRED INFLOWS OF RESOURCES	1,520,631	-	1,520,631
<u>NET POSITION</u>			
Net investment in capital assets	107,081,145	10,110,672	117,191,817
Restricted for:			
Endowments:			
Nonexpendable	1,696,935		1,696,935
Expendable	510,963		510,963
Grant programs	409,496		409,496
Sewer assessment	89,392		89,392
Cemeteries	184,036		184,036
Housing and community development	29,450		29,450
Education	157,770		157,770
Unrestricted	7,962,107	8,121,996	16,084,103
TOTAL NET POSITION	\$ 118,121,294	\$ 18,232,668	\$ 136,353,962

(Concluded)

TOWN OF VERNON, CONNECTICUTSTATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2013

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Governmental activities:							
General government	\$ 5,907,367	\$ 1,033,606	\$ 11,205	\$ 13,424	\$ (4,849,132)	\$	\$ (4,849,132)
Community development	419,554	8,422	20,581	49,950	(340,601)		(340,601)
Public safety	12,414,267	1,092,752	40,640		(11,280,875)		(11,280,875)
Maintenance and development	8,841,241	590,490	205,203	334,043	(7,711,505)		(7,711,505)
Human services	1,310,967				(1,310,967)		(1,310,967)
Parks, recreation and culture	2,657,811	778,727	234,475		(1,644,609)		(1,644,609)
Education	63,366,856	984,549	28,870,799	438,512	(33,072,996)		(33,072,996)
Interest on long-term debt	1,626,972		537,752		(1,089,220)		(1,089,220)
Total governmental activities	96,545,035	4,488,546	29,920,655	835,929	(61,299,905)	-	(61,299,905)
Business-type activities:							
Sewer user	5,644,174	6,198,859				554,685	554,685
Center 375 (building rental)	186,503	165,268				(21,235)	(21,235)
Total business-type activities	5,830,677	6,364,127	-	-	-	533,450	533,450
Total	\$ 102,375,712	\$ 10,852,673	\$ 29,920,655	\$ 835,929	\$ (61,299,905)	\$ 533,450	\$ (60,766,455)
General revenues:							
Property taxes					\$ 58,971,919	\$	\$ 58,971,919
Grants and contributions not restricted to specific programs					1,671,664		1,671,664
Investment income					135,297	724	136,021
Miscellaneous					1,005,114	206,990	1,212,104
Gain on sale of assets					44,449		44,449
Total general revenues					61,828,443	207,714	62,036,157
Change in Net Position					528,538	741,164	1,269,702
Net Position at July 1, 2012					117,592,756	\$ 17,491,504	\$ 135,084,260
Net Position at June 30, 2013					\$ 118,121,294	\$ 18,232,668	\$ 136,353,962

See Notes to Basic Financial Statements.

TOWN OF VERNON, CONNECTICUT

GOVERNMENTAL FUNDS
BALANCE SHEET
JUNE 30, 2013

	General	Debt Service	Public Bond Improvements	School Bond Improvements	Nonmajor Governmental Funds	Total Governmental Funds
ASSETS						
Cash	\$ 5,700,066	\$ 180,000	\$ 712	\$ 452,412	\$ 2,102,745	\$ 8,435,935
Investments	3,368,016	131			4,835,131	8,203,278
Receivables (net):						
Taxes	1,754,356					1,754,356
Intergovernmental	680,736	1,208,340		236,850	957,856	3,083,782
Other	187,458				756,902	944,360
Loans					196,666	196,666
Due from other funds	3,746,953		661,000		183,376	4,591,329
Inventory					36,257	36,257
Total assets	<u>\$ 15,437,585</u>	<u>\$ 1,388,471</u>	<u>\$ 661,712</u>	<u>\$ 689,262</u>	<u>\$ 9,068,933</u>	<u>\$ 27,245,963</u>
LIABILITIES						
Accounts and other payables	\$ 1,225,307	\$	\$ 36,402	\$ 112,251	\$ 424,287	\$ 1,798,247
Accrued wages and benefits	326,395					326,395
Due to other funds	844,442	131	474,906	267,000	2,208,758	3,795,237
Total liabilities	<u>2,396,144</u>	<u>131</u>	<u>511,308</u>	<u>379,251</u>	<u>2,633,045</u>	<u>5,919,879</u>
DEFERRED INFLOWS OF RESOURCES						
Unavailable revenues:						
Property taxes	1,498,156					1,498,156
Advance property tax collections	109,695					109,695
Grants	29,400	1,208,340				1,237,740
Loans					196,666	196,666
Sewer assessments and user charges					2,723	2,723
Ambulance charges					689,505	689,505
Total deferred inflows of resources	<u>1,637,251</u>	<u>1,208,340</u>	<u>-</u>	<u>-</u>	<u>888,894</u>	<u>3,734,485</u>
FUND BALANCES						
Nonspendable					1,733,192	1,733,192
Restricted					1,381,107	1,381,107
Committed			150,404	310,011	2,608,452	3,068,867
Assigned	1,388,542	180,000			712,047	2,280,589
Unassigned	10,015,648				(887,804)	9,127,844
Total fund balances	<u>11,404,190</u>	<u>180,000</u>	<u>150,404</u>	<u>310,011</u>	<u>5,546,994</u>	<u>17,591,599</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 15,437,585</u>	<u>\$ 1,388,471</u>	<u>\$ 661,712</u>	<u>\$ 689,262</u>	<u>\$ 9,068,933</u>	<u>\$ 27,245,963</u>

(Continued)

TOWN OF VERNON, CONNECTICUT
RECONCILIATION OF FUND BALANCE
TO NET POSITION OF GOVERNMENTAL ACTIVITIES
JUNE 30, 2013

AMOUNTS REPORTED FOR GOVERNMENTAL ACTIVITIES IN THE STATEMENT OF NET POSITION (EXHIBIT A) ARE DIFFERENT FROM THE GOVERNMENTAL FUND BALANCE SHEET. THE DETAILS OF THIS DIFFERENCE ARE AS FOLLOWS:

TOTAL FUND BALANCE (EXHIBIT C, PAGE 1)	\$ 17,591,599
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CAPITAL ASSETS USED IN GOVERNMENTAL ACTIVITIES ARE NOT FINANCIAL RESOURCES AND, THEREFORE, ARE NOT REPORTED IN THE FUNDS:

Beginning capital assets	156,679,481
Less Internal service fund capital assets	(428,770)
Current capital asset additions	4,150,040
Less Internal service fund capital assets additions	(48,445)
Depreciation expense	(5,390,546)
Less Internal service fund capital assets depreciation	117,194
Disposal and sale of capital assets	(199,656)
Less Internal service fund disposal and sale of capital assets	381

OTHER LONG-TERM ASSETS ARE NOT AVAILABLE TO PAY FOR CURRENT PERIOD EXPENDITURES AND, THEREFORE, ARE DEFERRED IN THE FUNDS:

Property tax and sewer assessment interest and lien accrual	691,462
Property tax, sewer assessment, grant, ambulance services and community development block loan receivable - accrual basis change	3,624,790
Allowance for doubtful accounts	(575,000)
Net pension asset	421,164

INTERNAL SERVICE FUNDS ARE USED BY MANAGEMENT TO CHARGE THE COST OF VARIOUS SELF-INSURED RISK PREMIUMS AND DATA PROCESSING OPERATION TO INDIVIDUAL DEPARTMENTS:

The assets and liabilities of the internal service funds are included in governmental activities in the statement of net position	(640,144)
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SOME LIABILITIES, INCLUDING BONDS PAYABLE, ARE NOT DUE AND PAYABLE IN THE CURRENT PERIOD AND, THEREFORE, ARE NOT REPORTED IN THE FUNDS:

Bonds, notes and related liabilities	(39,335,000)
Deferred charge	(1,410,936)
Accrued interest payable	(567,141)
State of Connecticut clean water notes	(5,613,695)
Compensated absences	(4,040,047)
Less Internal service fund compensated absences	17,762
Capital leases	(1,798,543)
Net OPEB liability	(1,994,992)
Retirement obligations	(3,129,664)

NET POSITION OF GOVERNMENTAL ACTIVITIES	\$ <u>118,121,294</u>
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(Concluded)

TOWN OF VERNON, CONNECTICUT

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2013**

	General	Debt Service	Public Bond Improvements	School Bond Improvements	Nonmajor Governmental Funds	Total Governmental Funds
Revenues:						
Property taxes	\$ 58,939,088	\$	\$	\$	\$	\$ 58,939,088
Intergovernmental	25,275,405			304,965	6,526,009	32,106,379
Assessments					4,683	4,683
Charges for services	1,842,617				2,513,372	4,355,989
Gifts and contributions		537,752			244,135	781,887
Income on investments	1,054	131			133,991	135,176
Other	416,345				584,086	1,000,431
Total revenues	86,474,509	537,883	-	304,965	10,006,276	97,323,633
Expenditures:						
Current:						
General government	3,230,952				17,333	3,248,285
Community development	241,139				60,713	301,852
Public safety	8,169,618				1,009,045	9,178,663
Maintenance and development	5,222,913				399,497	5,622,410
Human services	974,251				82,285	1,056,536
Parks, recreation and culture	1,358,243				664,880	2,023,123
Townwide	7,054,780					7,054,780
Education	54,365,055				6,918,036	61,283,091
Debt service	4,365,302	1,662,040		29,011		6,056,353
Capital outlay	57,787		379,056	6,590	3,610,070	4,053,503
Total expenditures	85,040,040	1,662,040	379,056	35,601	12,761,859	99,878,596
Excess (Deficiency) of Revenues over Expenditures	1,434,469	(1,124,157)	(379,056)	269,364	(2,755,583)	(2,554,963)
Other Financing Sources (Uses):						
Lease purchase of equipment					2,010,000	2,010,000
Sale of assets	44,830					44,830
Transfers in	528,085	1,304,288			413,433	2,245,806
Transfers out	(1,717,721)	(6,734)			(521,351)	(2,245,806)
Total other financing sources (uses)	(1,144,806)	1,297,554	-	-	1,902,082	2,054,830
Net Change in Fund Balances	289,663	173,397	(379,056)	269,364	(853,501)	(500,133)
Fund Balances at July 1, 2012	11,114,527	6,603	529,460	40,647	6,400,495	18,091,732
Fund Balances at June 30, 2013	\$ 11,404,190	\$ 180,000	\$ 150,404	\$ 310,011	\$ 5,546,994	\$ 17,591,599

See Notes to Basic Financial Statements.

TOWN OF VERNON, CONNECTICUT

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES OF GOVERNMENTAL FUNDS TO STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2013**

AMOUNTS REPORTED FOR GOVERNMENTAL ACTIVITIES IN THE STATEMENT OF ACTIVITIES
(EXHIBIT B) ARE DUE TO:

NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS (EXHIBIT D) \$ (500,133)

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 expense. This is the amount by which capital outlays exceeded depreciation in the current period:

Capital outlay	4,101,595
Depreciation expense	<u>(5,273,352)</u>

Total	<u>(1,171,757)</u>
-------	--------------------

The net effect of various miscellaneous transactions involving capital assets (i. e., sales, trade-ins and donations) is to increase net position. In the Statement of Activities, only the *loss* on the sale of capital assets is reported. However, in the governmental funds, the proceeds from the sale increase financial resources. Thus, the change in net position differs from the change in fund balance by the cost of the capital assets sold:

(199,275)

Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds and revenues recognized in the Fund Financial Statements are not recognized in the Statement of Activities:

Change in property tax, sewer assessment, grant, ambulance services and community development block loan receivable - accrual basis change	(310,783)
Change in property tax and sewer assessment interest and lien revenue	<u>2,729</u>

Total	<u>(308,054)</u>
-------	------------------

The issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the Statement of Activities. The details of these differences in the treatment of long-term debt and related items are as follows:

Debt issued or incurred:	
Capital lease	(2,010,000)
Principal repayments:	
General obligation bonds and notes payable	4,401,643
Deferred charges	94,064
Capital lease payable	<u>257,566</u>
	<u>2,743,273</u>

(Continued)

TOWN OF VERNON, CONNECTICUT

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES OF GOVERNMENTAL FUNDS TO STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2013**

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:

Compensated absences	\$ 263,390
Retirement obligations	42,215
Net OPEB obligation	(297,466)
Accrued interest payable	<u>(323,892)</u>
Total	<u>(315,753)</u>
Internal Service Funds are used by management to charge costs of various self-insured risk premiums and Data Processing operations to individual departments	<u>280,497</u>
The net revenue of the activities of the Internal Service Fund is reported with governmental activities	<u>(260)</u>
CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES (EXHIBIT B)	<u><u>\$ 528,538</u></u>
	(Concluded)

TOWN OF VERNON, CONNECTICUT

STATEMENT OF NET POSITION - PROPRIETARY FUNDS
JUNE 30, 2013

	Business-Type Activities			Governmental Activities
	Sewer User	Center 375	Total	Internal Service Funds
Assets:				
Current assets:				
Cash	\$ 2,480,457	\$ 42,139	\$ 2,522,596	\$ 263,015
Investments	3,337,157	1,082,691	4,419,848	1,038,959
Receivables (net)	1,496,238	1,370	1,497,608	26,212
Prepaid expense			-	27,820
Total current assets	7,313,852	1,126,200	8,440,052	1,356,006
Capital assets (net):				
Land and land improvements	838,180	645,711	1,483,891	
Buildings and plant	4,213,500	1,874,857	6,088,357	
Machinery and equipment	8,573,316	25,207	8,598,523	256,486
Infrastructure	10,661,856		10,661,856	245,734
Intangibles - computer software	49,000		49,000	387,279
Accumulated depreciation	(15,376,444)	(1,394,511)	(16,770,955)	(529,859)
Capital assets (net)	8,959,408	1,151,264	10,110,672	359,640
Total assets	16,273,260	2,277,464	18,550,724	1,715,646
Liabilities:				
Current liabilities:				
Accounts and other payables	183,477	11,859	195,336	16,791
Claims payable			-	464,593
Due to other funds	14,439		14,439	775,531
Accrued compensated absences	115,591		115,591	6,965
Total current liabilities	313,507	11,859	325,366	1,263,880
Noncurrent liabilities:				
Claims payable			-	661,776
Accrued compensated absences	357,028		357,028	10,797
Net OPEB obligation	54,999		54,999	
Total noncurrent liabilities	412,027	-	412,027	672,573
Total liabilities	725,534	11,859	737,393	1,936,453
Net Position:				
Net investment in capital assets	8,959,408	1,151,264	10,110,672	359,640
Unrestricted	6,588,318	1,114,341	7,702,659	(580,447)
Total Net Position	\$ 15,547,726	\$ 2,265,605	17,813,331	\$ (220,807)
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds			419,337	
Net position of business-type activities (Exhibit A)			\$ 18,232,668	

See Notes to Basic Financial Statements.

TOWN OF VERNON, CONNECTICUT

**STATEMENT OF REVENUES, EXPENSES AND CHANGES
IN FUND NET POSITION - PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2013**

	Business-Type Activities			Governmental Activities
	Sewer User	Center 375	Total	Internal Service Funds
Operating Revenues:				
Charges for services	\$ 5,543,764	\$ 165,268	\$ 5,709,032	\$ 1,739,767
Gifts and contributions			-	1,409,268
Other:				
Septic fees	573,923		573,923	
Delinquent interest	71,828		71,828	
Miscellaneous	9,344		9,344	48,555
Total operating revenues	6,198,859	165,268	6,364,127	3,197,590
Operating Expenses:				
Wages and benefits	2,093,032		2,093,032	504,019
Repairs, maintenance and rentals	457,932	17,664	475,596	394,878
Utilities	1,647,305	44,985	1,692,290	11,844
Supplies and materials	511,046	19,165	530,211	2,265
General and administrative	386,326	61,076	447,402	221,818
Claims incurred			-	1,641,921
Depreciation	514,916	43,613	558,529	117,194
Total operating expenses	5,610,557	186,503	5,797,060	2,893,939
Operating Income (Loss)	588,302	(21,235)	567,067	303,651
Nonoperating Revenues (Expenses):				
Investment income	547	177	724	121
Insurance and other reimbursements	206,990		206,990	
Loss on disposal of capital assets			-	(381)
Net nonoperating revenues (expenses)	207,537	177	207,714	(260)
Income (loss) before capital contribution	795,839	(21,058)	774,781	303,391
Capital contributed			-	13,424
Change in Net Position	795,839	(21,058)	774,781	316,815
Total Net Position at July 1, 2012	14,751,887	2,286,663		(537,622)
Total Net Position at June 30, 2013	\$ 15,547,726	\$ 2,265,605		\$ (220,807)
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds			(33,617)	
Net change in net position of business-type activities (Exhibit B)			\$ 741,164	

See Notes to Basic Financial Statements.

TOWN OF VERNON, CONNECTICUT

STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2013

	Business-Type Activities			Governmental Activities
	Sewer User	Center 375	Total	Internal Service Funds
Cash Flows from Operating Activities:				
Service charges collected	\$ 5,231,223	\$ 176,317	\$ 5,407,540	\$ 1,860,595
Contributions collected				1,396,234
Other operating revenues collected	577,284		577,284	55,355
Cash payments for employee wages and benefits	(2,067,945)		(2,067,945)	(493,637)
Cash payments for goods and services	(2,985,179)	(135,949)	(3,121,128)	(530,675)
Cash payments for other operating expenses				(2,198,545)
Cash receipts (payments) of due to balance				600,000
Net cash provided by (used in) operating activities	755,383	40,368	795,751	689,327
Cash Flows from Capital and Related Financing Activities:				
Purchase of capital assets	(24,107)	(4,763)	(28,870)	(35,021)
Cash Flows from Investing Activities:				
Investment income	547	177	724	121
Cash Flows from Noncapital Financing Activities:				
Insurance and other reimbursements	196,021		196,021	
Net Increase (Decrease) in Cash and Cash Equivalents	927,844	35,782	963,626	654,427
Cash and Cash Equivalents at July 1, 2012	4,889,770	1,089,048	5,978,818	647,547
Cash and Cash Equivalents at June 30, 2013	5,817,614	1,124,830	6,942,444	1,301,974
Cash Equivalents Reported as Investments	(3,337,157)	(1,082,691)	(4,419,848)	(1,038,959)
Cash, June 30, 2013	\$ 2,480,457	\$ 42,139	\$ 2,522,596	\$ 263,015
Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used) in Operating Activities:				
Operating income (loss)	\$ 588,302	\$ (21,235)	\$ 567,067	\$ 303,651
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:				
Add:				
Depreciation expense	514,916	43,613	558,529	117,194
Bad debt expense		6,875	6,875	
Decrease in accounts receivable			-	119,075
Decrease in due from other funds		4,173	4,173	
Decrease in prepaid expense	31,850		31,850	16,570
Increase in accounts payable	16,590	6,942	23,532	
Increase in claims payable				
Increase in accrued compensated absences	28,267		28,267	3,103
Increase in due to other funds				600,756
Increase in OPEB obligation	7,511		7,511	
Deduct:				
Increase in accounts receivable	(390,352)		(390,352)	(4,481)
Decrease in accounts / claims payable				(466,541)
Decrease in due to other funds	(41,701)		(41,701)	
Net adjustments to operating income (loss)	167,081	61,603	228,684	385,676
Net Cash Provided by (Used in) Operating Activities	\$ 755,383	\$ 40,368	\$ 795,751	\$ 689,327

Schedule of noncash capital and related financing activities:

\$ 7,300 of Sewer User Fund capital assets, gross of accumulated depreciation of \$7,300, were disposed of during the fiscal year.
 \$ 1,790 of Data Processing Internal Service capital assets, gross of accumulated depreciation of \$1,409, were disposed of during the fiscal year and \$13,424 of capital assets were contributed by the Town to the Data Processing Internal Service Fund.

TOWN OF VERNON, CONNECTICUTSTATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS

DECEMBER 31, 2012 AND JUNE 30, 2013

	Pension Trust Funds December 31, 2012	Other Post Employment Benefit Trust Fund June 30, 2013	Private- Purpose Trust Fund June 30, 2013	Agency Funds June 30, 2013
Assets:				
Cash	\$	\$ 41,946	\$ 275,633	\$ 464,205
Investments, at fair value (pooled):				
Pooled fixed income		229,045	237,941	178,537
Mutual funds:				
Domestic equity	21,176,722			
International equity	5,810,673			
Corporate bond	8,957,746			
Money market	43,888			
International bond	119,774			
Guaranteed investment account	12,949,049			
Total investments	49,057,852	229,045	237,941	178,537
Accounts receivable		404	33,548	
Due from other funds				66
Total assets	49,057,852	271,395	547,122	642,808
Liabilities:				
Accounts and other payables	20,830	109,680		641,274
Due to other funds		4,654		1,534
Unearned revenue		40		
Total Liabilities	20,830	114,374	-	642,808
Net Position:				
Held in trust for pension and OPEB benefits and other purposes	\$ 49,037,022	\$ 157,021	\$ 547,122	\$ -

See Notes to Basic Financial Statements.

TOWN OF VERNON, CONNECTICUT

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
FOR THE YEARS ENDED DECEMBER 31, 2012 AND JUNE 30, 2013

	Pension Trust Funds December 31, 2012	Other Post Employment Benefit Trust Fund June 30, 2013	Private- Purpose Trust Fund June 30, 2013
Additions:			
Contributions:			
Employer	\$ 3,199,500	\$ 80,000	\$
Employee	1,332,034		
Retirees		947,787	
State		129,077	
Private			53,582
Other		4,915	
Total contributions	4,531,534	1,161,779	53,582
Net investment income	4,787,526	12	7,245
Total additions	9,319,060	1,161,791	60,827
Deductions:			
Benefit payments/annuity purchases	4,340,495	1,081,779	
Refund of contributions	74,631		
Administrative expense	178,039		
Awards			26,771
Total deductions	4,593,165	1,081,779	26,771
Change in Net Position	4,725,895	80,012	34,056
Net Position at January 1 and July 1, 2012	44,311,127	77,009	513,066
Net Position at December 31, 2012 and June 30, 2013	\$ 49,037,022	\$ 157,021	\$ 547,122

See Notes to Basic Financial Statements.

TOWN OF VERNON, CONNECTICUTNOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2013**HISTORY AND ORGANIZATION**

The Town of Vernon was incorporated in 1808. The Town has operated under a Mayor-Town Council form of government, with a full-time Town Administrator, since 1970 as prescribed by the Connecticut General Statutes and its charter, which was adopted October 13, 1964 and last revised November 6, 1990. The Town provides the following services: public safety (police, fire and ambulance), public works (public facility, street and infrastructure maintenance and solid waste disposal), parks and recreation, youth and social services, wastewater treatment, and education encompassing grades PreK-12.

The Town has considered all agencies, departments, commissions, boards (including the Board of Education), authorities and funds to determine the "financial reporting entity" of the Town. The "financial reporting entity" includes all the significant funds of the Town.

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**A. Government-Wide and Fund Financial Statements**

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the Town. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment, and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

Separate financial statements are provided for governmental funds, proprietary funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

The various funds included in the financial statements are described below:

Governmental Funds

Governmental funds are those through which most governmental functions typically are financed.

General Fund is the primary 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. Revenues are derived primarily from property taxes, state and federal grants, licenses, permits, charges for services and interest income.

TOWN OF VERNON, CONNECTICUT
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Governmental Funds (Continued)

Special Revenue Funds account for revenue derived from specific sources (other than major capital projects) that are restricted by legal and regulatory provisions to finance specific activities.

Debt Service Fund accounts for the resources accumulated and payments made for principal and interest on long-term general obligation debt.

Capital Project Funds account for all financial resources used for the acquisition or construction of major capital facilities not being financed by proprietary funds.

Permanent Funds are used to report resources that are legally restricted to the extent that only earnings, and not principal, may be used for purposes that support the Town's programs.

Proprietary Funds

Proprietary funds are used to account for activities that are similar to those often found in the private sector. These funds are accounted for on the flow of economic resources measurement focus and use the accrual basis of accounting. The following are the Town's proprietary funds:

Enterprise Funds account for operations that are financed in a manner similar to private business enterprises, where the intent is that costs of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges. The Sewer User Fund and Center 375 Fund are the Town's enterprise funds.

Internal Service Funds account for the financing of goods or services provided by one department to other departments or agencies of the Town on a cost-reimbursement basis. The Data Processing Fund, Workers' Compensation Fund and the Medical Self-Insurance Fund are the Town's internal service funds.

Fiduciary Funds

Fiduciary funds are used to account for assets held by the Town in a trustee capacity or as an agent for individuals, private organizations and other governments. Fiduciary funds are not included in the government-wide statements. The fiduciary funds are as follows:

Pension Trust Funds account for the accumulation of resources to be used for retirement annuity payments in accordance with contract amounts and times in the future.

Other Post Employment Benefit Trust Fund accounts for the accumulation of funds to be used for payments of retiree health insurance in accordance with employee bargaining contracts.

Private-Purpose Trust Fund accounts for the receipt of private donations to be used for awards to individual students of the Vernon school system.

TOWN OF VERNON, CONNECTICUT
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fiduciary Funds (Continued)

Agency Funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operation. The School Activity Fund, Miscellaneous Activity Fund and the Bid Bond Deposit Fund are the Town's agency funds.

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

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Agency funds do not have a measurement focus but are reported on the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Town considers intergovernmental revenues to be available if they are collected within one year of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds.

Property taxes, expenditure reimbursement type grants, certain intergovernmental revenues, charges for services, licenses and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received.

The Town reports the following major governmental funds:

The General Fund is the Town's primary operating fund. It accounts for all financial resources of the Town, except those required to be accounted for in another fund.

The Debt Service Fund accounts for the resources accumulated and payments made for principal and interest on long-term general obligation debt.

The Public Bond Improvements Fund, a capital projects fund, accounts for costs to reconstruct certain town roads, sidewalks and bridges, and other improvements, as authorized by Town referendum.

TOWN OF VERNON, CONNECTICUT
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The School Bond Improvements Fund, a capital projects fund, accounts for the costs associated with additions and renovation of Vernon schools, as authorized by Town referendum.

The Town reports the following major proprietary funds:

The Sewer User Fund accounts for the activity of the waste treatment plant. The types of revenues recorded in this fund are charges for services, connection and other fees.

The Center 375 Fund accounts for the rents collected and related property expenses.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments in lieu of taxes and other charges between certain Town functions because the elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services or privileges provided, 2) operating grants and contributions and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include property taxes.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Town's enterprise funds and of the Town's internal service funds are charges to customers for sales and services. Operating expenses for enterprise funds and internal service funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

TOWN OF VERNON, CONNECTICUT
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Assets, Liabilities, Deferred Outflows/Inflows of Resources and Net Position or Equity

1. Deposits and Investments

Deposits - The Town's cash and cash equivalents consist of cash on hand, demand deposits, money market accounts and short-term investments with original maturities of three months or less from the date of acquisition.

Investments - In general, State of Connecticut Statutes allow the Town to invest in obligations of the United States of America or United States government sponsored corporations, in shares or other interests in any custodial arrangement, pool, or no-load, open-end management type investment company or investment trust (as defined), in obligations of any state or political subdivision rated within the top two rating categories of any nationally recognized rating service, or in obligations of the State of Connecticut or political subdivision rated within the top three rating categories of any nationally recognized rating service. Investment income is recorded in the fund in which it was earned.

The Town's pension funds do not have an investment policy; however, the Town has agreements with the investment advisors, who manage the investment portfolios at the direction of the Town's Pension Board and have full authority for the investment and reinvestment of pension fund assets.

Investments for the Town are reported at fair value.

2. Receivables and Payables

a. Interfunds

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 noncurrent portion of interfund loans). Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances." All trade and property tax receivables are shown net of an allowance for uncollectibles.

b. Property Taxes and Other Receivables

In the government-wide financial statements, all trade, property tax, sewer use, sewer assessment, and loan receivables are shown net of an allowance for uncollectibles. Allowance percentages range from 13% to 51% of outstanding receivable balances, and are calculated based upon prior collections.

Property taxes are levied on assessed property as of October 1. Taxes are billed the following July and are due in two installments, July 1 and January 1, with the exception of motor vehicle taxes which are billed and due on July 1. Taxes become delinquent 30 days after the installment is due. Liens are effective on the assessment date and are continued by filing prior to the end of the fiscal year following the due date.

TOWN OF VERNON, CONNECTICUT
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

b. Property Taxes and Other Receivables (Continued)

In the fund financial statements (General Fund), property taxes are recognized when they become available. Taxes collected during the 60 day period have been recorded as revenue. All property taxes receivable, which have not been collected within 60 days of June 30, have been recorded as a deferred inflow of resources, since they are not considered to be available to finance expenditures of the current fiscal year.

Sewer assessments levied by the Town are billed in installments annually on March 1. An installment lien is filed and is effective until the assessment is paid. Sewer assessment installments become delinquent 30 days after the installment is due at which time a delinquent lien is effective. Delinquent liens are continued by filing annually.

3. Inventories and Prepaid Items

All inventories are valued at cost using the first-in/first-out (FIFO) method. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased.

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

4. Capital Assets

Capital assets, which include property, plant, equipment and infrastructure assets (e.g., roads, bridges, sidewalks and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial individual cost of more than \$200 for the Town and \$1,000 for the Board of Education and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is not included as part of the capitalized value of the assets constructed.

TOWN OF VERNON, CONNECTICUT
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

4. Capital Assets (Continued)

Property, plant and equipment of the primary government is depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Land improvements	20
Buildings	45
Building improvements	10-30
Machinery and equipment	5-25
Computer software	5-10
Computer equipment	7-10
Vehicles	4-25
Infrastructure	15-50

5. Deferred Outflows/Inflows of Resources

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

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The Town reports advanced property tax collections and the deferred charge on refunding in this category in the government-wide statement of net position. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

For the governmental funds, the Town reports unavailable revenue, which arises only under the modified accrual basis of accounting. Accordingly, unavailable revenue is reported only in the governmental funds' balance sheet. The governmental funds report unavailable revenues from several sources: property taxes, advance property tax collections, user charges, assessments, grants, ambulances services and loans. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

TOWN OF VERNON, CONNECTICUT
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

6. Net Position Flow Assumption

Sometimes the Town will fund outlays for a particular purpose from both restricted (e.g. restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted – net position and unrestricted – net position in the government-wide financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the Town's policy to consider restricted – net position to have been depleted before unrestricted – net position is applied.

7. Compensated Absences

Certain employees are compensated by a prescribed formula for absence due to vacation or sickness. The eligibility for vacation pay vests and unused sick leave may only be accumulated to be used for future absences, although unused sick leave may be paid upon termination, death or retirement. The liability at June 30, 2013 is calculated by multiplying the current accumulated vacation and sick days earned and payable by the employees' current daily rate of pay. The Town's share of social security and Medicare payroll taxes (7.65%) has been estimated and added to the compensated absences accrual in accordance with the provisions of GASB Statement No. 16. The General Fund is the primary source of funding for compensated absences.

8. Long-Term Obligations

In the government-wide financial statements and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities or proprietary fund type statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of any significant applicable bond premium or discount. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenses.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond 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 on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

TOWN OF VERNON, CONNECTICUT
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

9. Fund Equity and Net Position

In the government-wide financial statements, net position is classified into the following categories:

Net Investment in Capital Assets

This category presents the net position that reflect capital assets net of only the debt applicable to the acquisition or construction of these assets. Debt issued for non-capital purposes, and unspent bond proceeds, are excluded.

Restricted Net Position

This category presents the net position restricted by external parties (creditors, grantors, contributors or laws and regulations).

Unrestricted Net Position

This category presents the net position of the Town which is not restricted.

In the fund financial statements, fund balances are classified into the following categories:

Nonspendable

This category presents amounts that cannot be spent either because they are in nonspendable form or because they are legally or contractually required to be maintained intact.

Restricted

This category presents amounts that can be spent only for specific purposes because of enabling legislation or because of constraints that are externally imposed by creditors, grantors, contributors, or the laws or regulations of other governments.

Committed

This category presents amounts that can be used only for specific purposes determined by a formal action of the Town Council. Commitments may be established, modified, or rescinded only through resolutions approved by Town Council.

Assigned

This category presents amounts that do not meet the criteria to be classified as restricted or committed but that are intended to be used for specific purposes. Intent is expressed by a resolution or other formal action of the Town Council and the issuance of an approved purchase order.

TOWN OF VERNON, CONNECTICUT
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

9. Fund Equity and Net Position (Continued)

Unassigned

This category presents amounts that do not meet the criteria above and are available for any purpose. This category is only reported in the general fund for positive amounts and in any other fund that has a fund balance deficit.

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the Town considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned or unassigned fund balances are available, the Town considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds, as needed, unless Town Council has provided otherwise in its commitment or assignment actions.

10. Use of Estimates

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities including disclosures of contingent assets and liabilities and reported revenues, expenses and expenditures during the fiscal year. Accordingly, actual results could differ from those estimates.

11. Reclassifications

Certain amounts presented in the prior year data have been reclassified in order to be consistent with the current year's presentation.

TOWN OF VERNON, CONNECTICUT
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

II. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Budgetary Information

Budgetary Process - The Town adheres to the following procedures in establishing the budgetary data included in the General Fund financial statements. The operating budget includes proposed expenditures and the means of financing them.

No later than March 15, the Mayor must submit an appropriated budget to the Town Council for review. The Town Council must hold two or more public hearings, the last of which shall be the annual Town Meeting, not later than April 30. The Town Council shall approve a budget to be presented at the Annual Town Meeting. The budget becomes effective only after it has been approved by a majority vote of qualified voters present and voting at the annual Town Meeting. The vote may neither increase nor decrease the budget as approved by Town Council. Within five days after the adoption of the budget, the Council must set the mill rate for the coming fiscal year.

Budgetary Policies - The Town Council is authorized to transfer any unencumbered appropriation balance or portion thereof from one department to another; however, such transfers must occur subsequent to March 31. Transfers within account classifications of a single department are approved by the Town's Finance Officer. Individual additional appropriations of less than 1/10 of 1% of the total budgeted expenditures are approved by Town Council. The Vernon Board of Education is authorized, under State law, to make any transfers necessary within the education budget at their discretion. Authorization for additional appropriations exceeding 1/10 of 1% of total budgeted expenditures requires a public hearing followed by Town Council approval in a special Town meeting. Revised budget amounts are reported as amended by the Town Council during the course of the year. Additional appropriations of \$1,648,819 were authorized during the fiscal year along with reappropriations of \$1,265,779. The legal level of control, the level at which expenditures may not legally exceed appropriations, is at the department level.

Encumbrance accounting is employed in governmental funds. Encumbrances (e.g., purchase orders, contracts) outstanding at year end are reported as assigned fund balances and do not constitute expenditures or liabilities because the commitments will be reappropriated and honored during the subsequent year.

B. Donor Restricted Endowments

The Town has received certain endowments for perpetual care of the cemetery and memorial maintenance. The amounts are reflected in net position as restricted for endowments. Investment income is approved for expenditure by the individual Boards of the benefiting activities. Appreciation, if any, would also be approved by the respective Boards.

TOWN OF VERNON, CONNECTICUT
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

II. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (CONTINUED)

C. Capital Projects Authorizations

The following is a summary of certain construction project funds at June 30, 2013:

Project	Project Authorization	Expended To Date	Remaining Authorization
<u>General Government</u>			
ADA Building Improvements	\$ 152,984	\$ 50,712	\$ 102,272
Town Hall and Other Renovations	636,708	297,600	339,108
<u>Public Safety</u>			
Animal Control Shelter expansion	58,000	45,653	12,347
Animal Control Shelter caging	17,000		17,000
Animal Control Shelter incinerator	48,100		48,100
Police Digital Radio System Upgrade	250,000		250,000
Fire Suppression System	16,450		16,450
<u>Maintenance and Development</u>			
Road Reconstruction	16,838,467	18,130,898	(1,292,431)
Storm Drainage	204,000		204,000
Bridges	7,558,807	2,741,728	4,817,079
Sidewalk Reconstruction	125,000	165,583	(40,583)
Waste Water Treatment Improvements	1,250,000		1,250,000
Sewer System Improvements	1,148,257	1,055,535	92,722
<u>Parks and Recreation</u>			
Valley Falls Park Dam Reconstruction	12,000		12,000
Talcottville Enhancements*	578,838	578,838	
Fox Hill Tower Renovations	234,754	9,754	225,000
Camp Newhoca Roof Replacements	18,500		18,500
Community Arts Center*	1,800,000	1,794,846	5,154
<u>Education</u>			
Center Road School Bridge Roofs	50,000	6,500	43,500
Center Road School Exterior Wall Repointing*	25,000	25,000	
RHS Boiler Repairs	90,000	38,744	51,256
VCMS Chimney Repairs	200,000	175,229	24,771
Central Offices Natural Gas Line	50,000		50,000
RHS Additions & Renovations	34,657,000	30,732,342	3,924,658
VCMS Renovations	11,519,000	10,783,543	735,457
Elementary School Additions & Renovations:			
Center Road School	4,420,600	4,281,052	139,548
Lake Street School	5,828,800	4,958,686	870,114
Maple Street School	3,743,200	2,643,296	1,099,904
Northeast School	3,556,000	2,933,689	622,311
Skinner Road School	4,597,400	4,012,396	585,004
Total	\$ 99,684,865	\$ 85,461,624	\$ 14,223,241

* Project completed during the fiscal year.

TOWN OF VERNON, CONNECTICUT
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

II. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (CONTINUED)

The following funds had a deficit equity balance at June 30, 2013:

Nonmajor Governmental Funds:

Special Revenue Funds:

Ambulance Medical Services	\$ 27,304
Public Safety Complex Grant-in-Aid Fund	860,500

Internal Service Fund:

Workers' Compensation	1,524,651
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The deficit in the Ambulance Medical Services Fund will be eliminated through future charges for ambulance services. The deficit in the Public Safety Complex Grant-in-Aid Fund will be eliminated through the receipt of future transfers from other funds. The deficit in the Workers' Compensation Fund will be eliminated by future charges to other funds.

III. DETAILED NOTES

A. Cash and Investments

Deposits - Custodial Credit Risk - Custodial credit risk is the risk that, in the event of a bank failure, the Town's deposits may not be returned to it. The Town does not have a deposit policy for custodial credit risk. As of June 30, 2013, \$13,511,240 of the Town's bank balance of \$14,153,434 (including certificates of deposit and money market accounts) was exposed to custodial credit risk as follows:

Uninsured and uncollateralized	\$ 12,110,116
Uninsured and collateral held by the pledging bank's trust department, not in the Town's name	<u>1,401,124</u>
Total amount subject to custodial credit risk	<u>\$ 13,511,240</u>

Financial instruments that potentially subject the Town to significant concentrations of credit risk consist primarily of cash. From time to time, the Town's cash account balances exceed the Federal Deposit Insurance Corporation ("FDIC") limit. The Town reduces its credit risk by maintaining its cash deposits with major financial institutions and monitoring their credit ratings.

At June 30, 2013, the Town's investments (including restricted investments) consisted of the following:

TYPE OF INVESTMENT	FAIR VALUE	INVESTMENT MATURITIES (IN YEARS)				
		N/A	LESS THAN 1	1-5 YEARS	5-10 YEAR	OVER 10
Mutual Funds:						
Domestic Equity	\$ 21,741,707	\$ 21,741,707	\$	\$	\$	\$
International Equity	6,065,299	6,065,299				
International Corporate Bond	134,508			14,734	119,774	
Corporate Bond	9,298,612		1,770	1,246,736	7,935,127	114,979
Hedge Funds	173,523	173,523				
Commodities	102,204	102,204				
Money Market	92,183		92,183			
Real Estate	87,343	87,343				
Certificates of Deposit	139,273		139,273			
Pooled Fixed Income	12,581,759		12,581,759			
Guaranteed Income Account	12,949,049			12,949,049		
TOTAL	\$ 63,365,460	\$ 28,170,076	\$ 12,814,985	\$ 14,210,519	\$ 8,054,901	\$ 114,979

TOWN OF VERNON, CONNECTICUT
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

III. DETAILED NOTES

A. Cash and Investments (Continued)

Interest rate risk - The Town does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit risk - The Town has no investment policy that would limit its investment choices due to credit risk other than State Statutes governing investments in obligations of any State or political subdivision or in obligations of the State of Connecticut or political subdivision.

The Town's investments had average ratings as follows by Standard & Poor's.

Average Rating	Pooled Fixed Income	Mutual Funds			Guaranteed Income Account
		International Corporate Bonds	Money Market	Corporate Bonds	
AAA.....	\$ 12,581,759	\$ 20,571	\$	\$ 4,693,988	\$
AA		20,701		1,074,784	12,949,049
A.....		41,469		456,018	
B.....		589		684,497	
BB		6,384		500,446	
BBB.....		11,930		519,428	
CCC		8,310		226,234	
Unrated		24,554	92,183	1,143,217	
TOTAL	\$ 12,581,759	\$ 134,508	\$ 92,183	\$ 9,298,612	\$ 12,949,049

Custodial credit risk - Custodial credit risk is the risk that, in the event of the failure of the counterparty, the Town will not be able to recover the value of its investment or collateral securities that are in the possession of an outside party.

At June 30, 2013, the Town's investments were in mutual funds and other pooled investments and, therefore, not subject to custodial credit risk.

B. Receivables

Receivable balances have been disaggregated by type and presented separately in the financial statements. Only receivables for the Town's government-wide financial statements with allowances for uncollectible accounts as of June 30, 2013, including the applicable allowances for uncollectible accounts, are presented below.

	PROPERTY TAXES		
	INTEREST AND LIEN FEES		
	TAXES	LIEN FEES	TOTAL
Current portion	\$ 964,896	\$ 107,918	\$ 1,072,814
Long-term portion.....	\$ 789,460	\$ 583,544	\$ 1,373,004
Less allowance for uncollectibles.....	(225,000)	(350,000)	(575,000)
Net long-term portion	\$ 564,460	\$ 233,544	\$ 798,004

TOWN OF VERNON, CONNECTICUT
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

III. DETAILED NOTES (CONTINUED)

B. Receivables (Continued)

	Sewer User	Ambulance Medical Services
Receivable amount	\$ 1,624,495	\$ 1,379,010
Less allowance for uncollectibles.....	(128,257)	(689,505)
Net receivable	<u>\$ 1,496,238</u>	<u>\$ 689,505</u>

There was no allowance applied to the sewer assessment receivable and loans since the amounts are liened and the lien stays with the property and not the owner.

C. Capital Assets

Capital asset activity for the year ended June 30, 2013, for Governmental Activities was as follows:

	Balance July 1, 2012	Increases	Decreases	Balance June 30, 2013
Capital assets, not being depreciated:				
Land	\$ 8,324,925	\$	\$	\$ 8,324,925
Construction in progress	24,062,462	583,180	3,800,578	20,845,064
Total capital assets, not being depreciated	32,387,387	583,180	3,800,578	29,169,989
Capital assets, being depreciated:				
Land improvements	5,733,226	597,882		6,331,108
Buildings and improvements	109,253,541	1,691,311		110,944,852
Machinery and equipment	39,455,437	3,208,487	1,099,173	41,564,751
Intangibles - computer software	387,278			387,278
Infrastructure	57,827,287	1,869,758	483,500	59,213,545
Total capital assets, being depreciated	212,656,769	7,367,438	1,582,673	218,441,534
Total capital assets	245,044,156	7,950,618	5,383,251	247,611,523
Less accumulated depreciation for:				
Land improvements	3,860,365	173,593		4,033,958
Buildings and improvements	25,694,724	2,188,782		27,883,506
Machinery and equipment	31,345,474	1,679,140	1,094,507	31,930,107
Intangibles - computer software	282,269	65,819		348,088
Infrastructure	27,181,843	1,283,212	288,510	28,176,545
Total accumulated depreciation and amortization	88,364,675	5,390,546	1,383,017	92,372,204
Total capital assets, being depreciated, net	124,292,094	1,976,892	199,656	126,069,330
Governmental activities capital assets, net	<u>\$ 156,679,481</u>	<u>\$ 2,560,072</u>	<u>\$ 4,000,234</u>	<u>\$ 155,239,319</u>

TOWN OF VERNON, CONNECTICUT
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

III. DETAILED NOTES (CONTINUED)

C. Capital Assets (Continued)

Capital asset activity for the year ended June 30, 2013, for Business-Type Activities was as follows:

	Balance July 1, 2012	Increases	Decreases	Balance June 30, 2013
Capital assets, not being depreciated:				
Land	\$ 1,267,840	\$	\$	\$ 1,267,840
Capital assets, being depreciated:				
Buildings and system, as revised	6,084,157	4,200		6,088,357
Improvements other than building	216,051			216,051
Machinery and equipment, as revised	8,581,153	24,670	7,300	8,598,523
Intangibles - computer software	49,000			49,000
Infrastructure	10,661,856			10,661,856
Total capital assets, being depreciated	25,592,217	28,870	7,300	25,613,787
Total capital assets	26,860,057	28,870	7,300	26,881,627
Less accumulated depreciation:				
Buildings and system	4,540,435	124,435		4,664,870
Improvements other than building	170,625	6,307		176,932
Machinery and equipment	6,511,830	216,620	7,300	6,721,150
Intangibles - computer software	17,500	7,000		24,500
Infrastructure	4,979,336	204,167		5,183,503
Total accumulated depreciation and amortization	16,219,726	558,529	7,300	16,770,955
Total capital assets, being depreciated, net	9,372,491	(529,659)	-	8,842,832
Business-type activities capital assets, net	\$ 10,640,331	\$ (529,659)	\$ -	\$ 10,110,672

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

Governmental activities:	
General government	\$ 1,107,301
Community development	454
Public safety	488,120
Maintenance and development	1,544,770
Human services	1,005
Parks and recreation	200,327
Education	2,048,569
Total Depreciation Expense - Governmental Activities	<u>\$ 5,390,546</u>

TOWN OF VERNON, CONNECTICUT
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

III. DETAILED NOTES (CONTINUED)

C. Capital Assets (Continued)

Business-type activities:	
Sewer use	\$ 514,916
Rental of building	<u>43,613</u>
Total Depreciation Expense - Business-type Activities	<u>\$ 558,529</u>

D. Interfund Receivables, Payables and Transfers

Interfund transfers:

	Transfers In		
	General Fund	Debt Service	Nonmajor Governmental
Transfers out:			
General Fund	\$	\$ 1,304,288	\$ 413,433
Debt Service	6,734		6,734
Nonmajor Governmental	<u>521,351</u>		<u>521,351</u>
Total Transfers In	<u>\$ 528,085</u>	<u>\$ 1,304,288</u>	<u>\$ 413,433</u>
			<u>\$ 2,245,806</u>

Interfund transfers primarily are the result of moving General Fund or other fund revenues to finance programs or projects that may or must be accounted for in a separate fund.

At June 30, 2013, the amounts due to and from other funds were as follows:

	Due From Other Funds	Due to Other Funds
Major Funds:		
General Fund	<u>\$ 3,746,953</u>	<u>\$ 844,442</u>
Debt Service Fund	<u> </u>	<u>131</u>
Public Bond Improvements	<u>661,000</u>	<u>474,906</u>
School Bond Improvements	<u> </u>	<u>267,000</u>

TOWN OF VERNON, CONNECTICUT
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

III. DETAILED NOTES (CONTINUED)

Nonmajor Governmental Funds:

Special Revenue Funds:

Cafeteria	\$	\$ 111,781
Insurance Exchange		20
Town Clerk Special	85	
Town Aid Road		8
Dog License	2,958	453
Ambulance Medical Services		51,278
Vernon Cemetery Commission		34,300
Sewer Assessment		16
Special Education Grants		316
Public Safety Complex Grant-In-Aid		860,500
CDBG Small Cities		773
Parks and Recreation Programs		31,633
Talcottville Enhancements TSCP 010		35,772
Miscellaneous Grants		32,521
Miscellaneous Special Revenue		6,732

Capital Projects Funds:

Town Capital and Nonrecurring	180,333	851,684
Education Capital and Nonrecurring		85,300
River Street Bridge Renovations		6,415
Spring Street Bridge Renovations		3,946
Phoenix Street Bridge Renovations		95,310

Total Nonmajor Governmental Funds	<u>183,376</u>	<u>2,208,758</u>
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Fiduciary Funds:

Other Post Employment Benefit Trust		4,654
Agency Funds	<u>66</u>	<u>1,534</u>

Total Fiduciary Funds	<u>66</u>	<u>6,188</u>
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Enterprise Funds:

Sewer User Fund		14,439
Center 375		

Total Enterprise Funds	<u>-</u>	<u>14,439</u>
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Internal Service Funds:

Workers' Compensation Fund		700,000
Medical Self-Insurance Fund		74,392
Data Processing Fund		1,139

Total Internal Service Funds	<u>-</u>	<u>775,531</u>
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Total	<u>\$ 4,591,395</u>	<u>\$ 4,591,395</u>
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Interfund balances are the result of interfund transfers, reimbursements or loans outstanding at June 30, 2013.

TOWN OF VERNON, CONNECTICUT
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

III. DETAILED NOTES (CONTINUED)

E. Short-Term Obligations - Bond Anticipation Notes

Project	BALANCE JULY 1, 2012	ADDITIONS	REDUCTIONS	BALANCE JUNE 30, 2013
School Bond Improvements Fund	\$ 3,730,000	\$	\$ 3,730,000	\$ -

F. Changes in Long-Term Obligations

1. Summary of Changes

Long-term liability activity for the year ended June 30, 2013, was as follows:

	Balance July 1, 2012	Additions	Reductions	Balance June 30, 2013	Due Within One Year
Governmental activities:					
Bonds:					
General purpose	\$ 14,182,000	\$	\$ 865,000	\$ 13,317,000	\$ 907,000
Schools	27,003,000		1,728,000	25,275,000	1,582,000
Sewers	1,005,000		262,000	743,000	56,000
Total bonds	42,190,000	-	2,855,000	39,335,000	2,545,000
Notes:					
State of Connecticut Clean Water Fund	7,160,338		1,546,643	5,613,695	1,564,052
Total bonds and notes	49,350,338	-	4,401,643	44,948,695	4,109,052
Lease purchases:					
Fire Truck:					
Police Cruisers	22,623		22,623	-	
Asphalt Box Reclaimer	23,486		7,565	15,921	7,826
Fire Trucks		1,479,761	150,810	1,328,951	138,014
Asphalt Box Reclaimer		530,239	76,568	453,671	72,862
Total lease purchases	46,109	2,010,000	257,566	1,798,543	218,702
Compensated absences:					
Town	3,014,406	209,782	343,557	2,880,631	689,761
Board of Education	1,271,269		129,615	1,141,654	300,992
Internal Service Fund	14,659	9,243	6,140	17,762	10,798
Total compensated absences	4,300,334	219,025	479,312	4,040,047	1,001,551

TOWN OF VERNON, CONNECTICUT
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

III. **DETAILED NOTES (CONTINUED)**

F. **Changes in Long-Term Obligations (Continued)**

1. **Summary of Changes (continued)**

All long-term obligations are generally liquidated by the general fund or debt service fund.

	Balance July 1, 2012	Additions	Reductions	Balance June 30, 2013	Due Within One Year
Retirement obligations:					
Town:					
Net OPEB obligation*	\$ 794,473	\$ 489,093	\$ 344,000	\$ 939,566	\$
Board of Education:					
Net OPEB obligation	903,053	599,373	447,000	1,055,426	
Estimated retirement pay	1,886,794	349,292	176,498	2,059,588	288,000
Early retirement pay	1,280,346	165,551	394,627	1,051,270	389,627
Healthcare termination	4,739	15,320	1,253	18,806	3,168
Total Board of Education retirement obligations	4,074,932	1,129,536	1,019,378	4,185,090	680,795
Total retirement obligations	4,869,405	1,618,629	1,363,378	5,124,656	680,795
Risk management:					
Claims payable	1,574,465	1,641,921	2,090,017	1,126,369	464,593
Total Governmental Activities Long-Term Liabilities	\$ 60,140,651	\$ 5,469,098	\$ 8,571,439	\$ 57,038,310	\$ 6,474,693
* \$47,488 of the net OPEB obligation is recorded in the Sewer User Fund at 7/1/12 and \$54,999 at 6/30/13.					
Business-Type Activities:					
Compensated absences	\$ 444,352	\$ 54,268	\$ 26,001	\$ 472,619	\$ 115,591
Net OPEB Liability	47,488	7,511		54,999	
Total Business-Type Activities Long-term Liabilities	\$ 491,840	\$ 61,779	\$ 26,001	\$ 527,618	\$ 115,591

TOWN OF VERNON, CONNECTICUT
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

III. DETAILED NOTES (CONTINUED)

F. Changes in Long-Term Obligations (Continued)

1. Summary of Changes (Continued)

Debt Type	Issue Date	Maturity Date	Interest Rate	Amount of Original Issue	Amount Outstanding June 30, 2013
<u>Bonded Debt</u>					
General Purpose Bonds:					
Public Improvements (defeased)	02/01/08	02/01/28	3.50 - 5.50%	\$ 5,000,000	\$ -
Public Improvements (defeased)	02/01/09	02/01/24	2.50 - 4.50%	720,000	146,000
Public Improvements	04/12/11	04/01/25	2.00 - 3.75%	2,155,000	1,908,000
Public Improvements (refunding)	04/11/12	08/01/27	2.00 - 4.50%	11,724,000	11,263,000
Total General Purpose Bonds					13,317,000
School Bonds:					
School Renovations (defeased)	02/04/04	09/15/12	1.00 - 5.00%	3,125,000	-
School Renovations (defeased)	02/01/08	02/01/28	3.50 - 5.50%	16,040,000	-
School Renovations (defeased)	02/14/08	02/01/28	3.50 - 5.50%	10,155,000	1,879,000
School Renovations	04/12/11	04/01/25	2.00 - 3.75%	1,600,000	1,412,000
School Renovations (refunding)	04/11/12	08/01/27	2.00 - 4.50%	22,168,000	21,984,000
Total School Bonds					25,275,000
Sewer Bonds:					
Sewer Ordinance #167	02/04/04	09/15/12	1.00 - 5.00%	2,085,000	-
Sewer System Improvements (refunding)	04/11/12	08/01/27	2.00 - 4.50%	793,000	743,000
Total Sewer Bonds					743,000
Total Bonded Debt					\$ 39,335,000
<u>Notes Payable</u>					
State of Connecticut:					
Clean Water Fund 244-C	05/28/93	11/30/12	2.0%	649,740	\$ -
Clean Water Fund 200-C	12/31/97	12/31/16	2.0%	27,635,550	5,613,695
Total Notes Payable					\$ 5,613,695
<u>Lease Purchases</u>					
Police Cruisers	2/1/2011	3/1/2013	2.95%	67,500	\$ -
Asphalt Box Reclaimer	2/1/2011	3/1/2015	3.45%	38,912	15,921
Fire Trucks	8/22/2012	1/10/2022	1.68%	1,479,761	1,328,951
Asphalt Box Reclaimer	8/22/2012	1/10/2019	1.48%	530,239	453,671
Total Lease Purchases					\$ 1,798,543

TOWN OF VERNON, CONNECTICUT
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

III. DETAILED NOTES (CONTINUED)

F. Changes in Long-Term Obligations (Continued)

1. Summary of Changes (Continued)

The following is a summary of general long-term debt principal maturities:

Fiscal Year Ending June 30	Principal				Notes Payable	Lease Purchase	Total All Debt
	General Purpose	School	Sewer	Total			
2014	\$ 907,000	\$ 1,582,000	\$ 56,000	\$ 2,545,000	\$ 1,564,052	\$ 218,702	\$ 4,327,754
2015	921,500	1,608,500	55,000	2,585,000	1,595,621	222,368	4,402,989
2016	915,500	1,604,500	55,000	2,575,000	1,627,828	217,724	4,420,552
2017	939,000	1,747,000	54,000	2,740,000	826,194	221,232	3,787,426
2018	943,000	1,883,000	54,000	2,880,000		224,796	3,104,796
2019	963,000	2,024,000	53,000	3,040,000		228,418	3,268,418
2020	958,000	2,019,000	53,000	3,030,000		152,523	3,182,523
2021	959,000	2,028,000	53,000	3,040,000		155,085	3,195,085
2022	958,000	2,035,000	52,000	3,045,000		157,695	3,202,695
2023	982,000	2,111,000	52,000	3,145,000			3,145,000
2024	981,000	2,107,000	52,000	3,140,000			3,140,000
2025	916,000	1,227,000	52,000	2,195,000			2,195,000
2026	912,000	1,222,000	51,000	2,185,000			2,185,000
2027	759,000	1,105,000	51,000	1,915,000			1,915,000
2028	303,000	972,000		1,275,000			1,275,000
Total	\$ 13,317,000	\$ 25,275,000	\$ 743,000	\$ 39,335,000	\$ 5,613,695	\$ 1,798,543	\$ 46,747,238

The following is a summary of general long-term debt interest maturities:

Fiscal Year Ending June 30	Interest				Notes Payable	Lease Purchase	Total All Debt
	General Purpose	School	Sewer	Total			
2014	\$ 446,225	\$ 871,365	\$ 25,230	\$ 1,342,820	\$ 97,988	\$ 29,589	\$ 1,470,397
2015	419,870	816,521	23,565	1,259,956	66,419	25,923	1,352,298
2016	394,030	772,537	21,915	1,188,482	34,213	22,191	1,244,886
2017	366,807	716,832	20,280	1,103,919	4,826	18,684	1,127,429
2018	339,678	663,193	18,660	1,021,531		15,119	1,036,650
2019	313,497	609,647	17,188	940,332		11,497	951,829
2020	280,639	539,460	15,333	835,432		7,817	843,249
2021	241,741	454,822	13,080	709,643		5,254	714,897
2022	203,490	371,964	10,915	586,369		2,649	589,018
2023	164,411	287,175	8,770	460,356			460,356
2024	125,886	203,355	6,690	335,931			335,931
2025	88,681	137,215	4,610	230,506			230,506
2026	52,673	88,640	2,550	143,863			143,863
2027	20,475	45,735	765	66,975			66,975
2028	4,545	14,580		19,125			19,125
Total	\$ 3,462,648	\$ 6,593,041	\$ 189,551	\$ 10,245,240	\$ 203,446	\$ 138,723	\$ 10,587,409

TOWN OF VERNON, CONNECTICUT
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

III. DETAILED NOTES (CONTINUED)

F. Changes in Long-Term Obligations (Continued)

2. Termination Benefits

A termination benefit is an incentive for the early termination of services and includes cash payments or healthcare provided by the Town that would otherwise not be provided. Expenditures are recognized in governmental funds when due and payable and recognized as an expense in government-wide financial statements when the employee accepts the early retirement offer.

School Administrators

As part of the early retirement incentive plan for school administrators, the Town offers to pay a percentage of the early retiree's health insurance premium and a cash payout. Such benefit provisions, included in the school administrators' bargaining agreement with the Vernon Board of Education, require Town Council approval.

Currently, there are 2 former school administrators receiving this benefit. The cost to the Town, net of participant contributions, for the 2012/13 fiscal year is \$1,253. A liability of \$18,806, presented in government-wide financial statements, for this benefit is calculated based upon the discounted present value of future unadjusted premiums and includes a healthcare cost trend of 10.05% and an investment yield of .02%.

In addition to healthcare termination benefits, cash payments are available to school administrator early retirees. Also, there are 7 former school administrators receiving this benefit. The cost to the Town for the 2012/13 fiscal year is \$99,627. A liability of \$321,569, presented in government-wide financial statements, for this benefit is calculated based upon the discounted present value of expected future benefits and an .02% yield of investments that are expected to be used to finance such benefit payments.

School Teachers

The Town also offers an early retirement incentive plan for certified teachers in the form of cash payments. Benefit provisions, included in the school teachers' bargaining agreement with the Vernon Board of Education, require Town Council approval.

There are 82 former teachers receiving this benefit. The cost to the Town for the 2012/13 fiscal year is \$295,000. A liability of \$729,701, presented in government-wide financial statements, for this benefit is calculated based upon the discounted present value of expected future benefits and an .02% yield of investments that are expected to be used to finance such benefit payments.

3. Capital Leases

Capital leases outstanding at June 30, 2013 were for an asphalt box reclaimer, three fire trucks, recycling truck, an excavator and a parks tractor. The present value of future minimum lease payments amounts to \$1,798,543 at June 30, 2013.

The amount of assets capitalized under capital leases totaled \$2,011,266 at June 30, 2013 and accumulated depreciation totaled \$157,686. The amount included in depreciation expense for these assets was \$134,883.

TOWN OF VERNON, CONNECTICUT
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

III. DETAILED NOTES (CONTINUED)

F. Changes in Long-Term Obligations (Continued)

4. Statutory Debt Limitations

The Town's indebtedness does not exceed the legal debt limitations as required by Connecticut General Statutes as reflected in the following schedule:

CATEGORY	DEBT LIMIT	NET INDEBTEDNESS	BALANCE
General purpose	\$ 132,375,983	\$ 16,476,000	\$ 115,899,983
Schools	264,751,965	63,287,000	201,464,965
Sewers	220,626,638	6,518,695	214,107,943
Urban renewal	191,209,753		191,209,753
Pension deficit	176,501,310		176,501,310

The total overall statutory debt limit for the Town is equal to seven times annual receipts from taxation, \$411,836,390.

The indebtedness reflected above includes bonds outstanding in addition to the amount of bonds authorized and unissued.

5. Authorized/Unissued Bonds

At a referendum held on November 4, 2004, Public Bond Improvements of \$21,609,000 were authorized to fund \$19,103,000 of roads, sidewalk and bridge reconstruction projects, \$1,295,000 of waste treatment plant improvements and \$1,211,000 of sewer system improvements. Of the \$21,609,000 authorization, \$18,175,000 of bonds have been issued and \$0 of BANs remain issued and outstanding. The remaining unissued Public Bond Improvements authorization is \$3,434,000 as of June 30, 2013. Of that amount, \$1,295,000 for waste water treatment plant improvements will not be issued since the project will not be completed.

At a referendum held on March 29, 2005, School Bond Improvements of \$68,322,000 were authorized to fund \$34,657,000 of additions and renovations to Rockville High School, \$11,519,000 of renovations to Vernon Center Middle School and \$22,146,000 of additions and renovations to the Town's five elementary schools. Of the \$68,322,000 authorization, \$30,310,000 of bonds has been issued and \$0 of BANs remain issued and outstanding. The remaining unissued School Bond Improvements authorization is \$38,012,000 as of June 30, 2013.

At a referendum held on September 2, 2008, \$1,182,000 were authorized to fund the reconstruction of the Phoenix Street Bridge. This authorization will not be issued as well since the project has been completed with other funding sources.

TOWN OF VERNON, CONNECTICUT
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

III. DETAILED NOTES (CONTINUED)

F. Changes in Long-Term Obligations (Continued)

6. Prior Year Advanced Refunding

In prior years, the Town defeased General Obligation Bonds by creating a separate irrevocable trust. New debt has been issued and the proceeds have been used to purchase U.S. government securities that were placed in the trust. The investments and fixed earnings from the investments are sufficient to fully service the defeased debt until the debt is called or matures. For financial reporting purposes, the debt has been considered defeased and, therefore, is no longer counted in computing the Town's debt for statutory debt limit purposes. As of June 30, 2013, the amount of defeased debt outstanding amounted to \$35,640,000.

G. Restricted Net Position

The amount of restricted net position, which was restricted by enabling legislation, totaled \$207,685 at June 30, 2013.

TOWN OF VERNON, CONNECTICUT
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

III. DETAILED NOTES (CONTINUED)

H. Fund Balance Classifications:

Fund balances components at June 30, 2013 were for the following purposes:

Fund Balance Component	General Fund	Debt Service	Public Bond Improvements	School Bond Improvements	Nonmajor Funds	Total
Nonspendable:						
Permanent fund principal Cemetery	\$	\$	\$	\$	\$ 1,696,935	\$ 1,696,935
Cafeteria inventory					36,257	36,257
Total nonspendable	-	-	-	-	1,733,192	1,733,192
Restricted:						
Donor purpose restrictions					510,963	510,963
Grant programs					409,496	409,496
Sewer assessment					89,392	89,392
Cemeteries					184,036	184,036
Housing and community Development					29,450	29,450
Education					157,770	157,770
Total restricted	-	-	-	-	1,381,107	1,381,107
Committed:						
Sewer connections					1,696,819	1,696,819
Insurance and medical					507,149	507,149
Parks and recreation programs					11,499	11,499
Talcottville enhancements					395	395
Approved capital outlay projects			150,404	310,011	392,590	853,005
Total committed	-	-	150,404	310,011	2,608,452	3,068,867
Assigned:						
General government	463,950				54,208	518,158
Community development	7,438				107,200	114,638
Public safety	167,090					167,090
Maintenance and development	170,778					170,778
Human services	18,010					18,010
Parks and recreation	23,912				264,654	288,566
Education	82,128					82,128
Compensated absences	322,000					322,000
Debt payments	133,236	180,000				313,236
Dog license					49,166	49,166
Downstream					60,446	60,446
Sidewalk development					2,701	2,701
Police					19,758	19,758
Youth activities					20,826	20,826
Special activities					133,088	133,088
Total assigned	1,388,542	180,000	-	-	712,047	2,280,589
Unassigned	10,015,648		-		(887,804)	9,127,844
Total	\$ 11,404,190	\$ 180,000	\$ 150,404	\$ 310,011	\$ 5,546,994	\$ 17,591,599

TOWN OF VERNON, CONNECTICUT
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

IV. OTHER INFORMATION

A. Risk Management

The Town is exposed to various risks of loss including torts, theft of, damage to and destruction of assets; errors and omissions; injuries to employees and natural disaster. Generally, the Town obtains commercial insurance for these risks, but has chosen to retain the risks for workers' compensation through a Workers' Compensation Fund. The fund, classified as an Internal Service Fund, is supported by contributions from the General and Sewer User Funds. Contribution amounts are based on historical experience of claims incurred and paid. Although the risk is retained by the Town, commercial insurance is purchased for individual claims in excess of \$450,000 for police and fire employees and \$425,000 for all other employees with no aggregate maximum per year. The claim accrual does not include other allocated or unallocated claims adjustment expenses. Settled claims have not exceeded commercial insurance coverage for each of the last three fiscal years. There has been no reduction in insurance coverage from the prior year.

CIRMA administers the claims processing for the Town, for which the Town pays a fee. Claims incurred are estimated by CIRMA by fiscal (contract) year. Claims outstanding at June 30 are based on the requirements of GASB Statements No. 10 and 30, which require that a liability for claims be reported if information prior to the issuance of the financial statements indicates that it is possible that a liability has been incurred at the date of the financial statements and the amount of the possible loss can be reasonably estimated. The amount of claim accrual is based on the ultimate costs of settling the claim, which include past experience data, inflation and other future economic and societal factors and incremental claim adjustment expenses, net of estimated subrogation recoveries.

Workers' compensation claims transactions for the past two fiscal years are summarized below:

	Fiscal Year Ending June 30,	
	2013	2012
Claims payable, July 1	\$ 1,469,405	\$ 1,199,928
Incurred claims, current year	511,451	925,397
Claims adjustments, prior years	42,308	98,655
Claims incurred for the fiscal year	553,759	1,024,052
Claims paid, current and prior years	933,212	754,575
Claims payable, June 30	\$ 1,089,952	\$ 1,469,405

Based on historical payment data, approximately 39.28% of claims payable at June 30, 2013, will be paid during the following fiscal year. Thus, \$428,176 of claims payable at June 30, 2013, is considered as a current liability and the remaining \$661,776 is considered as a long-term liability. Claims payable at June 30, 2013, includes \$122,829 of estimated incremental claims adjustment expenses, net of estimated subrogation recoveries.

TOWN OF VERNON, CONNECTICUT
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

IV. OTHER INFORMATION (CONTINUED)

A. Risk Management (Continued)

The Town is also self-insured for the cost of medical prescriptions for its employees and retirees. The Town Council authorized the establishment of the Medical Self-Insurance Fund, an Internal Service Fund, which became effective January 1, 2006. Effective July 1, 2007, the Town became self-insured for the cost of dental for its general government employees and retirees. The fund is supported by contributions from all covered participants with the remaining support provided by the General Fund, Cafeteria, Special Education Grants and Vernon Cemetery Funds (Special Revenue Funds), the Sewer User Fund (Enterprise Fund) and the Data Processing Fund (Internal Service Fund). Contribution amounts are based upon historical experience of claims incurred and paid.

A third party administers the prescription claims processing and the dental claims processing for the Town for which the Town pays a fee. Claims incurred and paid data are provided to the Town, which reimburses Maxor, MedCo and Anthem for the costs of the claims and administrative expenses. As of June 30, 2013, claims payable represents the cost of claims incurred and paid by Maxor, MedCo and Anthem that require reimbursement from the Town.

Medical self-insurance claims transactions for the past two fiscal years are as follows:

	<u>Fiscal Year Ending June 30,</u>	
	<u>2013</u>	<u>2012</u>
Claims payable, July 1	\$ <u>105,060</u>	\$ <u>114,172</u>
Incurred claims, current year	1,088,162	2,058,564
Claims adjustments, prior years	<u>-</u>	<u>-</u>
Claims incurred for the fiscal year	<u>1,088,162</u>	<u>2,058,564</u>
Claims paid, current and prior years	<u>1,156,805</u>	<u>2,067,676</u>
Claims payable, June 30	\$ <u><u>36,417</u></u>	\$ <u><u>105,060</u></u>

The entire portion of claims payable at June 30, 2013, is considered payable in the ensuing fiscal year.

TOWN OF VERNON, CONNECTICUT
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

IV. OTHER INFORMATION (CONTINUED)

B. Commitments and Contingencies

Pending Suits and Claims

There are various suits and claims pending against the Town, none of which, individually or in the aggregate, legal counsel believes would likely result in a judgment that would materially affect the Town's financial position.

State and Federal Assets

The Town receives State and Federal grants for specific purposes that are subject to review and audit by the grantor agencies. Such audits could lead to requests for reimbursement to the grantor agency for any expenditure disallowed under terms of the grant. The Town's management believes such disallowances, if any, would not be material.

Waste Treatment Plant Debt

The Town permanently financed the upgrade and expansion of the Vernon Waste Treatment Plant on December 31, 1997 with a \$27,635,550 State of Connecticut Clean Water Fund (CWF) loan, payable monthly through December 31, 2016. Of the \$5,613,695 due on the CWF loan as of June 30, 2013, the Towns of Ellington, Manchester, South Windsor and Tolland are obligated to provide payments totaling \$1,208,340 to the Town of Vernon in installments through December 31, 2016. The Town of Vernon is responsible for debt service payments on the loan.

Bolton Lakes Wastewater Disposal

The Town of Vernon and the neighboring Town of Bolton entered into a consent order with the Connecticut Department of Environmental Protection (CTDEP) on October 14, 1999, requiring the towns to take the necessary steps to address wastewater disposal alternatives for the Bolton Lakes' area. Two State-funded engineering studies have confirmed that specific areas around the middle and lower Bolton Lakes no longer meet the requirements of current health codes for septic systems and recommend the installation of a low-pressure sewer system with wastewater being pumped to the adjacent Town of Manchester Wastewater Treatment Facility.

The Bolton Lakes Regional Water Pollution Control Authority (BLRWPCA) was created by ordinances adopted in both towns. In Vernon, Ordinance #242 was adopted in April of 2003. The formation of the regional authority gives the BLRWPCA the power and authority, granted by State Statutes, to construct a sewerage system, charge user fees, levy assessments, bill for hook-up fees and to operate and manage the sewer system.

The current estimated project costs are \$21,699,000, with Vernon's 29% share, or \$6,293,300, reduced to \$2,737,000 by potential Federal and State grant funding and further reduced by special benefit assessments to \$1,289,500. Project work in Vernon has commenced and is anticipated to be completed in 2015.

TOWN OF VERNON, CONNECTICUT
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

IV. OTHER INFORMATION (CONTINUED)

C. Employee Retirement Systems and Pension Plans

Defined Benefit Plans

1. *Plan Descriptions*

a. *Plan Type, Participating Employer and Employees Covered*

The Town has established three single-employer contributory defined benefit plans which substantially cover all full-time employees, except certified employees of the Board of Education who are covered by the State Teachers' Retirement System, and members of the Town's Volunteer Fire Department (VFD) based upon certain service criterion. The pension plan for the VFD was established effective January 1, 2000. Although members of the VFD are not Town employees, the Town has recognized the VFD's commitment to protecting the lives and property of Vernon's residents with the establishment of a retirement plan known as the Town of Vernon Length of Service Award Program (LOSAP). The LOSAP provides a financial reward as an incentive for recruiting and retaining fire department volunteers. The pension plans are reported in the Town's financial statements as separate pension trust funds; Police Pension Plan, Town Pension Plan and the Volunteer Firefighters LOSAP. Separate, stand-alone reports are not issued.

b. *Participant Membership*

Participant membership at January 1, 2013 was as follows:

	Police Plan	Town Plan	LOSAP
Retirees, disabled and beneficiaries currently receiving benefits	48	171	11
Terminated employees entitled to benefits, but not yet receiving them	3	151	34
Active employees:			
Vested, partially vested and nonvested	47	379	136
Total participant membership	<u>98</u>	<u>701</u>	<u>181</u>

c. *Benefit Provisions*

Plan benefits are established by the Town and may be amended only by the Town Council.

i. Normal Retirement Date and Benefits

A participant who has attained his/her normal retirement date and/or required years of service is eligible for a normal retirement benefit. The benefit at normal retirement is equal to the employees' accrued benefit based on average monthly earnings and years of service.

TOWN OF VERNON, CONNECTICUT
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

IV. OTHER INFORMATION (CONTINUED)

Defined Benefit Plans (Continued)

i. Normal Retirement Date and Benefits (Continued)

Police Pension Plan

The normal retirement date for police officers hired before July 1, 2012 is attained at the completion of 20 years of service. The normal retirement date for police officers hired after July 1, 2012 is 25 years of service and age 50.

Town Pension Plan

The normal retirement date for members of the Public Works (P.W.) and Parks union is attained at age 55 and 5 years service or after 25 years of service. The normal retirement date for P.W. Supervisors is Rule 85 with a minimum retirement age of 58. The normal retirement date for members of the Police Civilian Support union is attained at age 55 and 10 years service. The normal retirement date for non-bargaining Town Hall employees, Education Librarian and Education Secretarial and Maintenance employees is age 62 and 10 years service or age 60 and 32 years of service. Professionals, Waste Treatment Plant (WTP) Supervisors, P.W. Clerical, Education Supervisors and Education School Nurse union employees attain normal retirement age at age 62 and 10 years service. The normal retirement date for all other participants is attained at age 65 and 10 years of service.

LOSAP

The normal retirement date for volunteer firefighters is attained at age 65 with 10 years of credited service. A year of credited service is achieved based upon a point system established by the Fire Chief. The benefit at normal retirement is equal to \$8 per month for each year of credited service to a maximum of \$240 per month.

ii. Early Retirement Date and Benefits

Participants of the Police and Town Pension Plans may, upon 10 years of service, elect early retirement on a date which shall be within 10 years of normal retirement age. The early retirement benefit is determined as for normal retirement, based on earnings and service to date of early retirement. Members of the Police Civilian Support union are ineligible for this benefit.

TOWN OF VERNON, CONNECTICUT
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

IV. OTHER INFORMATION (CONTINUED)

Defined Benefit Plans (Continued)

iii. Death Benefits

Death benefits are payable to beneficiaries as determined by death before retirement or death after retirement provisions. For Police and Town participants, upon the death of a nonvested participant, there shall be payable to the beneficiary, a death benefit equal to the participant's contributions plus interest. A preretirement spousal death benefit is payable to vested participants who have been married five full years prior to death. The preretirement spousal death benefit is determined as for early retirement, based on earnings and credited service to the date of participant death. For VFD members, a preretirement spousal death benefit is payable to a member's surviving spouse in case of Death in the Line of Duty and is equal to the benefit the member would have received if the member had reached his normal retirement date.

iv. Disability Benefit

In the event of participant Disability in the Line of Duty, VFD members may elect payment of an actuarial reduced retirement benefit commencing any time prior to the date of normal retirement.

v. Deferred Vested Benefit

Upon termination of employment for any reason other than death or retirement, Police and Town plan participants shall be entitled to a deferred vested benefit if certain age and or service provisions are attained. The amount of deferred vested benefit shall be equal to the benefit determined as for normal retirement based on earnings and service to the date of termination, multiplied by the employee's vesting percentage. Employees become fully vested with 10 years of service. A member who terminates employment prior to satisfying certain age and or service requirements is entitled to a refund of his/her accumulated contributions with interest.

2. Summary of Significant Accounting Policies

a. Basis of Accounting

Pension Trust Fund financial statements are prepared on the accrual basis of accounting. Employee contributions are recognized in the period in which the employee services are performed, and employer contributions are recognized when due pursuant to contractual requirements; investment income is recognized when earned; and gains and losses on sales and exchanges of investments are recognized in the period of transaction. Benefit payments and refunds are recognized when due and payable (incurred) in accordance with the terms of the plans. Plan administrative costs are financed by net assets of the respective plans on a pay-as-you-go basis. Financial activity of the pension plans is reported by the Town on a calendar year basis.

TOWN OF VERNON, CONNECTICUT
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

IV. OTHER INFORMATION (CONTINUED)

Defined Benefit Plans (Continued)

b. Valuation of Plan Investments

Pension Trust Fund investments are reported at fair value. Securities traded on national and international exchanges are valued at the last reported sales price.

3. Funding Policy

Contribution rates are established by the Town and may be amended only with Town Council approval. The Town may terminate the LOSAP at any time.

a. Employee

Required employee contributions to their respective plans are noted below.

Police Pension Plan

Effective July 1, 2012, Police officers hired before July 1, 2012 are required to contribute 7.5% of their W-2 earnings to the plan and police officers hired after July 1, 2012 are required to contribute 8.5% of such earnings. Such contributions are credited with interest at a rate of 5.5% per annum.

Town Pension Plan

Non-bargaining Town Hall employees, P.W. and Parks union, P.W. Supervisors, School Librarians, School Supervisors, School Nurses and Education Custodial, Secretarial and Maintenance union members are required to contribute 7.0% of their earnings (pre-tax). Police Civilian Support union members are required to contribute 7.9% of their earnings (pre-tax). Members of the Professional, P.W. Clerical and WTP Supervisors unions are required to contribute 7.5% of earnings (pre-tax). All other participants are required to contribute 4% of their earnings (post-tax). Such contributions are credited with interest at a rate of 6% per annum.

LOSAP

Members of the VFD are not required to contribute to the plan.

b. Employer

Police and Town Pension Plans

The Town is required to contribute the remaining amounts necessary to finance plan benefits for its employees. Employer contributions to the pension plans of \$1,365,291 Police, and \$1,788,972 Town were determined based on actuarial valuations as of January 1, 2012, using the Projected Unit Credit actuarial cost method. Employer contributions fund normal cost (after deducting expected employee contributions) on a current basis and the unfunded actuarial accrued liability over a maximum 30 year period. The current employer required contributions, as a percentage of annual covered plan payroll, are 30.79% for the Police Plan and 12.43% for the Town Plan.

TOWN OF VERNON, CONNECTICUT
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

IV. OTHER INFORMATION (CONTINUED)

Defined Benefit Plans (Continued)

LOSAP

The Town shall contribute an actuarial determined amount necessary to fund current obligations of the LOSAP. In addition, employer contributions to fund the unfunded actuarial accrued liability are to be made over a maximum 10-year period. Employer contributions to the LOSAP of \$45,237 were determined based on an actuarial valuation as of January 1, 2012, using the frozen entry age actuarial cost method. The actuarially determined contribution includes the retirement benefit of eleven volunteers who received retirement benefits in calendar year 2012.

4. Annual Pension Cost and Net Pension Assets

In accordance with GASB Statement No. 27, the annual pension cost and net pension asset of the pension plans for the current year are reported below:

	<u>Police Plan</u>	<u>Town Plan</u>	<u>LOSAP</u>
Annual required contribution (ARC)	\$ 1,365,291	\$ 1,788,972	\$ 45,237
Interest on net pension asset	-	-	-
Adjustment to ARC	<u>-</u>	<u>-</u>	<u>-</u>
Annual pension cost (APC)	1,365,291	1,788,972	45,237
Employer contributions made	<u>(1,365,291)</u>	<u>(1,788,972)</u>	<u>(45,237)</u>
Change in the NPA	-	-	-
Net pension asset, July 1, 2012	<u>(126,800)</u>	<u>(294,364)</u>	<u>-</u>
Net Pension asset, June 30, 2013	\$ <u>(126,800)</u>	\$ <u>(294,364)</u>	\$ <u>-</u>

TOWN OF VERNON, CONNECTICUT
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

IV. OTHER INFORMATION (CONTINUED)

Defined Benefit Plans (Continued)

4. Annual Pension Cost and Net Pension Obligations (Continued)

In addition, GASB Statement No. 27 requires the percentage of annual pension cost contributed and net pension asset for the current and prior two years be reported:

Fiscal Year Ended June 30	Annual Pension Cost (APC)	Actual Employer Contribution	Percentage of APC Contributed	Net Pension Asset
--	--	---	--	----------------------------------

Police Plan

2013	\$ 1,365,291	\$ 1,365,291	100.0%	\$ (126,800)
2012	1,240,074	1,366,874	110.2%	(126,800)
2011	1,057,949	1,057,949	100.0%	-

Town Plan

2013	\$ 1,788,972	\$ 1,788,972	100.0%	\$ (294,364)
2012	1,704,215	1,998,579	117.3%	(294,364)
2011	1,502,551	1,502,551	100.0%	-

LOSAP

2013	\$ 45,237	\$ 45,237	100%	\$ -
2012	34,123	34,123	100%	-
2011	44,341	44,341	100%	-

5. Funding Status and Funding Progress

The funded status of the plan as of January 1, 2013 was as follows:

January 1, Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability(AAL) (b)	Over (Unfunded) AAL (UAAL) (a-b)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a % of Covered Payroll ((a-b)/c)
<u>POLICE PLAN</u>						
2013	\$ 16,662,221	\$ 33,489,061	\$ (16,826,840)	49.8%	\$ 4,390,111	(383.3%)
<u>TOWN PLAN</u>						
2013	\$ 31,354,306	\$ 56,269,385	\$ (24,915,079)	55.7%	\$ 14,895,476	(167.3%)
<u>LOSAP</u>						
2013	\$ 1,267,827	\$ 973,134	\$ 294,693	130.3%	N/A	N/A

TOWN OF VERNON, CONNECTICUT
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

IV. OTHER INFORMATION (CONTINUED)

Defined Benefit Plans (Continued)

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future, and actuarially determined amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future. The required schedule of funding progress (RSI), immediately following the notes to the financial statements presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time, relative to the actuarial accrued liability for benefits.

6. Actuarial Assumptions

The information presented in the required supplementary schedules was determined as part of the actuarial valuations at the dates indicated.

The following is a summary of certain significant actuarial assumptions and other PERS information:

	Police Pension Plan	Town Pension Plan	LOSAP
Actuarial valuation date	January 1, 2013	January 1, 2013	January 1, 2013
Actuarial cost method, effective 1/1/09	Projected Unit Credit	Projected Unit Credit	Frozen Entry Age
Amortization method, effective 1/1/09	Level % of Payroll Closed	Level % of Payroll Closed	Level Dollar Closed
Remaining amortization period	27 years	27 years	0 years
Asset valuation method	5-year Deferred Recognition Without phase-in	5-year Deferred Recognition Without phase-in	Market value
Actuarial assumptions:			
Investment rate of return, effective 1/1/10	7.5%	7.5%	6.5%
Projected salary increases*	5.0%	4.5%	N/A
*Inflation rate included	3.5%	3.5%	N/A

TOWN OF VERNON, CONNECTICUT
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

IV. OTHER INFORMATION (CONTINUED)

Defined Benefit Plans (Continued)

6. Actuarial Assumptions (Continued)

There were no plan benefit or assumption changes that affected the required employer contributions that were calculated on January 1, 2012 for either of the Police or Town Pension Plans. Plan benefit changes for the Police Pension Plan (change in normal retirement date for new hires and increase in employee contributions) and a change in the maximum benefit assumption increased the January 1, 2013 unfunded actuarial accrued liability by a net of \$392 from \$16,826,448 to \$16,826,840. There were no plan benefit or assumption changes that affected the January 1, 2013 actuarial accrued liability of Town Pension Plan.

There were no plan benefit or assumption changes that affected either the required employer contribution for the LOSAP that was calculated on January 1, 2012 or the January 1, 2013 actuarial accrued liability of the LOSAP.

7. Plan Statements

**Statement of Fiduciary Fund Net Position
Pension Trust Funds
December 31, 2012**

	Police Pension	Town Pension	Volunteer Firefighters Length of Service Award Program (LOSAP)	Total
Assets:				
Investments, at fair value:				
Pooled fixed income	\$	\$	\$	\$
Mutual funds:				
Domestic equity	7,943,684	12,723,426	509,612	21,176,722
International equity	1,983,924	3,638,902	187,847	5,810,673
Corporate bond	2,424,159	6,103,887	429,700	8,957,746
Money market	6,280	16,714	20,894	43,888
International Bond			119,774	119,774
Guaranteed investment account	4,476,900	8,472,149		12,949,049
Total assets	16,834,947	30,955,078	1,267,827	49,057,852
Liability:				
Accounts and other payables	8,731	12,099		20,830
Net Position:				
Held in trust for pension benefits	\$ 16,826,216	\$ 30,942,979	\$ 1,267,827	\$ 49,037,022

TOWN OF VERNON, CONNECTICUT
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

IV. OTHER INFORMATION (CONTINUED)

Defined Benefit Plans (Continued)

**Statement of Changes in Fiduciary Net Position
Pension Trust Funds
For the Year Ended December 31, 2012**

	Police Pension	Town Pension	Volunteer Firefighters Length of Service Award Program (LOSAP)	Total
Additions:				
Contributions:				
Employer	\$ 1,365,291	\$ 1,788,972	\$ 45,237	\$ 3,199,500
Employee	309,757	1,022,277		1,332,034
Total contributions	1,675,048	2,811,249	45,237	4,531,534
Net investment income	1,663,257	2,978,847	145,422	4,787,526
Total additions	3,338,305	5,790,096	190,659	9,319,060
Deductions:				
Benefit payments/annuity purchases	1,998,573	2,317,578	24,344	4,340,495
Refund of contributions		74,631		74,631
Administrative expense	65,105	98,219	14,715	178,039
Total deductions	2,063,678	2,490,428	39,059	4,593,165
Change in net position	1,274,627	3,299,668	151,600	4,725,895
Net Position - January 1, 2012	15,551,589	27,643,311	1,116,227	44,311,127
Net Position - December 31, 2012	\$ 16,826,216	\$ 30,942,979	\$ 1,267,827	\$ 49,037,022

TOWN OF VERNON, CONNECTICUT
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

IV. OTHER INFORMATION (CONTINUED)

D. Defined Contribution Pension Plans

Establishment and Amendment

The Vernon Town Council has authorized the establishment of six separate single employer Defined Contribution Pension Plans for various qualifying bargaining unit members and certain non-affiliated employees. The Town Administrator is responsible for the administration of these plans and only the Town Council may approve amendments to each plan's provisions and contribution requirements.

The effective establishment date for these six plans are as follows:

<u>Effective Date</u>	<u>Plan</u>
July 1, 2009	Department of Public Works Clerical Bargaining Unit
January 1, 2010	Professional Employees Bargaining Unit
January 1, 2010	DPW Supervisors Bargaining Unit
January 1, 2010	Water Pollution Control Supervisors Bargaining Unit
August 4, 2010	Town non-union employees
July 1, 2011	DPW Laborers / Parks / WPC Bargaining Unit

Contributions

Employees are not required to contribute to the respective defined contribution plan. The required level of Employer contribution is dependent on the level of the Employee's contribution as follows:

<u>Plan</u>	<u>Employee Contribution</u>	<u>Employer Contribution</u>
DPW Clerical	0% < 7.5% of wages	2% of wages
	7.5 % or more of wages	4% of wages
Professionals	0% < 7.5% of wages	2% of wages
	7.5 % or more of wages	4% of wages
DPW Supervisors	0% < 7.5% of wages	2% of wages
	7.5 % or more of wages	4% of wages
WPC Supervisors	0% < 7.5% of wages	2% of wages
	7.5 % or more of wages	4% of wages
Town non-union	0% < 6.0% of wages	3% of wages
	6.0 % or more of wages	5% of wages
DPW Laborers	0% < 7.5% of wages	2% of wages
	7.5 % or more of wages	4% of wages

Employee and employer contributions made during the fiscal year were as follows:

<u>Plan</u>	<u>Employee Contribution</u>	<u>Employer Contribution</u>
DPW Clerical	\$ 0	\$ 0
Professionals	9,461	4,546
DPW Supervisors	0	0

TOWN OF VERNON, CONNECTICUT
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

IV. OTHER INFORMATION (CONTINUED)

D. Defined Contribution Pension Plans (Continued)

<u>Plan</u>	<u>Employee Contribution</u>	<u>Employer Contribution</u>
WPC Supervisors	\$ 0	\$ 0
Town non-union	10,095	8,098
DPW Laborers / Parks / WPC	13,112	14,494

Vesting

Town non-union and DPW Supervisors become fully vested in the Employer contribution after 5 years of credited service, whereas all other eligible employees become fully vested after 10 years of credited service.

Normal Retirement Age

DPW Supervisors become eligible to retire upon age 58 and 27 years of service. DPW Laborers / Parks / WPC employees are eligible to retire at age 55 and 5 years of service. All other participants become eligible to retire at age 62 with 10 years of service.

Assets

Employee contributions are held in trust, with the Town serving as trustee, for the exclusive benefit of Plan participants and their beneficiaries, in a qualified Deferred Compensation Plan. Employer contributions are held in Trust, with the Town serving as trustee, for the exclusive benefit of Plan participants and their beneficiaries, in a qualified 401a Money Purchase Plan.

TOWN OF VERNON, CONNECTICUT
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

IV. OTHER INFORMATION (CONTINUED)

E. Other Post Employment Benefit Plan

1. Plan Description

a. Plan Type, Employees Covered

The Town has established an Other Post Employment Benefit (OPEB) Trust Fund which incorporates 3 single-employer, post retirement healthcare plans for the Town, Police and Board of Education employees. The plans provide medical, dental and prescription benefits for eligible retirees and their spouses. The Trust was established in June 2011. The plans do not issue stand alone financial reports.

b. Participant Membership

Participant membership at July 1, 2012 was as follows:

	<u>Police</u>	<u>Town</u>	<u>Board of Education</u>	<u>Total</u>
Retired members	13	8	93	114
Spouses of retired members	2	5	35	42
Active employees	<u>49</u>	<u>163</u>	<u>586</u>	<u>798</u>
Total participant membership	<u>64</u>	<u>176</u>	<u>714</u>	<u>954</u>

c. Benefit Provisions

The plan provides for medical, dental and prescription benefits for all eligible Town, Police and Board of Education retirees and their spouses. Benefits and contributions are established by contract and may be amended by union negotiations.

2. Summary of Significant Accounting Policies

a. Basis of Accounting

OPEB Trust Fund financial statements are prepared on the accrual basis of accounting. Employer contributions are recognized in the period due; investment income is recognized when earned; and gains and losses on sales and exchanges of investments are recognized in the period of transaction. Benefit payments are recognized when due and payable (incurred) in accordance with the terms of the plans. Plan administrative costs are financed by net assets of the Trust Fund on a pay-as-you-go basis.

b. Valuation of Plan Investments

OPEB Trust Fund investments are reported at fair value. Securities traded on national and international exchanges are valued at the last reported sales price.

TOWN OF VERNON, CONNECTICUT
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

IV. OTHER INFORMATION (CONTINUED)

E. Other Post Employment Benefit Plan (Continued)

3. Funding Policy

a. Employer Contributions

The Town's contributions are actuarially determined on an annual basis using the projected unit credit method. The Police, Town and Board of Education's total plan contribution for fiscal year was \$791,000.

b. Employee Contributions

There are no employee contributions to the plan. Retiree contributions are required to pay a portion of the cost of the benefits. These contributions are considered as part of the annual required contribution amount.

4. Funded Status and Funding Progress

The funded status of the plan as of July 1, 2012 was as follows:

ACTUARIAL VALUATION DATE	(A) ACTUARIAL VALUE OF ASSETS	(B) ACTUARIAL ACCRUED LIABILITY (AAL)	(A-B) OVER/ (UNDER) FUNDED AAL	(A/B) FUNDED AAL RATIO	(C) COVERED PAYROLL	[(A-B)/C] OVER (UNDER) FUNDED AAL AS A PERCENTAGE OF COVERED PAYROLL
<u>POLICE</u>						
July 1, 2012	\$ 70,008	\$ 1,821,136	\$ (1,751,128)	3.8%	\$ 3,553,068	(49.28%)
<u>TOWN</u>						
July 1, 2012	\$ 7,001	\$ 1,363,777	\$ (1,356,776)	0.5%	\$ 8,601,324	(15.77%)
<u>BOARD OF EDUCATION</u>						
July 1, 2012	\$ -	\$ 5,016,063	\$ (5,016,063)	0.0%	\$ 30,007,917	(16.72%)
<u>TOTAL</u>						
July 1, 2012	\$ 77,009	\$ 8,200,976	\$ (8,123,967)	0.9%	\$ 42,162,309	(19.27%)

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future, and actuarially determined amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future. The required schedules of funding progress (RSI), immediately following the notes to the financial statements presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time, relative to the actuarial accrued liability for benefits.

TOWN OF VERNON, CONNECTICUT
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

IV. OTHER INFORMATION (CONTINUED)

E. Other Post Employment Benefit Plan (Continued)

5. Actuarial Methods and Assumptions

Projections of benefits are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits in force at the valuation date and the pattern of sharing benefit costs between the employer and plan members to that point. The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations on the pattern of cost sharing between the employer and plan members in the future. Actuarial calculations reflect a long-term perspective. Consistent with that perspective, actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets.

The data presented in the schedules of funding progress and schedules of contributions were determined as part of the actuarial valuation at the date indicated. Additional information for all plans as of the latest valuation date is as follows:

Valuation date	July 1, 2012
Actuarial cost method	Projected Unit Credit
Amortization method	Level Percentage
<u>Remaining amortization period:</u>	
Police	25 years closed
Town	25 years closed
Board of Education	25 years closed
<u>Actuarial assumptions:</u>	
Investment rate of return - Town and Police	7.0%
Investment rate of return - Board of Education	7.0%
Healthcare inflation rate:	
Initial	7.2%
Ultimate	4.7%
Inflation rate	2.5%

The following assumption changes, effective July 1, 2012, include the change in the initial healthcare inflation rate from 7.0% to 7.2% and the use of an updated mortality table. The effects of these changes reduced the Accrued Liability by \$325,000 and reduced the Annual Required Contribution (ARC) for the ensuing fiscal year by \$30,000. In addition, plan benefit changes reduced the Accrued Liability by \$1.2 million and the ensuing fiscal year ARC by \$170,000. Plan benefit changes include the change in insurance coverage to high deductible health savings account plans and the elimination of certain other post employment benefits for members of the Police Officers union hired after July 1, 2012.

TOWN OF VERNON, CONNECTICUT
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

IV. OTHER INFORMATION (CONTINUED)

E. Other Post Employment Benefit Plan (Continued)

6. Annual OPEB Cost and Net OPEB Obligation (NOO)

The changes in the NOO were as follows:

	Police	Town	Board of Education	Total
Annual required contribution (ARC)	\$ 251,000	\$ 235,000	\$ 588,000	\$ 1,074,000
Interest on net OPEB obligation	27,706	31,232	63,214	122,152
Adjustment to annual required contribution	<u>(22,721)</u>	<u>(25,613)</u>	<u>(51,841)</u>	<u>(100,175)</u>
Annual OPEB cost (AOC)	255,985	240,619	599,373	1,095,977
Contributions made	<u>167,000</u>	<u>177,000</u>	<u>447,000</u>	<u>791,000</u>
Change in net OPEB obligation	88,985	63,619	152,373	304,977
Net OPEB obligation - July 1, 2012	<u>395,793</u>	<u>446,168</u>	<u>903,053</u>	<u>1,745,014</u>
Net OPEB obligation - June 30, 2013	<u>\$ 484,778</u>	<u>\$ 509,787</u>	<u>\$1,055,426</u>	<u>\$ 2,049,991</u>

7. Three Year Trend Information

YEAR ENDING JUNE 30	ANNUAL OPEB COST (AOC)	PERCENTAGE OF AOC CONTRIBUTED	NET OPEB OBLIGATION
<u>Police</u>			
2013	\$ 255,985	52.8%	\$ 484,778
2012	242,760	47.4%	395,793
2011	270,590	77.2%	268,033
<u>Town</u>			
2013	\$ 240,619	47.2%	\$ 509,787
2012	228,941	59.0%	446,168
2011	223,701	52.3%	352,227
<u>Board of Education</u>			
2013	\$ 599,373	56.8%	\$1,055,426
2012	571,275	82.6%	903,053
2011	670,561	61.6%	803,778

TOWN OF VERNON, CONNECTICUT
 NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

IV. OTHER INFORMATION (CONTINUED)

E. Other Post Employment Benefits Plan (Continued)

7. Three Year Trend Information (Continued)

YEAR ENDING JUNE 30	ANNUAL OPEB COST (AOC)	PERCENTAGE OF AOC CONTRIBUTED	NET OPEB OBLIGATION
<hr/>			
<u>TOTAL</u>			
2013	\$1,095,977	53.5%	\$2,049,991
2012	1,042,976	69.2%	1,745,014
2011	1,164,852	63.4%	1,424,038

F. On-Behalf Payments

The amount of the State Teachers' Retirement Plan contribution recognized in the General Fund intergovernmental revenues and education expenditures for contributions made by the State on-behalf of the Town's teachers was \$5,170,568.

Required Supplementary Information

TOWN OF VERNON, CONNECTICUT

GENERAL FUND
 SCHEDULE OF REVENUES AND OTHER FINANCING SOURCES
 BUDGET AND ACTUAL
 FOR THE YEAR ENDED JUNE 30, 2013

	Budgeted Amounts			Variance with Final Budget
	Original	Final	Actual	
Tax revenue				
Current year taxes	\$ 57,104,456	\$ 57,104,456	\$57,156,822	\$ 52,366
Prior year taxes	380,000	380,000	740,189	360,189
Supplemental motor vehicle tax	592,000	592,000	655,477	63,477
Interest and lien fees	220,000	220,000	373,165	153,165
Warrant revenue	7,000	7,000	7,867	867
Liens	3,000	3,000	5,568	2,568
Total tax revenue	58,306,456	58,306,456	58,939,088	632,632
Intergovernmental				
Civil preparedness grant	7,100	7,100	7,937	837
FEMA Public Assistance October Storm Alfred			33,082	33,082
FEMA Public Assistance Hurricane Sandy			34,699	34,699
FEMA Public Assistance Storm Charlotte			115,285	115,285
Bullet Proof Vest grant	2,500	2,500	6,072	3,572
Community services block grant	20,436	20,436	20,581	145
Education cost sharing - Alliance district	248,797	248,797		(248,797)
Education cost sharing	17,645,165	17,645,165	17,609,809	(35,356)
Public pupil transportation	160,860	160,860	153,162	(7,698)
Non-public pupil transportation	19,360	19,360	12,857	(6,503)
Vocational Agriculture	107,667	107,667	107,667	-
Student Based Supplement grant	128,580	128,580	128,580	-
Special ed. - Excess student based grant			35,536	35,536
School construction grants - Principal	115,843	115,843	115,843	-
School construction grants - Interest	1,750	1,750	1,750	-
Medicaid reimbursement	40,000	40,000	48,752	8,752
Medicaid retro reimbursement			260,000	260,000
Pilot - Colleges and hospitals	318,886	318,886	304,100	(14,786)
Pilot - State owned property	206,084	206,084	197,040	(9,044)
Pilot - Shelter rent	25,000	25,000	63,353	38,353
Tax relief - Elderly circuit breaker	142,000	142,000	135,045	(6,955)
Tax relief - Disability exemption	3,000	3,000	3,106	106
Tax relief - Veterans exemption	24,000	24,000	20,633	(3,367)
Mashantucket Pequot and Mohegan grant	218,273	218,273	193,050	(25,223)
Property Tax Relief grant	286,000	286,000	243,020	(42,980)
State Revenue Sharing	120,309	120,309	120,309	-
Telephone tax sharing	68,000	68,000	58,452	(9,548)
Municipal Video Trust Account	10,500	10,500	23,550	13,050
Judicial reimbursement - Parking	50	50	350	300
Judicial reimbursements	200	200	720	520
Special reimbursements - Permits	200	200	184	(16)
Driving Under the Influence grant	38,000	38,000	19,693	(18,307)
Motor Vehicle Violation surcharge	10,000	10,000	12,915	2,915
Historic Document Preservation Grant	6,000	6,000	6,500	500
Other - State grants	8,000	8,000	11,205	3,205
Total intergovernmental	19,982,560	19,982,560	20,104,837	122,277

(Continued)-1

TOWN OF VERNON, CONNECTICUT

GENERAL FUND
SCHEDULE OF REVENUES AND OTHER FINANCING SOURCES
BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2013

	<u>Budgeted Amounts</u>			Variance with Final Budget
	Original	Final	Actual	
<u>Charges for services</u>				
Town Clerk recording fees	\$ 465,000	\$ 465,000	\$ 386,390	\$ (78,610)
Vital statistics	500	500		(500)
Historic document preservation	12,500	12,500	14,613	2,113
Farmland Preservation surcharge			180,227	180,227
Printing and copying fees	200	200	178	(22)
Finance administration fee	11,000	11,000	11,000	-
Planning and zoning fees	7,000	7,000	5,963	(1,037)
Conservation fees	2,000	2,000	1,687	(313)
Assessor fees	2,000	2,000	1,123	(877)
Tax Collection fees	20,000	20,000		(20,000)
Police - Special services	10,000	10,000	100,981	90,981
Applicant Testing Fees			6,055	6,055
Fingerprint fees	2,500	2,500		(2,500)
Other Public Safety	4,000	4,000	20	(3,980)
Fire Marshal - services	500	500	740	240
Historic properties certification			100	100
Refuse Energy Community Outreach			20,000	20,000
Recycling	50,000	50,000	29,279	(20,721)
Recycling bin promotion	1,370	1,370	4,020	2,650
Bulky waste pickup	11,000	11,000	10,195	(805)
Other maintenance and development	12,000	12,000	7,737	(4,263)
Yankee Gas - administrative allocation	1,700	1,700	1,120	(580)
Energy application administration	8,663	8,663		(8,663)
Housing Rehab Administration	600	600	772	172
Recreation - Other			4,893	4,893
Tuition - Special education	53,000	53,000	111,292	58,292
Tuition - Vo-ag	341,000	341,000	319,680	(21,320)
Tuition - Special education Vo-ag	29,000	29,000	46,604	17,604
Other - Education community	4,000	4,000	11,500	7,500
Total charges for services	1,049,533	1,049,533	1,276,169	226,636
<u>Licenses and permits</u>				
Building permits	448,000	448,000	460,804	12,804
Zoning Review			325	325
ZBA Fees	4,000	4,000	2,760	(1,240)
Zoning Permits	4,000	4,000	3,925	(75)
Town Clerk - License surcharge	3,000	3,000	1,957	(1,043)
Refuse licensing	5,500	5,500	4,000	(1,500)
Transfer station permits	70,000	70,000	64,045	(5,955)
Driveway & road cut permits	10,000	10,000	10,017	17
Total licenses and permits	544,500	544,500	547,833	3,333
<u>Fines and penalties</u>				
Parking tags	9,500	9,500	15,215	5,715
Zoning citations	500	500	3,400	2,900
Total fines and penalties	10,000	10,000	18,615	8,615

(Continued)-2

TOWN OF VERNON, CONNECTICUT

GENERAL FUND
 SCHEDULE OF REVENUES AND OTHER FINANCING SOURCES
 BUDGET AND ACTUAL
 FOR THE YEAR ENDED JUNE 30, 2013

	Budgeted Amounts			Variance with Final Budget
	Original	Final	Actual	
<u>Interest on investments</u>				
General Fund	\$ 44,000	\$ 44,000	\$ 1,006	\$ (42,994)
Interest on investments-Post Employment	680	680	38	(642)
Teachers' Retirement Board	100	100	10	(90)
Total interest on investments	44,780	44,780	1,054	(43,726)
<u>Other revenue</u>				
Purchasing Card Reimbursement	44,000	44,000	9,437	(34,563)
Rental income - Annex	24,000	24,000	24,000	-
Rental income - Senior Center			169	169
Rental management fee	50,000	50,000	50,000	-
Rental income other			35,500	35,500
Medical insurance reimbursement	174,720	174,720	138,232	(36,488)
Insurance reimbursements			1,200	1,200
Gasoline reimbursement	85,827	85,827	100,827	15,000
Tolland - East /East Main St. Sewers	30,949	30,949	30,949	-
Lease - Ellington pump station	6,100	6,100	6,681	581
Miscellaneous	26,000	26,000	19,350	(6,650)
Total other revenue	441,596	441,596	416,345	(25,251)
Total revenues	80,379,425	80,379,425	81,303,941	924,516
<u>Other financing sources</u>				
Special Revenue Funds:				
Special Revenue			4,307	4,307
Recreation programs	55,000	55,000	55,000	-
Sewer assessments - Ord. 167	60,000	60,000	60,000	-
Sewer assessments - Ord. 201	20,000	20,000	20,000	-
Ambulance services	82,000	82,000	82,000	-
Interest on investments-Insurance Exchange	250	250	20	(230)
Interest on investments-Town Aid roads	300	300	8	(292)
Interest on investments-School Readiness	210	210		(210)
Medical Savings Reserve			300,000	300,000
Interest on investments-Sewer Assessments	400	400	16	(384)
Total Special Revenue Funds	218,160	218,160	521,351	303,191

(Continued)-3

TOWN OF VERNON, CONNECTICUT

GENERAL FUND
 SCHEDULE OF REVENUES AND OTHER FINANCING SOURCES
 BUDGET AND ACTUAL
 FOR THE YEAR ENDED JUNE 30, 2013

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Transfers in:				
Debt Service Fund:				
Refunding bond proceeds	\$	\$	\$ 6,603	\$ 6,603
Interest on investments	1,575	1,575	131	(1,444)
Total Debt Service Funds	1,575	1,575	6,734	5,159
Total transfers in	219,735	219,735	528,085	308,350
Proceeds from sale of property			44,830	44,830
Total other financing sources	219,735	219,735	572,915	353,180
Total revenues and other financing sources	<u>\$ 80,599,160</u>	<u>\$ 80,599,160</u>	81,876,856	<u>\$1,277,696</u>
Budgetary revenues are different than GAAP revenue because:				
State of Connecticut "on-behalf" contributions to the Connecticut State Teachers'				
Retirement System for Town teachers are not budgeted			5,170,568	
Total revenues and other financing sources as reported on the statement of revenues, expenditures and changes in fund balances - governmental funds - Exhibit D			<u>\$87,047,424</u>	

(Concluded)-4

TOWN OF VERNON, CONNECTICUT

GENERAL FUND
SCHEDULE OF EXPENDITURES AND OTHER FINANCING USES
BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2013

	<u>Budgeted Amounts</u>		Expenditures	Outstanding Encumbrances	Total Expenditures and Encumbrances	Variance with Final Budget
	Original	Final				
<u>General government</u>						
Town Council	\$ 12,245	\$ 12,663	\$ 8,493	\$ 2,634	\$ 11,127	\$ 1,536
Probate court	13,080	26,717	14,653	12,000	26,653	64
Executive and administrative	664,886	698,742	628,980	35,064	664,044	34,698
Law	134,000	191,483	132,276	34,437	166,713	24,770
Registration	81,200	82,827	81,235	998	82,233	594
Elections - general	35,700	46,493	43,314	3,113	46,427	66
Elections - primary	20,300	27,031	25,958		25,958	1,073
Elections - referendum	6,600	18,000	16,405	394	16,799	1,201
Finance administration	466,369	517,521	485,290	29,595	514,885	2,636
Independent audit	51,100	51,250	49,570	1,250	50,820	430
Treasury	21,455	38,165	1,538	26,600	28,138	10,027
Purchasing	9,950	16,082	9,182	6,650	15,832	250
Assessment	252,470	261,800	255,818	5,000	260,818	982
Refunds - tax adjustments	25,000	50,000	46,445		46,445	3,555
Collector of Revenue	212,311	226,080	215,726	10,059	225,785	295
Revaluation	25,000	25,000	1,455	23,540	24,995	5
Town Clerk	259,895	457,030	423,085	22,865	445,950	11,080
Board of Assessment Appeals	2,800	2,800	2,400		2,400	400
Water Pollution Control Authority	10,969	10,969	10,969		10,969	-
Greater Hartford Transit District	3,647	3,793	3,793		3,793	-
Data processing	698,580	905,864	774,367	130,217	904,584	1,280
Total general government	3,007,557	3,670,310	3,230,952	344,416	3,575,368	94,942
<u>Community development</u>						
Town Planner - Administration	241,979	248,860	241,139	7,438	248,577	283

(Continued)-1

TOWN OF VERNON, CONNECTICUT

GENERAL FUND
 SCHEDULE OF EXPENDITURES AND OTHER FINANCING USES
 BUDGET AND ACTUAL
 FOR THE YEAR ENDED JUNE 30, 2013

	<u>Budgeted Amounts</u>		Expenditures	Outstanding Encumbrances	Total Expenditures and Encumbrances	Variance with Final Budget
	Original	Final				
<u>Public safety</u>						
Police	\$ 5,846,064	\$ 6,098,761	\$ 5,978,874	\$ 62,310	\$ 6,041,184	\$ 57,577
School crossing guards	62,120	62,120	59,458		59,458	2,662
Traffic authority	311,960	397,952	321,481	76,152	397,633	319
Fire fighting and administration	1,186,838	1,227,270	1,188,503	25,858	1,214,361	12,909
Fire Marshal	93,617	96,757	96,310	115	96,425	332
Building inspection	250,079	263,450	255,170		255,170	8,280
Emergency Management	44,870	171,782	140,226	2,655	142,881	28,901
Animal control	126,660	130,710	129,596		129,596	1,114
Total public safety	7,922,208	8,448,802	8,169,618	167,090	8,336,708	112,094
<u>Maintenance and development</u>						
Public Works administration	609,189	656,067	651,515	1,475	652,990	3,077
General maintenance	1,254,819	1,259,489	1,225,070	18,825	1,243,895	15,594
Equipment maintenance	807,681	813,485	760,454	18,792	779,246	34,239
Maintenance of gov't buildings	758,968	766,002	721,670	21,507	743,177	22,825
Snow removal	195,470	279,195	271,055		271,055	8,140
Refuse collection and disposal	1,045,699	1,023,106	891,895	44,708	936,603	86,503
Recycling	313,660	315,871	284,334	9,538	293,872	21,999
Condominium refuse	5,046	5,046	4,680		4,680	366
Tree Warden	10,650	10,650	9,697		9,697	953
Leaf collection program	124,287	114,287	102,431	159	102,590	11,697
Engineering admin. services	293,140	300,932	300,112	774	300,886	46
Total maintenance and development	5,418,609	5,544,130	5,222,913	115,778	5,338,691	205,439

(Continued)-2

TOWN OF VERNON, CONNECTICUT

GENERAL FUND
SCHEDULE OF EXPENDITURES AND OTHER FINANCING USES
BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2013

	Budgeted Amounts				Total	Variance
	Original	Final	Expenditures	Outstanding Encumbrances	Expenditures and Encumbrances	with Final Budget
<u>Human services</u>						
North Central Health District	\$ 124,706	\$ 124,706	\$ 124,705	\$	\$ 124,705	\$ 1
Visiting Nurses and Health Services	12,249	12,249	12,249		12,249	-
Hockanum Valley Community Council	165,000	182,000	181,819		181,819	181
Child Guidance Clinic	11,000	11,000	11,000		11,000	-
Exchange Club-Prevent Child Abuse	8,000	8,000	8,000		8,000	-
Tri-County ARC	7,000	7,000	7,000		7,000	-
MARC, Inc. of Manchester	4,000	4,000	4,000		4,000	-
Shelter Services	14,700	16,016	6,036	5,300	11,336	4,680
Connecticut Legal Services	4,000	4,000	4,000		4,000	-
Hartford Interval House	2,500	2,500	2,500		2,500	-
YWCA Sexual Assault Services	2,000	2,000	2,000		2,000	-
Hockanum Valley School Readiness	4,000	4,000	4,000		4,000	-
Social services administration	238,840	261,950	257,640	3,420	261,060	890
Youth services	215,119	228,794	226,690	57	226,747	2,047
Senior center	124,716	125,618	122,612	1,733	124,345	1,273
Total human services	937,830	993,833	974,251	10,510	984,761	9,072
<u>Parks, recreation and culture</u>						
Recreation administration	419,299	441,677	439,480	1,359	440,839	838
Recreation aquatics						-
Public celebration	20,000	25,484	20,265	5,218	25,483	1
Parks maintenance	603,473	601,153	571,189	17,335	588,524	12,629
Art commission	11,640	11,810	11,809		11,809	1
Historical Society	5,500	5,500	5,500		5,500	-
Rockville Public Library	310,000	310,000	310,000		310,000	-
Total parks, recreation and culture	1,369,912	1,395,624	1,358,243	23,912	1,382,155	13,469

(Continued)-3

TOWN OF VERNON, CONNECTICUT

GENERAL FUND
SCHEDULE OF EXPENDITURES AND OTHER FINANCING USES
BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2013

	<u>Budgeted Amounts</u>		Expenditures	Outstanding Encumbrances	Total Expenditures and Encumbrances	Variance with Final Budget
	Original	Final				
<u>Townwide</u>						
Social security and Medicare	\$ 943,000	\$ 936,157	\$ 920,212	\$	\$ 920,212	\$ 15,945
Pension	2,251,074	2,418,945	2,407,608	11,337	2,418,945	-
Group insurance	2,747,189	2,755,694	2,479,834	80,288	2,560,122	195,572
Unemployment compensation	25,000	58,253	45,009	13,244	58,253	-
Municipal insurance	865,125	958,865	948,329	7,977	956,306	2,559
Contingency	170,000	51,572	42,333		42,333	9,239
Housing Authority sewer subsidy	50,500	55,759	49,071	6,688	55,759	-
Vernon Cemetery Commission	162,384	162,384	162,384		162,384	-
Total townwide	7,214,272	7,397,629	7,054,780	119,534	7,174,314	223,315
Subtotal - General Government	26,112,367	27,699,188	26,251,896	788,678	27,040,574	658,614
<u>Debt service</u>						
Debt service - principal	3,224,590	3,173,590	3,126,102	47,486	3,173,588	2
Debt service - interest	1,328,953	1,324,953	1,239,200	85,750	1,324,950	3
Total debt service	4,553,543	4,498,543	4,365,302	133,236	4,498,538	5
<u>Capital improvements</u>						
Capital improvements - Town	200,000	313,590	57,787	55,000	112,787	200,803

(Continued)-4

TOWN OF VERNON, CONNECTICUT

GENERAL FUND
 SCHEDULE OF EXPENDITURES AND OTHER FINANCING USES
 BUDGET AND ACTUAL
 FOR THE YEAR ENDED JUNE 30, 2013

	Budgeted Amounts		Expenditures	Outstanding Encumbrances	Total Expenditures and Encumbrances	Variance with Final Budget
	Original	Final				
Education						
Regular instruction	\$ 18,056,488	\$ 18,069,384	\$ 18,125,983	\$ 2,654	\$ 18,128,637	\$ (59,253)
Special Education instruction	4,553,611	4,565,603	4,503,267	10,867	4,514,134	51,469
Continuing Education	219,714	219,714	219,714		219,714	-
Special Education program support	2,486,237	2,765,707	3,502,622		3,502,622	(736,915)
Social Work services	523,049	523,049	699,350		699,350	(176,301)
Guidance services	705,747	706,270	695,364		695,364	10,906
Health services	415,088	415,164	396,838		396,838	18,326
Psychological services	561,354	561,394	548,584		548,584	12,810
Speech pathology & audio services	500,129	527,069	597,225	500	597,725	(70,656)
Instructional program support	40,561	53,899	33,689	140	33,829	20,070
Library / Media services	338,400	341,819	302,986	1,013	303,999	37,820
Curriculum development	1,444,128	1,422,256	1,247,502	58,630	1,306,132	116,124
Superintendent's office	474,697	522,426	542,914	1,492	544,406	(21,980)
Board of Education - Elected	126,932	133,421	72,076		72,076	61,345
Principal office services	2,097,531	2,106,518	2,009,065	638	2,009,703	96,815
Business office	423,437	437,760	545,106	4,006	549,112	(111,352)
Capital Reserve						-
Building / Plant operations	4,002,810	4,211,009	3,846,006	1,843	3,847,849	363,160
Student transportation services	2,352,195	2,386,129	2,440,265		2,440,265	(54,136)
General control	187,865	208,060	113,125	243	113,368	94,692
Information systems	340,000	489,798	489,798		489,798	-
System-wide fringe benefits	7,800,664	8,095,962	7,796,215	102	7,796,317	299,645
Extra curricular student activities	491,588	494,130	466,793		466,793	27,337
Reserve for negotiation	20,675	20,675			-	20,675
Total Education	48,162,900	49,277,216	49,194,487	82,128	49,276,615	601
Total Expenditures	79,028,810	81,788,537	79,869,472	1,059,042	80,928,514	860,023

(Continued)-5

TOWN OF VERNON, CONNECTICUT

GENERAL FUND
 SCHEDULE OF EXPENDITURES AND OTHER FINANCING USES
 BUDGET AND ACTUAL
 FOR THE YEAR ENDED JUNE 30, 2013

	<u>Budgeted Amounts</u>			Outstanding	Total	Variance
	Original	Final	Expenditures	Encumbrances	Expenditures and Encumbrances	with Final Budget
<u>Other financing uses</u>						
Transfers out:						
Special Revenue Funds:						
Town Clerk - Preservation surcharge	\$	\$	\$	\$	\$	\$
Planning - Open space	10,000	10,000	10,000		10,000	-
Community & Economic development	40,000	40,000	40,000		40,000	-
Social services administration	10,000	10,000	2,500	7,500	10,000	-
Debt service - principal	1,203,108	1,203,108	1,203,108		1,203,108	-
Debt service - interest	101,180	101,180	101,180		101,180	-
Capital improvements - Town	187,965	337,965	337,965		337,965	-
Education - Building / Plant Operations	18,097	18,097	18,097		18,097	-
Total other financing uses	1,570,350	1,725,221	1,717,721	7,500	1,725,221	-
Total expenditures and other financing uses	\$ 80,599,160	\$ 83,513,758	\$ 81,587,193	\$ 1,066,542	82,653,735	\$ 860,023

Budgetary expenditures are different than GAAP expenditures because:

State of Connecticut "on-behalf" payments to the Connecticut State Teachers' Retirement System for Town teachers are not budgeted

5,170,568

Encumbrances for purchases and commitments ordered but not received are reported in the year the order is placed for budgetary purposes, but in the year received for financial reporting purposes

(1,066,542)

Total expenditures and other financing uses as reported on the statement of revenues, expenditures and changes in fund balances - governmental funds - Exhibit D

\$ 86,757,761

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TOWN OF VERNON, CONNECTICUT

REQUIRED SUPPLEMENTARY INFORMATION

VERNON RETIREMENT SYSTEM
SCHEDULES OF FUNDING PROGRESS

<u>POLICE PLAN</u>						
	A	B	(A-B)	(A/B)	C	[(A-B)/C]
ACTUARIAL VALUATION DATE	ACTUARIAL VALUE OF ASSETS	ACTUARIAL ACCRUED LIABILITY (AAL) PROJECTED UNIT CREDIT	OVER (UNDER) FUNDED AAL	FUNDED AAL RATIO	COVERED PAYROLL	OVER/UNDER FUNDED AAL AS A PERCENTAGE OF COVERED PAYROLL
JANUARY 1,						
2008	\$ 17,438,418	\$ 23,957,282	\$ (6,518,864)	72.8%	\$ 3,927,066	(166.0%)
2009	15,349,405	24,985,131	(9,635,726)	61.4%	4,181,987	(230.4%)
2010	16,898,080	27,986,776	(11,088,696)	60.4%	4,350,681	(254.9%)
2011	16,862,650	29,969,970	(13,107,320)	56.3%	4,352,823	(301.1%)
2012	16,653,256	31,441,382	(14,788,126)	53.0%	4,434,630	(333.5%)
2013	16,662,221	33,489,061	(16,826,840)	49.8%	4,390,111	(383.3%)
<u>TOWN PLAN</u>						
	A	B	(A-B)	(A/B)	C	[(A-B)/C]
ACTUARIAL VALUATION DATE	ACTUARIAL VALUE OF ASSETS	ACTUARIAL ACCRUED LIABILITY (AAL) PROJECTED UNIT CREDIT	OVER (UNDER) FUNDED AAL	FUNDED AAL RATIO	COVERED PAYROLL	OVER/UNDER FUNDED AAL AS A PERCENTAGE OF COVERED PAYROLL
JANUARY 1,						
2008	\$ 23,916,877	\$ 38,366,205	\$ (14,449,328)	62.3%	\$ 13,408,005	(107.8%)
2009	24,412,641	40,929,548	(16,516,907)	59.6%	13,857,289	(119.2%)
2010	26,751,553	46,632,119	(19,880,566)	57.4%	14,074,891	(141.2%)
2011	28,199,302	49,873,997	(21,674,695)	56.5%	14,247,198	(152.1%)
2012	29,800,448	53,500,179	(23,699,731)	55.7%	14,396,003	(164.6%)
2013	31,354,306	56,269,385	(24,915,079)	55.7%	14,895,476	(167.3%)

(Continued)

TOWN OF VERNON, CONNECTICUT

REQUIRED SUPPLEMENTARY INFORMATION

VERNON RETIREMENT SYSTEM
SCHEDULES OF FUNDING PROGRESS

<u>LOSAP</u>						
	A	B	(A-B)	(A/B)	C	[(A-B)/C]
ACTUARIAL VALUATION DATE	ACTUARIAL VALUE OF ASSETS	ACTUARIAL ACCRUED LIABILITY (AAL) FROZEN ENTRY AGE	OVER (UNDER) FUNDED AAL	FUNDED AAL RATIO	COVERED PAYROLL	OVER/UNDER FUNDED AAL AS A PERCENTAGE OF COVERED PAYROLL
JANUARY 1,						
2008	\$ 962,663	\$ 1,079,832	\$ (117,169)	89.1%	N/A	N/A
2009	745,780	806,210	(60,430)	92.5%	N/A	N/A
2010	1,018,412	845,758	172,654	120.4%	N/A	N/A
2011	1,148,440	873,498	274,942	131.5%	N/A	N/A
2012	1,116,227	933,551	182,676	119.6%	N/A	N/A
2013	1,267,827	973,134	294,693	130.3%	N/A	N/A

N/A - Not applicable to this plan.

(Concluded)

TOWN OF VERNON, CONNECTICUT

REQUIRED SUPPLEMENTARY INFORMATION

VERNON OTHER POST EMPLOYMENT BENEFIT PLANS
SCHEDULES OF FUNDING PROGRESS

<u>POLICE PLAN</u>						
	A	B	(A-B)	(A/B)	C	[(A-B)/C]
ACTUARIAL VALUATION DATE	ACTUARIAL VALUE OF ASSETS	ACTUARIAL ACCRUED LIABILITY (AAL) PROJECTED UNIT CREDIT	OVER (UNDER) FUNDED AAL	FUNDED AAL RATIO	COVERED PAYROLL	OVER/UNDER FUNDED AAL AS A PERCENTAGE OF COVERED PAYROLL
JULY 1, 2008	\$ -	\$ 3,071,000	\$ (3,071,000)	0.0%	\$ 3,352,315	(91.61%)
2009	N/A	N/A	N/A	N/A	N/A	N/A
2010	60,000	2,269,000	(2,209,000)	2.6%	3,394,227	(65.08%)
2011	N/A	N/A	N/A	N/A	N/A	N/A
2012	70,008	1,821,136	(1,751,128)	3.8%	3,553,068	(49.28%)
<u>TOWN PLAN</u>						
	A	B	(A-B)	(A/B)	C	[(A-B)/C]
ACTUARIAL VALUATION DATE	ACTUARIAL VALUE OF ASSETS	ACTUARIAL ACCRUED LIABILITY (AAL) PROJECTED UNIT CREDIT	OVER (UNDER) FUNDED AAL	FUNDED AAL RATIO	COVERED PAYROLL	OVER/UNDER FUNDED AAL AS A PERCENTAGE OF COVERED PAYROLL
JULY 1, 2008	\$ -	\$ 2,128,000	\$ (2,128,000)	0.0%	\$ 8,275,348	(25.71%)
2009	N/A	N/A	N/A	N/A	N/A	N/A
2010	-	1,893,000	(1,893,000)	0.0%	8,240,567	(22.97%)
2011	N/A	N/A	N/A	N/A	N/A	N/A
2012	7,001	1,363,777	(1,356,776)	0.5%	8,601,324	(15.77%)

(Continued)

TOWN OF VERNON, CONNECTICUT

REQUIRED SUPPLEMENTARY INFORMATION

VERNON OTHER POST EMPLOYMENT BENEFIT PLANS
SCHEDULES OF FUNDING PROGRESSBOARD OF EDUCATION PLAN

	A	B	(A-B)	(A/B)	C	[(A-B)/C]
ACTUARIAL VALUATION DATE	ACTUARIAL VALUE OF ASSETS	ACTUARIAL ACCRUED LIABILITY (AAL) PROJECTED UNIT CREDIT	OVER (UNDER) FUNDED AAL	FUNDED AAL RATIO	COVERED PAYROLL	OVER/UNDER FUNDED AAL AS A PERCENTAGE OF COVERED PAYROLL
JULY 1, 2008	\$ -	\$ 8,194,000	\$ (8,194,000)	0.0%	\$ 28,991,599	(28.26%)
2009	N/A	N/A	N/A	N/A	N/A	N/A
2010	-	6,193,000	(6,193,000)	0.0%	30,026,823	(20.62%)
2011	N/A	N/A	N/A	N/A	N/A	N/A
2012	-	5,016,063	(5,016,063)	0.0%	30,007,917	(16.72%)

N/A - Not available due to biennial valuations.

(Concluded)

TOWN OF VERNON, CONNECTICUTREQUIRED SUPPLEMENTARY INFORMATION
SCHEDULES OF EMPLOYER CONTRIBUTIONSVERNON RETIREMENT SYSTEM AND OTHER POST EMPLOYMENT BENEFIT PLANS

<u>YEAR ENDED DECEMBER 31/JUNE 30</u>	<u>ANNUAL REQUIRED CONTRIBUTION</u>	<u>ACTUAL CONTRIBUTION</u>	<u>PERCENTAGE CONTRIBUTED</u>
<u>PENSION PLANS</u>			
<u>DECEMBER 31</u>			
<u>POLICE</u>			
2007	\$ 1,020,600	\$ 1,020,600	100.0%
2008	1,107,688	1,107,688	100.0%
2009	1,025,928	1,025,928	100.0%
2010	1,057,949	1,057,949	100.0%
2011	1,240,074	1,366,874	110.2%
2012	1,365,291	1,365,291	100.0%
<u>TOWN</u>			
2007	\$ 1,677,731	\$ 1,677,731	100.0%
2008	1,750,784	1,750,784	100.0%
2009	1,509,046	1,509,046	100.0%
2010	1,502,551	1,502,551	100.0%
2011	1,704,215	1,998,579	117.3%
2012	1,788,972	1,788,972	100.0%
<u>LOSAP</u>			
2007	\$ 97,968	\$ 97,968	100.0%
2008	83,206	83,206	100.0%
2009	120,129	120,129	100.0%
2010	44,431	44,431	100.0%
2011	34,123	34,123	100.0%
2012	45,237	45,237	100.0%
<u>OTHER POST EMPLOYMENT BENEFIT PLANS</u>			
<u>YEAR ENDED JUNE 30</u>			
<u>POLICE</u>			
2009	\$ 249,000	\$ 142,000	57.0%
2010	259,000	160,000	61.8%
2011	270,000	209,000	77.4%
2012	239,000	115,000	48.1%
2013	251,000	167,000	66.5%
<u>TOWN</u>			
2009	\$ 206,000	\$ 79,000	38.3%
2010	215,000	97,000	45.1%
2011	223,000	117,000	52.5%
2012	224,000	135,000	60.3%
2013	235,000	177,000	75.3%
<u>BOARD OF EDUCATION</u>			
2009	\$ 618,000	\$ 324,000	52.4%
2010	643,000	392,000	61.0%
2011	669,000	413,000	61.7%
2012	560,000	472,000	84.3%
2013	588,000	447,000	76.0%

Supplemental Schedules

General Fund

The general fund is the principal fund of the Town and is used to account for all activities of the Town, except those required to be accounted for in another fund. The general fund accounts for the normal recurring activities of the Town (i.e., general government, public safety, public works, culture and recreation, health and welfare, development and conservation, benefits and insurance, education, etc.). These activities are funded principally by property taxes, user fees and grants from other governmental units.

TOWN OF VERNON, CONNECTICUT**GENERAL FUND
COMPARATIVE BALANCE SHEETS
JUNE 30, 2013 AND 2012**

	2013	2012
ASSETS		
Cash	\$ 5,700,066	\$ 7,856,162
Investments	3,368,016	3,304,313
Receivables, net:		
Uncollected property taxes	1,754,356	1,618,936
Intergovernmental	680,736	3,423,745
Other	187,458	558,661
Due from other funds	3,746,953	2,105,434
Total assets	<u>\$ 15,437,585</u>	<u>\$ 18,867,251</u>
LIABILITIES		
Accounts payable	\$ 1,225,307	\$ 1,150,706
Accrued wages and benefits	326,395	392,237
Due to other funds	844,442	788,442
Total liabilities	<u>2,396,144</u>	<u>2,331,385</u>
DEFERRED INFLOWS OF RESOURCES		
Unavailable revenues - property taxes	1,498,156	1,468,054
Advanced property tax collections	109,695	3,780,442
Unavailable revenues - grants	29,400	172,843
Total deferred inflows of resources	<u>1,637,251</u>	<u>5,421,339</u>
FUND BALANCES		
Assigned	1,388,542	1,820,141
Unassigned	10,015,648	9,294,386
Total fund balances	<u>11,404,190</u>	<u>11,114,527</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 15,437,585</u>	<u>\$ 18,867,251</u>

TOWN OF VERNON, CONNECTICUT

**REPORT OF THE TAX COLLECTOR
FOR THE YEAR ENDED JUNE 30, 2013**

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Grand List October 1,	Uncollected Taxes July 1, 2012	Current Year Levy	Lawful Corrections		Transfers (From) to Suspense	Adjusted Taxes Collectible	Collections				Uncollected Taxes June 30, 2013
			Additions	Deductions			Taxes	Interest	Liens	Total	
2010	\$ 803,778	\$	\$ 2,337	\$ 7,394	\$ 18,404	\$ 780,317	\$ 372,098	\$ 75,526	\$ 2,248	\$ 449,872	\$ 408,219
2009	317,149		675	4,736	36,405	276,683	124,521	47,763	1,437	173,721	152,162
2008	165,995			3,754	11,572	150,669	69,079	31,892	610	101,581	81,590
2007	99,928			3,926	(834)	96,836	42,282	31,502	386	74,170	54,554
2006	65,973			3,611	(1,819)	64,181	21,090	17,445	194	38,729	43,091
2005	31,758		218	3,298	(3,008)	31,686	3,300	3,874	62	7,236	28,386
2004	18,600			660	(499)	18,439	499	706	84	1,289	17,940
2003	14,964			652	(460)	14,772	668	1,072	138	1,878	14,104
2002	11,648			619	(347)	11,376	347	579	88	1,014	11,029
2001	11,193			595	(244)	10,842	244	453	104	801	10,598
2000	10,679		83	567	(552)	10,747	635	1,043	231	1,909	10,112
1999	17,311			346	(107)	17,072	107	234		341	16,965
1998	16,683					16,683				-	16,683
1997	16,683					16,683				-	16,683
1996	16,594			16,594		-				-	-
Total prior years	1,618,936	-	3,313	46,752	58,511	1,516,986	634,870	212,089	5,582	852,541	882,116
2011		58,943,099	85,318	343,467	410	58,684,540	57,812,300	161,076	7,853	57,981,229	872,240
Total all years	\$ 1,618,936	\$ 58,943,099	\$ 88,631	\$ 390,219	\$ 58,921	\$ 60,201,526	\$ 58,447,170	\$ 373,165	\$ 13,435	\$ 58,833,770	\$ 1,754,356

Nonmajor Governmental Funds

Special Revenue Funds

Special revenue funds are used to account for the proceeds of specific revenue sources that are designated or legally restricted to expenditures for specific purposes. The nature and purpose of each Special Revenue Fund is as follows:

Fund	Funding Source	Function
Cafeteria	Sales of food, State and Federal subsidies	Operation of the school cafeterias
Town Clerk Special	Sportsmen license fees	State DEP
Insurance Exchange	Casualty losses	Insurance claims and deductibles
Town Aid Road	State grant	General Town road maintenance and Connecticut Housing Partnership Program Grant
Dog License	Licenses and fees	Animal control program
Ambulance Medical Services	Ambulance services fees	Paramedic and collection agency costs
Public Safety Complex Grant-in-Aid	State grant	Addition to ambulance building
Vernon Cemetery Commission	Lot sales, related income, Town Council appropriation	Cemetery maintenance
Special Education Grants	State and federal grants	Educational purposes
Adult Basic Education Tuition	State and local governments	Adult education
CDBG Small Cities	Federal grant - DHUD and program income	Community development programs
Housing and Community Development	Federal grant - DHUD and program income	Community development program
Downstream	Developer fees	Drainage improvements
Sidewalk Development	Developer fees	Town sidewalks
Sewer Assessment	Levied sewer assessments	Sewer bonded debt service
Sewer Connections	Sewer construction and permit fees	Sewer repairs and related expenditures
Medical Savings Reserve	Town and demutualization proceeds	Medical claims and expenses
Parks and Recreation Programs	Program Fees	Parks and Recreation programs
Talcottville Enhancements TCSP 010	Federal grant	Community improvements
Miscellaneous Grants	Various	Education of the Blind, Youth Service Bureau and State Asset Forfeiture
Miscellaneous Special Revenue	Various	Federal Forfeiture, Public Celebration and Special Youth Activities Funds

NONMAJOR GOVERNMENTAL FUNDS, CONTINUED

Capital Projects

The Capital Projects Fund is used to account for financial resources to be used for the acquisition or construction of major capital facilities.

Fund	Funding Source	Function
River Street Bridge Renovations Project 146-160	State and Federal grants	Renovation of bridge
Spring Street Bridge Renovations Project 146-159	State and Federal grants	Renovation of bridge
Phoenix Street Bridge Renovations Project 146-181	State and Federal grants	Renovation of bridge
Town Capital and Nonrecurring	Grants and General Fund appropriation	Capital projects or equipment acquisition
Education Capital and Nonrecurring	Town Council appropriations, State grants	Capital improvements in school system

Permanent Funds

Permanent funds are used to report resources that are legally restricted to the extent that only earnings, not principal, may be used for purposes that support the reporting government's programs.

Fund	Funding Source	Function
Cemetery Trust	Investment income	Perpetual care
Memorial Trust	Investment income	Memorial care

TOWN OF VERNON, CONNECTICUT

**COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2013**

	Special Revenue Funds							
	Cafeteria	Town Clerk Special	Insurance Exchange	Town Aid Road	Dog License	Ambulance Medical Services	Public Safety Complex Grant-In-Aid	Vernon Cemetery Commission
Assets								
Cash	\$ 67,363	\$ 249	\$ 19,634	\$ 87,309	\$ 30,169	\$ 41,103	\$	\$ 218,001
Investments	24,796		121,543	48,312	25,360	102		
Receivables (net):								
Intergovernmental	152,101							
Other	978		35,000		3,000	689,505		500
Loan								
Sewer assessment								
Due from other funds		85			2,958			4,310
Inventory	36,257							
Total assets	\$ 281,495	\$ 334	\$ 176,177	\$ 135,621	\$ 61,487	\$ 730,710	\$ -	\$ 222,811
Liabilities								
Accounts payable	\$	\$ 334	\$ 79,302	\$	\$ 11,868	\$ 17,231	\$	\$ 150
Other payables	15,164							
Due to other funds	111,781		20	8	453	51,278	860,500	38,625
Total liabilities	126,945	334	79,322	8	12,321	68,509	860,500	38,775
Deferred Inflows of Resources								
Unavailable revenues:								
Loans								
Sewer assessments and user charges								
Ambulance services						689,505		
Total deferred inflows of resources	-	-	-	-	-	689,505	-	-
Fund Balances								
Nonspendable	36,257							
Restricted	118,293			135,613				184,036
Committed			96,855					
Assigned					49,166			
Unassigned						(27,304)	(860,500)	
Total fund balances	154,550	-	96,855	135,613	49,166	(27,304)	(860,500)	184,036
Total liabilities, deferred inflows of resources and fund balances	\$ 281,495	\$ 334	\$ 176,177	\$ 135,621	\$ 61,487	\$ 730,710	\$ -	\$ 222,811

(Continued on next page)

TOWN OF VERNON, CONNECTICUT

**COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2013**

	Special Revenue Funds							
	Special Education Grants	Adult Basic Education Tuition	CDBG Small Cities	Housing and Community Development	Downstream	Sidewalk Development	Sewer Assessment	Sewer Connections
Assets								
Cash	\$ 55,974	\$ 76,575	\$ 93,756	\$ 29,450	\$ 35,210	\$ 2,701	\$ 73,575	\$ 1,393,857
Investments					25,236		340,025	
Receivables (net):								
Intergovernmental	48,145	7,421						
Other								1,707
Loan			95,022	101,644				
Sewer assessment							1,100	
Due from other funds								324,276
Inventory								
Total assets	\$ 104,119	\$ 83,996	\$ 188,778	\$ 131,094	\$ 60,446	\$ 2,701	\$ 414,700	\$ 1,719,840
Liabilities								
Accounts payable	\$ 71,554	\$ 29,326	\$ 8,558	\$	\$	\$	\$	\$ 21,314
Other payables	26,630	15,193						
Due to other funds	316		773				324,292	
Total liabilities	98,500	44,519	9,331	-	-	-	324,292	21,314
Deferred Inflows of Resources								
Unavailable revenues:								
Loans			95,022	101,644				
Sewer assessments and user charges							1,016	1,707
Ambulance services								
Total deferred inflows of resources	-	-	95,022	101,644	-	-	1,016	1,707
Fund Balances								
Nonspendable								
Restricted	5,619	39,477	84,425	29,450			89,392	1,696,819
Committed								
Assigned					60,446	2,701		
Unassigned								
Total fund balances	5,619	39,477	84,425	29,450	60,446	2,701	89,392	1,696,819
Total liabilities, deferred inflows of resources and fund balances	\$ 104,119	\$ 83,996	\$ 188,778	\$ 131,094	\$ 60,446	\$ 2,701	\$ 414,700	\$ 1,719,840

(Continued on next page)

TOWN OF VERNON, CONNECTICUT

**COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2013**

	Special Revenue Funds						
	Medical Savings Reserve	Parks and Recreation Programs	Talcottville Enhancements TCSP 010	Miscellaneous Grants	Miscellaneous Special Revenue	Total	
Assets							
Cash	\$ 54,501	\$ 36,145	\$ 388	\$ 173,233	\$ 532,018	\$ 1,627,354	
Investments	355,793				86,342	2,421,366	
Receivables (net):							
Intergovernmental			35,779	60,350		303,796	
Other		19,112			6,000	755,802	
Loan						196,666	
Sewer assessment						1,100	
Due from other funds						331,629	
Inventory						36,257	
Total assets	\$ 410,294	\$ 55,257	\$ 36,167	\$ 233,583	\$ 624,360	\$ 5,673,970	
Liabilities							
Accounts payable	\$	\$ 12,125	\$	\$ 9,897	\$ 17,894	\$ 279,553	
Other payables				7,326		64,313	
Due to other funds		31,633	35,772	32,521	6,732	1,494,704	
Total liabilities	-	43,758	35,772	49,744	24,626	1,838,570	
Deferred Inflows of Resources							
Unavailable revenues:							
Loans						196,666	
Sewer assessments and user charges						2,723	
Ambulance services						689,505	
Total deferred inflows of resources	-	-	-	-	-	888,894	
Fund Balances							
Nonspendable						36,257	
Restricted				183,839		870,144	
Committed	410,294	11,499	395			2,215,862	
Assigned					599,734	712,047	
Unassigned						(887,804)	
Total fund balances	410,294	11,499	395	183,839	599,734	2,946,506	
Total liabilities, deferred inflows of resources and fund balances	\$ 410,294	\$ 55,257	\$ 36,167	\$ 233,583	\$ 624,360	\$ 5,673,970	

(Continued on next page)

TOWN OF VERNON, CONNECTICUT

**COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2013**

	Capital Projects Fund					
	River St. Bridge Renovations Project 146-160	Spring St. Bridge Renovations Project 146-159	Phoenix St. Bridge Renovations Project 146-181	Town Capital and Nonrecurring	Education Capital and Nonrecurring	Total
Assets						
Cash	\$ 7,010	\$ 6,895	\$ 42,566	\$ 314,464	\$ 1,422	\$ 372,357
Investments				833	308,083	308,916
Receivables (net):						
Intergovernmental	9,738	5,976	74,218	418,572	145,556	654,060
Other						-
Loan						-
Sewer assessment						-
Due from other funds				180,333		180,333
Inventory						-
Total assets	\$ 16,748	\$ 12,871	\$ 116,784	\$ 914,202	\$ 455,061	\$ 1,515,666
Liabilities						
Accounts payable	\$ 3,637	\$ 3,024	\$ 16,905	\$ 44,774	\$ 4,818	\$ 49,592
Other payables				7,263		30,829
Due to other funds	6,415	3,946	95,310	851,684	85,300	1,042,655
Total liabilities	10,052	6,970	112,215	903,721	90,118	1,123,076
Deferred Inflows of Resources						
Unavailable revenues:						
Loans						-
Sewer assessments and user charges						-
Ambulance services						-
Total deferred inflows of resources	-	-	-	-	-	-
Fund Balances						
Nonspendable						-
Restricted						-
Committed	6,696	5,901	4,569	10,481	364,943	392,590
Assigned						-
Unassigned						-
Total fund balances	6,696	5,901	4,569	10,481	364,943	392,590
Total liabilities, deferred inflows of resources and fund balances	\$ 16,748	\$ 12,871	116,784	\$ 914,202	\$ 455,061	\$ 1,515,666

(Continued on next page)

TOWN OF VERNON, CONNECTICUT

**COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS**

JUNE 30, 2013

	Permanent Funds				Total Nonmajor Governmental Funds
	Cemetery Trust	Memorial Trust	Total	Interfund Eliminations	
Assets					
Cash	\$ 70,469	\$ 32,565	\$ 103,034	\$	\$ 2,102,745
Investments	2,104,849		2,104,849		4,835,131
Receivables (net):					
Intergovernmental			-		957,856
Other			-		755,802
Loan			-		196,666
Sewer assessment			-		1,100
Due from other funds	4,325		4,325	(332,911)	183,376
Inventory			-		36,257
Total assets	\$ 2,179,643	\$ 32,565	\$ 2,212,208	\$ (332,911)	\$ 9,068,933
Liabilities					
Accounts payable	\$	\$	\$ -	\$	\$ 329,145
Other payables			-		95,142
Due to other funds	4,310		4,310	(332,911)	2,208,758
Total liabilities	4,310	-	4,310	(332,911)	2,633,045
Deferred Inflows of Resources					
Unavailable revenues:					
Loans					196,666
Sewer assessments and user charges			-		2,723
Ambulance services			-		689,505
Total deferred inflows of resources	-	-	-	-	888,894
Fund Balances					
Nonspendable	1,691,935	5,000	1,696,935		1,733,192
Restricted	483,398	27,565	510,963		1,381,107
Committed			-		2,608,452
Assigned			-		712,047
Unassigned			-		(887,804)
Total fund balances	2,175,333	32,565	2,207,898	-	5,546,994
Total liabilities, deferred inflows of resources and fund balances	\$ 2,179,643	\$ 32,565	\$ 2,212,208	\$ (332,911)	\$ 9,068,933

(Concluded)

TOWN OF VERNON, CONNECTICUT

**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGE IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2013**

	Special Revenue Funds							
	Cafeteria	Town Clerk Special	Insurance Exchange	Town Aid Road	Dog License	Ambulance Medical Services	Public Safety Complex Grant-In-Aid	Vernon Cemetery Commission
Revenues:								
Intergovernmental:								
Federal	\$ 807,456							
State	77,624			201,949				
Local								
Assessments								
Sales	495,473							35,878
Charges for services					7,585	968,543		60,201
Licenses and permits		7,917			14,883			
Gifts and contributions					1,960			
Investment income	16		20	8	4	3		384
Other			56,368			1,402		5,025
Total revenues	1,380,569	7,917	56,388	201,957	24,432	969,948	-	101,488
Expenditures:								
Current:								
General government		7,917						
Community development								
Public safety					14,275	884,571		
Maintenance and development			44,776	207,562				85,903
Human services								
Parks, recreation and culture								
Education	1,461,581							
Capital outlay						18,141		49,308
Total expenditures	1,461,581	7,917	44,776	207,562	14,275	902,712	-	135,211
Excess (Deficiency) of Revenues over Expenditures	(81,012)	-	11,612	(5,605)	10,157	67,236	-	(33,723)
Other Financing Sources (Uses):								
Lease purchases of equipment								
Transfers in								11,015
Transfers out			(20)	(8)		(82,000)		
Net other financing sources (uses)	-	-	(20)	(8)	-	(82,000)	-	11,015
Net Change in Fund Balances	(81,012)	-	11,592	(5,613)	10,157	(14,764)	-	(22,708)
Fund Balances at July 1, 2012	235,562	-	85,263	141,226	39,009	(12,540)	(860,500)	206,744
Fund Balances at June 30, 2013	\$ 154,550	\$ -	\$ 96,855	\$ 135,613	\$ 49,166	\$ (27,304)	\$ (860,500)	\$ 184,036

(Continued on next page)

TOWN OF VERNON, CONNECTICUT

**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGE IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2013**

	Special Revenue Funds							
	Special Education Grants	Adult Basic Education Tuition	CDGB Small Cities	Housing and Community Development	Downstream	Sidewalk Development	Sewer Assessment	Sewer Connections
Revenues:								
Intergovernmental:								
Federal	\$ 1,908,780	\$	\$ 49,950	\$	\$	\$	\$	\$
State	1,795,252	254,826						
Local		892,717						
Assessments							4,683	
Sales								
Charges for services								
Licenses and permits								149,158
Gifts and contributions								
Investment income					59	1	56	230
Other			14,517					
Total revenues	3,704,032	1,147,543	64,467	-	59	1	4,739	149,388
Expenditures:								
Current:								
General government								
Community development			43,992					
Public safety								
Maintenance and development					3,070			38,643
Human services								
Parks, recreation and culture								
Education	3,781,706	1,160,963						
Capital outlay								
Total expenditures	3,781,706	1,160,963	43,992	-	3,070	-	-	38,643
Excess (Deficiency) of Revenues over Expenditures	(77,674)	(13,420)	20,475	-	(3,011)	1	4,739	110,745
Other Financing Sources (Uses):								
Lease purchases of equipment								
Transfers in	31,431							
Transfers out		(31,431)					(80,016)	
Net other financing sources (uses)	31,431	(31,431)	-	-	-	-	(80,016)	-
Net Change in Fund Balances	(46,243)	(44,851)	20,475	-	(3,011)	1	(75,277)	110,745
Fund Balances at July 1, 2012	51,862	84,328	\$ 63,950	29,450	63,457	2,700	164,669	1,586,074
Fund Balances at June 30, 2013	\$ 5,619	\$ 39,477	\$ 84,425	\$ 29,450	\$ 60,446	\$ 2,701	\$ 89,392	\$ 1,696,819

(Continued on next page)

TOWN OF VERNON, CONNECTICUT

**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGE IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2013**

	Special Revenue Funds					
	Medical Savings Reserve	Parks and Recreation Programs	Talcottville Enhancements TCSP 010	Miscellaneous Grants	Miscellaneous Special Revenue	Total
Revenues:						
Intergovernmental:						
Federal	\$	\$	\$ 23,395	\$ 81,265	\$	\$ 2,870,846
State				190,549		2,520,200
Local						892,717
Assessments						4,683
Sales						531,351
Charges for services		692,090			1,371	1,729,790
Licenses and permits					65,660	237,618
Gifts and contributions					227,975	229,935
Investment income	51				88	920
Other	169,853			295,020	15,508	557,693
Total revenues	169,904	692,090	23,395	566,834	310,602	9,575,753
Expenditures:						
Current:						
General government	9,416					17,333
Community development					16,721	60,713
Public safety				53,923	56,276	1,009,045
Maintenance and development						379,954
Human services				54,072	28,213	82,285
Parks, recreation and culture		624,909			39,971	664,880
Education	23,819			489,967		6,918,036
Capital outlay			23,000			90,449
Total expenditures	33,235	624,909	23,000	597,962	141,181	9,222,695
Excess (Deficiency) of Revenues over Expenditures	136,669	67,181	395	(31,128)	169,421	353,058
Other Financing Sources (Uses):						
Lease purchases of equipment						
Transfers in					42,500	84,946
Transfers out	(300,000)	(55,000)		(4,307)		(552,782)
Net other financing sources (uses)	(300,000)	(55,000)	-	(4,307)	42,500	(467,836)
Net Change in Fund Balances	(163,331)	12,181	395	(35,435)	211,921	(114,778)
Fund Balances at July 1, 2012	573,625	(682)	-	219,274	387,813	3,061,284
Fund Balances at June 30, 2013	\$ 410,294	\$ 11,499	\$ 395	\$ 183,839	\$ 599,734	\$ 2,946,506

(Continued on next page)

TOWN OF VERNON, CONNECTICUT

**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGE IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2013**

	Capital Projects Funds					
	River St. Bridge Renovations Project 146-160	Spring St. Bridge Renovations Project 146-159	Phoenix St. Bridge Renovations Project 146-181	Town Capital and Nonrecurring	Education Capital and Nonrecurring	Total
Revenues:						
Intergovernmental:						
Federal	\$ 2,658	\$	\$ 5,575	\$ 60,645	\$	\$ 68,878
State	665		644	38,512	133,547	173,368
Local						
Assessments						-
Sales						-
Charges for services				14,613		14,613
Licenses and permits						-
Gifts and contributions						-
Investment income					73	73
Other	10			26,383		26,393
Total revenues	3,333	-	6,219	140,153	133,620	283,325
Expenditures:						
Current:						
General government						-
Community development						-
Public safety						-
Maintenance and development						-
Human services						-
Parks, recreation and culture						-
Education						-
Capital outlay	3,637		10,182	3,223,321	282,481	3,519,621
Total expenditures	3,637	-	10,182	3,223,321	282,481	3,519,621
Excess (Deficiency) of Revenues over Expenditures	(304)	-	(3,963)	(3,083,168)	(148,861)	(3,236,296)
Other Financing Sources (Uses):						
Lease purchases of equipment				2,010,000		2,010,000
Transfers in				352,836	18,097	370,933
Transfers out						-
Net other financing sources (uses)	-	-	-	2,362,836	18,097	2,380,933
Net Change in Fund Balances	(304)	-	(3,963)	(720,332)	(130,764)	(855,363)
Fund Balances at July 1, 2012	7,000	5,901	8,532	730,813	495,707	1,247,953
Fund Balances at June 30, 2013	\$ 6,696	\$ 5,901	\$ 4,569	\$ 10,481	\$ 364,943	\$ 392,590

(Continued on next page)

TOWN OF VERNON, CONNECTICUT

**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGE IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2013**

	Permanent Funds				Total Nonmajor Governmental Funds
	Cemetery Trust	Memorial Trust	Total	Interfund Eliminations	
Revenues:					
Intergovernmental:					
Federal	\$	\$	\$	\$	2,939,724
State			-		2,693,568
Local			-		892,717
Assessments			-		4,683
Sales			-		531,351
Charges for services			-		1,744,403
Licenses and permits			-		237,618
Gifts and contributions	14,200		14,200		244,135
Investment income	132,982	16	132,998		133,991
Other			-		584,086
Total revenues	147,182	16	147,198	-	10,006,276
Expenditures:					
Current:					
General government			-		17,333
Community development			-		60,713
Public safety			-		1,009,045
Maintenance and development	19,543		19,543		399,497
Human services			-		82,285
Parks, recreation and culture			-		664,880
Education			-		6,918,036
Capital outlay			-		3,610,070
Total expenditures	19,543	-	19,543		12,761,859
Excess (Deficiency) of Revenues over Expenditures	127,639	16	127,655		(2,755,583)
Other Financing Sources (Uses):					
Lease purchases of equipment			-		2,010,000
Transfers in			-	(42,446)	413,433
Transfers out	(11,015)		(11,015)	42,446	(521,351)
Net other financing sources (uses)	(11,015)	-	(11,015)	-	1,902,082
Net Change in Fund Balances	116,624	16	116,640		(853,501)
Fund Balances at July 1, 2012	2,058,709	32,549	2,091,258		6,400,495
Fund Balances at June 30, 2013	\$ 2,175,333	\$ 32,565	\$ 2,207,898	\$ -	\$ 5,546,994

(Concluded)

Internal Service Funds

Internal Service funds are used to account for the providing of goods or services provided by one department to other departments of the Town on a cost reimbursement basis or accounting for risk retention as allowed by GASB Statement No. 10.

Data Processing - Provides data processing services, on a cost-reimbursement basis, to the Town's General Fund.

Workers' Compensation - Accounts for the receipt of General and Sewer User Fund contributions to fund general government, education and water pollution related incurred workers' compensation claims. Contribution amounts are based on historical experience of claims incurred and paid.

Medical Self-Insurance Fund - Accounts for the cost of medical prescriptions for the Town's employees and retirees. Established effective January 1, 2006, the fund is supported by employee and employer contributions. Effective July 1, 2007, the Town became self-insured for the cost of dental for its general government employees and retirees. Contribution amounts are based upon historical experience of claims incurred and paid.

TOWN OF VERNON, CONNECTICUT

**INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF NET POSITION
JUNE 30, 2013**

	Data Processing	Workers' Compensation	Medical Self-Insurance	Total
Assets:				
Current assets:				
Cash	\$ 214,634	\$ 41,011	\$ 7,370	\$ 263,015
Investments	1,268	232,944	804,747	1,038,959
Accounts receivable		1,581	24,631	26,212
Prepaid expense	27,820			27,820
Total current assets	243,722	275,536	836,748	1,356,006
Capital assets:				
Machinery and equipment	256,486			256,486
Infrastructure	245,734			245,734
Computer software	387,279			387,279
Less accumulated depreciation	(529,859)			(529,859)
Capital assets (net)	359,640	-	-	359,640
Total assets	603,362	275,536	836,748	1,715,646
Liabilities:				
Current:				
Accounts payable	6,556	10,235		16,791
Claims payable		428,176	36,417	464,593
Due to other funds	1,139	700,000	74,392	775,531
Accrued compensated absences	6,965			6,965
Total current liabilities	14,660	1,138,411	110,809	1,263,880
Noncurrent:				
Claims payable		661,776		661,776
Accrued compensated absences	10,797			10,797
Total noncurrent liabilities	10,797	661,776	-	672,573
Total liabilities	25,457	1,800,187	110,809	1,936,453
Net Position:				
Net Investment in capital assets	359,640			359,640
Unrestricted	218,265	(1,524,651)	725,939	(580,447)
Total Net Position	\$ 577,905	\$ (1,524,651)	\$ 725,939	\$ (220,807)

TOWN OF VERNON, CONNECTICUT

**INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION
FOR THE YEAR ENDED JUNE 30, 2013**

	Data Processing	Workers' Compensation	Medical Self-Insurance	Total
Operating Revenues:				
Charges for services	\$ 1,036,878	\$ 605,000	\$ 97,889	\$ 1,739,767
Gifts and contributions			1,409,268	1,409,268
Miscellaneous		1,581	46,974	48,555
Total operating revenues	1,036,878	606,581	1,554,131	3,197,590
Operating Expenses:				
Wages and benefits	504,019			504,019
Repairs, maintenance and rentals	394,878			394,878
Utilities	11,844			11,844
Supplies and materials	2,265			2,265
General and administrative	117,625	83,127	21,066	221,818
Claims paid and incurred		553,759	1,088,162	1,641,921
Depreciation	117,194			117,194
Total operating expenses	1,147,825	636,886	1,109,228	2,893,939
Operating Income (Loss)	(110,947)	(30,305)	444,903	303,651
Nonoperating Revenues (Expenses):				
Investment income		20	101	121
Loss on disposal of assets	(381)			(381)
Net nonoperating revenues (expenses)	(381)	20	101	(260)
Income (loss) before capital contribution	(111,328)	(30,285)	445,004	303,391
Capital contributed from government	13,424			13,424
Change in net position	(97,904)	(30,285)	445,004	316,815
Total Net Position at July 1, 2012	675,809	(1,494,366)	280,935	(537,622)
Total Net Position at June 30, 2013	\$ 577,905	\$ (1,524,651)	\$ 725,939	\$ (220,807)

TOWN OF VERNON, CONNECTICUT
INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2013

	Data Processing	Workers' Compensation	Medical Self-Insurance	Total
Cash Flows from Operating Activities:				
Service charges collected	\$ 1,155,878	\$ 606,656	\$ 98,061	\$ 1,860,595
Contributions collected			1,396,234	1,396,234
Other operating revenues collected			55,355	55,355
Cash payments for employee wages and benefits	(493,637)			(493,637)
Cash payments for goods and services	(530,675)			(530,675)
Cash payments for other operating expenses		(1,020,674)	(1,177,871)	(2,198,545)
Cash receipts (disbursements) of advances (reimbursements) to other funds		600,000		600,000
Net cash provided by (used in) operating activities	131,566	185,982	371,779	689,327
Cash Flows from Capital and Related Financing Activities:				
Purchase of capital assets	(35,021)			(35,021)
Cash Flows from Investing Activities:				
Investment income		20	101	121
Net Increase (Decrease) in Cash and Cash Equivalents	96,545	186,002	371,880	654,427
Cash and Cash Equivalents - July 1, 2012	119,357	87,953	440,237	647,547
Cash and Cash Equivalents - June 30, 2013	215,902	273,955	812,117	1,301,974
Reconciliation to cash on Schedule 5:				
Cash equivalents reported as investments	(1,268)	(232,944)	(804,747)	(1,038,959)
Cash - June 30, 2013	\$ 214,634	\$ 41,011	\$ 7,370	\$ 263,015
Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used in) Operating Activities:				
Operating income (loss)	\$ (110,947)	\$ (30,305)	\$ 444,903	\$ 303,651
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:				
Add:				
Depreciation expense	117,194			117,194
Decrease in accounts receivable	119,000	75		119,075
Decrease in prepaid expense	16,570			16,570
Increase in due to other funds	756	600,000		600,756
Increase in accrued compensated absences	3,103			3,103
Deduct:				
Increase in accounts receivable			(4,481)	(4,481)
Decrease in accounts payable	(14,110)	(4,334)		(18,444)
Decrease in claims payable		(379,454)	(68,643)	(448,097)
Net adjustments to operating income (loss)	242,513	216,287	(73,124)	385,676
Net Cash Provided by (Used in) Operating Activities	\$ 131,566	\$ 185,982	\$ 371,779	\$ 689,327

Schedule of noncash investing, capital and financing activities:

The Data Processing Fund disposed of fixed assets with a cost of \$1,790 and accumulated depreciation of \$1,409. Also, the Town contributed \$13,424 of capital assets to the Data Processing Fund during the year.

Fiduciary Funds

Fiduciary funds are used to account for assets held by the Town in a trustee capacity for individuals, private organizations or other governments.

Pension Trust Funds

A fiduciary fund type used to report resources that are required to be held in trust for the member and beneficiaries of defined benefit pension plans.

The Town has three pension plans covering substantially all of its employees, except teachers who are covered by the State Teachers' Retirement Fund. The Town Plan is a contributory defined benefit plan. The Police Plan is a contributory defined benefit plan. The LOSAP Plan is a non-contributory defined benefit plan for fire department volunteers.

Other Post Employment Benefit Trust Fund

A fiduciary fund type used to report resources accumulated for the payment of retiree health insurance costs in accordance with employee bargaining agreements.

Private Purpose Trust Funds

To account for the activities of various restricted school awards.

Agency Funds

Agency funds are used to report resources held by the reporting government in a purely custodial capacity (assets equal liabilities).

School Activity

To account for the expenditure of educational extracurricular activities of the various schools. Financing is provided by individual fundraising projects.

Miscellaneous Activity

To account for activities of summer school, regional adult education and continuing education programs.

Bid Bond Deposit

A fund to account for bid bonds which are held to assure performance by contracted vendors on projects for the Town.

TOWN OF VERNON, CONNECTICUT**AGENCY FUNDS
COMBINING STATEMENT OF ASSETS AND LIABILITIES
JUNE 30, 2013**

	School Activity	Miscellaneous Activity	Bid Bond Deposit	Total
Assets:				
Cash	\$ 399,290	\$ 64,915	\$	\$ 464,205
Investments			178,537	178,537
Due from other funds		66		66
Total	<u>\$ 399,290</u>	<u>\$ 64,981</u>	<u>\$ 178,537</u>	<u>\$ 642,808</u>
Liabilities:				
Accounts payable	\$ 399,290	\$ 63,447	\$ 178,537	\$ 641,274
Due to other funds		1,534		1,534
Total	<u>\$ 399,290</u>	<u>\$ 64,981</u>	<u>\$ 178,537</u>	<u>\$ 642,808</u>

TOWN OF VERNON, CONNECTICUT

AGENCY FUNDS
 COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
 FOR THE YEAR ENDED JUNE 30, 2013

	Balance July 1, 2012	Additions	Deductions	Balance June 30, 2013
<u>School Activity Fund</u>				
Assets:				
Cash	\$ 405,109	\$ 606,502	\$ 612,321	\$ 399,290
Liabilities:				
Accounts payable	\$ 405,109	\$ 606,502	\$ 612,321	\$ 399,290
<u>Miscellaneous Activity Fund</u>				
Assets:				
Cash	\$ 85,088	\$ 216,418	\$ 236,591	\$ 64,915
Due from other Funds	66			66
Total Assets	\$ 85,154	\$ 216,418	\$ 236,591	\$ 64,981
Liabilities:				
Accounts payable	\$ 85,154	\$ 214,884	\$ 236,591	\$ 63,447
Due to other Funds		1,534		1,534
Total Liabilities	\$ 85,154	\$ 216,418	\$ 236,591	\$ 64,981
<u>Bid Bond Deposit</u>				
Assets:				
Cash	\$ 900	\$	\$ 900	\$ -
Investments	164,294	24,347	10,104	178,537
Total Assets	\$ 165,194	\$ 24,347	\$ 11,004	\$ 178,537
Liabilities:				
Accounts payable	\$ 165,194	\$ 24,347	\$ 11,004	\$ 178,537
<u>Total All Funds</u>				
Assets:				
Cash	\$ 491,097	\$ 822,920	\$ 849,812	\$ 464,205
Investments	164,294	24,347	10,104	178,537
Due from other funds	66			66
Total	\$ 655,457	\$ 847,267	\$ 859,916	\$ 642,808
Liabilities:				
Accounts payable	\$ 655,457	\$ 845,733	\$ 859,916	\$ 641,274
Due to other funds		1,534		1,534
Total	\$ 655,457	\$ 847,267	\$ 859,916	\$ 642,808

Capital Assets Used in the Operation of Governmental Funds

The following schedules present only the capital assets balances related to the governmental funds. The assets are reported at historical cost or estimated historical cost.

The Town's capitalization policy requires the recording of capital assets with original and estimated useful lives of one year or more. Provisions for depreciation are not included in the schedules.

TOWN OF VERNON, CONNECTICUT

**CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS
SCHEDULE BY FUNCTION AND ACTIVITY
JUNE 30, 2013**

	Land and Improvements	Construction In Progress	Buildings and Improvements	Machinery, Equipment and Intangibles	Infrastructure	Total
General government	\$ 179,513	\$ 148,312	\$ 3,280,731	\$ 475,465	\$	\$ 4,084,021
Community development				26,099		26,099
Public safety	343,716	45,653	4,227,751	8,897,160		13,514,280
Maintenance and development	469,230	20,571,101	853,353	6,825,853	58,941,011	87,660,548
Human services				47,545		47,545
Parks, recreation and culture	6,417,222	9,754	5,255,454	1,174,430	26,800	12,883,660
Townwide	1,357,097		11,521,920	19,118,118		31,997,135
Education	5,889,255	70,244	85,805,643	4,743,594		96,508,736
Total	\$ 14,656,033	\$ 20,845,064	\$ 110,944,852	\$ 41,308,264	\$ 58,967,811	\$ 246,722,024

This schedule presents only the capital asset balances related to governmental funds. Accordingly, the capital assets reported in internal service funds of \$889,499 are excluded from the above amounts. Generally, the capital assets of internal service funds are included as governmental activities in the statement of net position.

TOWN OF VERNON, CONNECTICUT

**CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS
SCHEDULE OF CHANGES BY FUNCTION AND ACTIVITY
FOR THE YEAR ENDED JUNE 30, 2013**

	Governmental Funds Capital Assets July 1, 2012	Additions	Deletions	Governmental Funds Capital Assets June 30, 2013
General government	\$ 4,045,015	\$ 61,984	\$ 22,978	\$ 4,084,021
Community development	26,099			26,099
Public safety	12,054,969	1,686,819	227,508	13,514,280
Maintenance and development	86,669,605	3,609,203	2,618,260	87,660,548
Human services	51,111	1,444	5,010	47,545
Parks, recreation and culture	13,006,229	2,359,460	2,482,029	12,883,660
Townwide	31,990,504	32,307	25,676	31,997,135
Education	96,357,780	150,956		96,508,736
Total	<u>\$ 244,201,312</u>	<u>\$ 7,902,173</u>	<u>\$ 5,381,461</u>	246,722,024

This schedule presents only the capital asset balances related to governmental funds. Accordingly, the capital assets reported in internal service funds of \$889,499 are excluded from the above amounts. Generally, the capital assets of internal service funds are included as governmental activities in the statement of net position.

Internal Service 889,499

Capital Asset Note \$ 247,611,523

Statistical Section

This part of the Town's comprehensive annual 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 Town's overall financial health.

CONTENTS

FINANCIAL TRENDS (TABLES 1 - 4)

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

REVENUE CAPACITY (TABLES 5 - 7)

These schedules contain information to help the reader assess the Town's most significant local revenue source, the property tax.

DEBT CAPACITY (TABLES 8- 11)

These schedules present information to help the reader assess the affordability of the Town's current levels of outstanding debt and the Town's ability to issue additional debt in the future.

DEMOGRAPHIC AND ECONOMIC INFORMATION (TABLES 12 - 15)

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

OPERATING INFORMATION (TABLES 16 - 17)

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

Sources: Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports for the relevant year.

TABLE 1

TOWN OF VERNON, CONNECTICUT

NET POSITION BY COMPONENT

LAST TEN FISCAL YEARS
(UNAUDITED)

	Fiscal Year									
	2004	2005	2006	2007	2008	2009	(1) 2010	2011	2012	2013
Governmental Activities:										
Net investment in capital assets	\$ 35,582,756	\$ 35,551,078	\$ 69,198,346 *	\$ 72,816,629 **	\$ 88,050,372	\$ 81,074,292	\$ 93,272,100	\$ 95,834,210	\$ 102,048,034	\$ 107,081,145
Restricted for:										
Endowments:										
Nonexpendable	2,018,206	2,076,992	2,149,606	2,327,444	1,810,053 ***	1,591,346	1,698,091	1,500,092	1,696,935	1,696,935
Expendable								409,284	394,323	510,963
Community development							351,960	361,873	93,400	409,496
Public safety								-	-	89,392
Maintenance and development							2,462,824	2,103,563	512,639	184,036
Human services								-	-	29,450
Education							461,740	534,712	559,169	157,770
Unrestricted	9,279,379	9,306,650	9,185,192	8,736,496	14,460,439	22,731,342 ****	7,150,265	6,733,222	12,288,256	7,962,107
Total Net Position - Governmental Activities	46,880,341	46,934,720	78,383,538 *	83,880,569 **	104,320,864 ***	105,396,980 ****	105,396,980	107,476,956	117,592,756	118,121,294
Business-Type Activities:										
Net investment in capital assets	4,080,410	4,065,203	11,345,089 *	10,949,348	10,681,891	10,693,612	11,344,015	11,052,631	10,640,331	10,110,672
Unrestricted	4,355,841	4,165,821	3,633,819	3,603,819	3,842,700	4,204,622 ****	4,110,256	5,612,991	6,851,173	8,121,996
Total Net Position - Business-Type Activities	8,436,251	8,231,024	14,978,908 *	14,553,167	14,524,591	14,898,234	15,454,271	16,665,622	17,491,504	18,232,668
Primary Government:										
Net investment in capital assets	39,663,166	39,616,281	78,393,829 *	83,765,977 **	98,732,263	91,767,904	104,616,115	106,886,841	112,688,365	117,191,817
Restricted for:										
Endowments:										
Nonexpendable	2,018,206	2,076,992	2,149,606	2,327,444	1,810,053 ***	1,591,346	1,698,091	1,909,376	1,696,935	1,696,935
Expendable									394,323	510,963
Community development							351,960	361,873	93,400	409,496
Public safety								-	-	89,392
Maintenance and development						731,241	2,462,824	2,103,563	512,639	184,036
Human services								-	-	29,450
Education					-	8,503,748	461,740	534,712	559,169	157,770
Unrestricted	13,635,220	13,472,471	12,819,011	12,340,315	18,303,139	14,018,740	11,260,521	12,346,213	19,139,429	16,084,103
Total Net Position - Primary Government	\$ 55,316,592	\$ 55,165,744	\$ 93,362,446 *	\$ 98,433,736 **	\$ 118,845,455 ***	\$ 116,612,979	\$ 120,851,251	\$ 124,142,578	\$ 135,084,260	\$ 136,353,962

* Restated due to inclusion of infrastructure capital assets, effective July 1, 2006.

** Restated to include inclusion of certain unreported capital assets, effective July 1, 2007.

*** Restated due to reclassification of Permanent Funds (Governmental Activities) to Private Purpose Funds (Fiduciary Funds), effective July 1, 2008.

**** Restated due to allocation of Internal Service Fund net position from Governmental Activities to Business-Type Activities, effective July 1, 2009.

(1) Net position components completely restated for fiscal year 2010 only.

Note: Accounting standards require reporting of net position into the following three components: net investment in capital assets; Restricted; and Unrestricted. Net position is restricted when an external party places a restriction on how such resources may be used.

TABLE 2

TOWN OF VERNON, CONNECTICUT

CHANGES IN NET POSITION
(ACCRUAL BASIS OF ACCOUNTING)LAST TEN FISCAL YEARS
(UNAUDITED)

	Fiscal year									
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Governmental Activities:										
Expenses:										
General government	\$ 2,796,272	\$ 2,525,504	\$ 2,806,080	\$ 2,904,104	\$ 3,139,240	\$ 5,543,645	\$ 3,014,195	\$ 5,633,603	\$ 5,374,112	\$ 5,907,367
Community development	427,475	418,771	430,016	335,054	512,822	874,382	1,500,051	2,057,937	638,976	419,554
Public safety	7,206,063	7,438,832	7,937,751	7,945,910	8,455,354	12,568,421	8,667,318	12,480,725	16,324,643	12,414,267
Maintenance and development	4,895,242	5,717,339	6,324,707	7,143,727	8,012,991	10,285,117	6,017,883	10,405,706	8,937,010	8,841,241
Human services	833,007	887,584	879,525	966,674	986,024	1,462,640	1,117,125	1,403,991	1,384,782	1,310,967
Parks, recreation and culture	1,474,924	1,585,830	1,728,770	1,963,538	2,051,661	2,332,424	2,045,589	2,610,713	2,391,015	2,657,811
Townwide	6,773,748	7,247,290	7,559,168	7,527,820	7,841,285					
Education	48,239,843	49,179,415	52,628,976	53,358,397	67,481,122	58,265,100	55,878,652	58,846,481	58,713,021	63,366,856
Interest on long-term debt	802,777	628,621	743,513	1,314,382	1,998,887	2,098,304	5,486,864	1,920,229	1,502,045	1,626,972
Total expenses	73,449,351	75,629,186	81,038,506	83,479,606	100,479,386	93,430,033	83,727,677	95,359,385	95,265,604	96,545,035
Program Revenues:										
Charges for services:										
General government	1,197,508	1,160,407	1,273,048	1,447,763	1,211,305	725,190	828,275	821,502	958,550	1,033,606
Community development	142,815	33,937	19,906	58,142	30,034	7,489	13,956	9,434	8,973	8,422
Public safety	1,651,377	999,599	924,368	1,125,437	959,756	1,181,165	1,258,051	1,254,690	1,137,357	1,092,752
Maintenance and development	387,948	672,068	565,980	714,631	657,618	561,824	564,608	569,932	617,746	590,490
Human services	7,333	20,873	13,475	20,075	19,018					
Parks, recreation and culture	379,172	394,946	437,496	576,551	658,490	631,474	685,562	712,592	718,122	778,727
Townwide	570,272	523,029	564,362	526,665	168,062					
Education	671,087	1,416,173	1,324,835	1,399,682	1,291,241	1,247,574	1,217,369	1,078,802	1,129,934	984,549
Operating grants and contributions	22,875,847	23,504,317	26,018,390	26,165,787	42,496,900	28,578,832	31,118,952	30,019,905	32,226,232	29,920,655
Capital grants and contributions	347,929	982,825	862,817	3,907,694	20,433,504	3,770,739	3,850,322	2,770,498	8,082,486	835,929
Total program revenues	28,231,288	29,708,174	32,004,677	35,942,427	67,925,928	36,704,287	39,537,095	37,237,355	44,879,400	35,245,130
Net Program Expense	(45,218,063)	(45,921,012)	(49,033,829)	(47,537,179)	(32,553,458)	(56,725,746)	(44,190,582)	(58,122,030)	(50,386,204)	(61,299,905)
General revenues:										
Property taxes	42,427,689	43,801,916	46,693,784	48,110,529	49,934,064	51,722,860	54,241,727	57,508,605	57,711,708	58,971,919
Grants and contributions not restricted to specific programs	1,963,834	1,672,024	1,628,896	1,991,397	1,749,089	1,606,039	1,258,722	1,223,183	1,503,374	1,671,664
Unrestricted investment earnings	284,543	479,359	1,091,724	2,009,214	1,503,005	212,312	192,081	281,909	35,105	135,297
Miscellaneous	104,777	22,092	145,131	110,570	227,674	966,540	900,553	1,188,309	1,079,316	1,005,114
Gain on sale of assets									172,501	44,449
Transfers							(3,179,674)			
Total general revenues	44,780,843	45,975,391	49,559,535	52,221,710	53,413,832	54,507,751	53,413,409	60,202,006	60,502,004	61,828,443
Total Change in Net Position	(437,220)	54,379	525,706	4,684,531	20,860,374	(2,217,995)	9,222,827	2,079,976	10,115,800	528,538
Net Position July 1 (as restated)	47,317,561	46,880,341	47,062,295	78,383,538 *	83,880,569 **	104,320,864 ***	102,102,869	105,396,980	107,476,956	117,592,756
Net Position June 30	\$ 46,880,341	\$ 46,934,720	\$ 47,588,001	\$ 83,068,069	\$ 104,740,943	\$ 102,102,869	\$ 111,325,696	\$ 107,476,956	\$ 117,592,756	\$ 118,121,294

(Continued)

TOWN OF VERNON, CONNECTICUT

TABLE 2

**CHANGES IN NET POSITION
(ACCRUAL BASIS OF ACCOUNTING)**

**LAST TEN FISCAL YEARS
(UNAUDITED)**

	Fiscal Year									
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Business-Type Activities:										
Expenses:										
Sewer	\$ 4,278,628	\$ 4,420,476	\$ 4,792,603	\$ 5,170,053	\$ 5,356,677	\$ 5,709,836	\$ 5,488,272	\$ 5,607,772	\$ 5,644,652	\$ 5,644,174
Building rental	158,805	165,955	175,594	215,209	216,560	245,220	197,075	220,378	181,037	186,503
Total expenses	4,437,433	4,586,431	4,968,197	5,385,262	5,573,237	5,955,056	5,685,347	5,828,150	5,825,689	5,830,677
Revenues:										
Charges for services:										
Sewer use	3,349,787	4,153,087	4,635,373	4,633,831	5,250,919	5,658,586	6,025,610	6,484,860	6,226,800	6,198,859
Building rentals	102,294	145,398	145,398	138,441	160,610	168,218	169,800	169,113	161,398	165,268
Total revenues	3,452,081	4,298,485	4,635,373	4,772,272	5,411,529	5,826,804	6,195,410	6,653,973	6,388,198	6,364,127
Net Program (Expenses) Revenues	(985,352)	(287,946)	(187,426)	(612,990)	(161,708)	(128,252)	510,063	825,823	562,509	533,450
General revenues:										
Grants and contributions not restricted to specific programs						75,000				
Investment income	32,546	82,719	153,339	187,249	133,132	38,771	9,879	5,869	641	724
Miscellaneous								379,659	262,732	206,990
Transfers							36,095			
Total general revenues	32,546	82,719	153,339	187,249	133,132	113,771	45,974	385,528	263,373	207,714
Total Change in Net Position	(952,806)	(205,227)	(34,087)	(425,741)	(28,576)	(14,481)	556,037	1,211,351	825,882	741,164
Net Position July 1 (as restated)	9,389,057	8,436,251	8,231,024	14,978,908 **	14,553,167 **	14,524,591	14,898,234	15,454,271	16,665,622 ****	17,491,504
Net Position, June 30	\$ 8,436,251	\$ 8,231,024	\$ 8,196,937	\$ 14,553,167	\$ 14,524,591	\$ 14,510,110	\$ 15,454,271	\$ 16,665,622	\$ 17,491,504	\$ 18,232,668
<u>Total</u>										
Total Change in Net Position	\$ (1,390,026)	\$ (150,848)	\$ 491,619	\$ 4,258,790	\$ 20,831,798	\$ (2,232,476)	\$ 9,778,864	\$ 3,291,327	\$ 10,941,682	\$ 1,269,702
Net Position, July 1 (as restated)	56,706,618	55,316,592	55,293,319	93,362,446 *	98,433,736 **	118,845,455 ***	117,001,103	120,851,251	124,142,578 ****	135,084,260
Net Position, June 30	\$ 55,316,592	\$ 55,165,744	\$ 55,784,938	\$ 97,621,236	\$ 119,265,534	\$ 116,612,979	\$ 126,779,967	\$ 124,142,578	\$ 135,084,260	\$ 136,353,962

(Concluded)

* Net position restated to reflect cumulative effect on GASB No. 47.

** Net position restated to reflect cumulative effect of GASB No. 34 infrastructure reporting.

*** Net position restated to reflect certain unreported capital assets not being depreciated (land) as of June 30, 2007.

TOWN OF VERNON, CONNECTICUT
FUND BALANCES, GOVERNMENTAL FUNDS

LAST TEN FISCAL YEARS
(UNAUDITED)

	Fiscal Year									
	2004	2005	2006	2007	2008	2009	(1) 2010	2011	2012	2013
General Fund:										
Assigned	\$ 1,017,823	\$ 1,180,979	\$ 1,026,658	\$ 916,263	\$ 1,595,231	\$ 1,538,649	\$ 1,833,779	\$ 2,122,970	\$ 1,820,141	\$ 1,388,542
Unassigned	6,093,957	6,963,701	7,985,020	8,224,232	7,930,610	8,367,020	8,592,950	8,955,095	9,294,386	10,015,648
Total General Fund	\$ 7,111,780	\$ 8,144,680	\$ 9,011,678	\$ 9,140,495	\$ 9,525,841	\$ 9,905,669	10,426,729	\$ 11,078,065	\$ 11,114,527	\$ 11,404,190
All Other Governmental Funds:										
Nonspendable	\$ 4,281,153	\$ 7,423,302	\$ 16,664,678	\$ 21,333,178	\$ 23,038,929	\$ 15,339,913	\$ 1,728,555	\$ 1,941,521	\$ 1,728,792	\$ 1,733,192
Restricted							3,234,537	3,000,148	1,559,531	1,381,107
Committed							3,728,800	4,037,469	4,063,022	3,068,867
Assigned							352,654	443,291	499,582	892,047
Unassigned	2,720,908	(784,239)	(14,397,052)	(10,949,235)	(3,329,576)	(3,468,152)	(4,955,986)	(4,930,052)	(873,722)	(887,804)
Total Fund Balance - All Other Governmental Funds	\$ 7,002,061	\$ 6,639,063	\$ 2,267,626	\$ 10,383,943	\$ 19,709,353	\$ 11,871,761	\$ 4,088,560	\$ 4,492,377	\$ 6,977,205	\$ 6,187,409
Total Governmental Funds:										
Nonspendable	\$ 4,281,153	\$ 7,423,302	\$ 16,664,678	\$ 21,333,178	\$ 23,038,929	\$ 15,339,913	\$ 1,728,555	\$ 1,941,521	\$ 1,728,792	\$ 1,733,192
Restricted							3,234,537	3,000,148	1,559,531	1,381,107
Committed							3,728,800	4,037,469	4,063,022	3,068,867
Assigned	1,017,823	1,180,979	1,026,658	916,263	1,595,231	1,538,649	2,186,433	2,566,261	2,319,723	2,280,589
Unassigned	8,814,865	6,179,462	(6,412,032)	(2,725,003)	4,601,034	4,898,868	3,636,964	4,025,043	8,420,664	9,127,844
Total Fund Balances - Governmental Funds	\$ 14,113,841	\$ 14,783,743	\$ 11,279,304	\$ 19,524,438	\$ 29,235,194	\$ 21,777,430	\$ 14,515,289	\$ 15,570,442	\$ 18,091,732	\$ 17,591,599

* Restated to reclassify Permanent Funds (Governmental Fund) to Private-Purpose (Fiduciary Fund).

NOTE: Prepared on the modified accrual basis of accounting.

(1) Fund balance components completely restated for fiscal year 2010 only.

TOWN OF VERNON, CONNECTICUT
CHANGES IN FUND BALANCES, GOVERNMENTAL FUNDS

LAST TEN FISCAL YEARS
(UNAUDITED)

	Fiscal Year									
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Revenues:										
Property taxes	\$ 42,462,509	\$ 45,044,605	\$ 46,735,710	\$ 48,717,250	\$ 49,913,095	\$ 52,186,924	\$ 54,241,727	\$ 57,387,268	\$ 57,327,038	\$ 58,939,088
Intergovernmental	24,708,867	25,423,568	27,641,354	31,251,370	62,806,494	33,236,536	34,675,196	33,737,936	41,746,995	32,106,379
Assessments	103,152	138,692	115,312	96,624	74,423	72,351	64,462	51,769	11,527	4,683
Charges for services	4,030,326	4,317,998	4,400,963	4,773,681	4,731,282	4,363,415	4,567,821	4,449,485	4,462,560	4,355,989
Gifts and contributions	1,270,019	1,377,668	1,349,523	1,262,616	1,593,576	1,454,208	1,552,800	434,480	630,479	781,887
Income on investments	272,439	454,327	1,035,366	1,944,825	1,456,284	203,468	192,081	280,957	35,009	135,176
Other	1,368,179	897,574	1,164,396	1,209,801	1,576,511	894,189	836,091	1,136,540	1,067,789	1,000,431
Total revenues	74,215,491	77,654,432	82,442,624	89,256,167	122,151,665	92,411,091	96,130,178	97,478,435	105,281,397	97,323,633
Expenditures:										
General government	2,729,085	2,430,610	2,714,171	2,799,855	2,945,676	3,038,845	3,014,195	3,053,491	3,284,356	3,248,285
Community development	457,333	454,632	487,204	800,305	516,422	843,903	1,500,051	1,953,760	629,269	301,852
Public safety	6,894,781	7,052,389	7,677,134	7,707,129	8,115,101	8,348,918	8,667,318	8,767,903	12,514,139	9,178,663
Maintenance and development	4,607,929	5,427,614	5,506,187	5,622,134	5,962,731	6,627,082	6,017,883	6,102,700	5,784,605	5,622,410
Human services	790,029	838,084	904,345	921,763	973,537	986,846	1,117,125	1,044,049	1,035,291	1,056,536
Parks, recreation and culture	1,366,730	1,470,046	1,551,687	1,736,475	1,829,696	1,954,648	2,045,589	2,058,075	1,943,657	2,023,123
Townwide	5,321,742	5,781,324	6,103,968	6,072,052	6,385,961	6,661,045	6,665,401	7,321,967	6,806,996	7,054,780
Education	46,833,327	48,380,355	51,805,003	52,542,394	67,288,015	55,172,073	55,878,652	58,090,674	58,693,310	61,283,091
Capital outlay	894,066	2,009,055	6,747,491	11,953,787	34,845,530	21,979,002	12,963,146	5,765,044	5,863,902	4,053,503
Debt service:										
Principal	2,603,049	2,507,911	2,188,465	2,553,653	3,016,254	3,146,377	3,412,148	3,796,764	4,644,693	4,659,209
Interest	955,661	632,510	737,688	1,116,486	1,682,490	2,012,321	2,074,716	1,941,450	1,959,138	1,397,144
Total expenditures	73,453,732	76,984,530	86,423,343	93,826,033	133,561,413	110,771,060	103,356,224	99,895,877	103,159,356	99,878,596
Excess (Deficiency) of Revenues Over Expenditures	761,759	669,902	(3,980,719)	(4,569,860)	(11,409,748)	(18,359,969)	(7,226,046)	(2,417,442)	2,122,041	(2,554,963)

(Continued)

TOWN OF VERNON, CONNECTICUT
CHANGES IN FUND BALANCES, GOVERNMENTAL FUNDS

LAST TEN FISCAL YEARS
(UNAUDITED)

	Fiscal Year									
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Other Financing Sources (Uses):										
Refunding bonds issued	\$ 5,210,000	\$	\$	\$	\$	\$	\$	\$	\$ 34,685,000	\$
Payment to refunding bond escrow agent	(5,245,377)								(37,449,969)	
Net original issue premium - refunding	158,537								2,991,717	
Bond proceeds				12,815,000	21,040,000	10,875,000		3,755,000		
Bond/BAN premium and accrued interest					30,583	27,205		39,712		
Lease purchase on equipment			476,280		470,000			106,412		2,010,000
Sale of assets									172,501	44,830
Transfers in	2,966,626	1,991,619	1,927,419	4,169,759	2,731,259	2,130,198	3,143,579	1,900,387	1,955,665	2,245,806
Transfers out	(2,966,626)	(1,991,619)	(1,927,419)	(4,169,759)	(2,731,259)	(2,130,198)	(3,179,674)	(2,328,916)	(1,955,665)	(2,245,806)
Total other financing sources (uses)	123,160	-	476,280	12,815,000	21,540,583	10,902,205	(36,095)	3,472,595	399,249	2,054,830
Net Change in Fund Balances	\$ 884,919	\$ 669,902	\$ (3,504,439)	\$ 8,245,134	\$ 10,130,835	\$ (7,457,764)	\$ (7,262,141)	\$ 1,055,153	\$ 2,521,290	\$ (500,133)
Debt Service as a Percentage of Noncapital Expenditures	4.90%	4.19%	3.67%	4.48%	4.74%	5.81%	6.06%	6.05%	7.09%	6.32%
Debt Service as a Percentage of Total Expenditures	4.84%	4.08%	3.39%	3.91%	3.52%	4.66%	5.31%	6.00%	6.40%	6.06%

(Concluded)

NOTE: Schedule prepared on the modified accrual basis of accounting.

TABLE 5

TOWN OF VERNON, CONNECTICUT

TAXABLE ASSESSED VALUE AND ESTIMATED ACTUAL VALUE OF TAXABLE PROPERTY

LAST TEN FISCAL YEARS
(In Thousands of Dollars)
(UNAUDITED)

Fiscal Year Ended June 30,	Grand List as of 10/1	Real Property **				(3) Personal Property	(3) Motor Vehicles*	Total Assessed Value of All Property	Less Exemptions	Less Phase in Adjustment	Net Assessed Value (Net Taxable Grand List)	(4) Total Direct Tax Rate (Mill Rate)	Estimated Actual Value All Property	Ratio of Assessed Value to Estimated Actual Value
		Residential	Commercial Industrial	Vacant/ Use Assessment	(2) Total									
2013	2011	\$ 1,130,299	\$ 355,469	\$ 8,646	\$ 1,494,414	\$ 82,581	\$ 181,538	\$ 1,758,533	\$ 20,093	\$	\$ 1,738,440	33.63	\$ 2,501,860	70.29%
2012	2010	1,270,682	402,280	9,273	1,682,235	84,559	165,126	1,931,920	17,347		1,914,573	29.90	2,555,955	75.59%
2011	2009	1,262,353	402,533	8,889	1,673,775	81,908	157,390	1,913,073	18,434		1,894,639	30.02	2,474,000	77.33%
2010	** 2008	1,254,850	404,763	12,089	1,671,702	77,115	157,558	1,906,375	15,676		1,890,699	28.42	2,438,811	78.17%
2009	** 2007	1,244,641	403,696	13,590	1,661,927	74,659	162,849	1,899,435	14,587	182,727	1,702,121	30.28	2,494,179	76.15%
2008	** 2006	1,236,455	393,213	10,218	1,639,886	73,695	160,502	1,874,083	17,804	365,000	1,491,279	32.91	2,021,544	92.71%
2007	2005	774,365	301,430	16,590	1,092,385	74,198	158,195	1,324,778	13,675		1,311,103	36.73	2,850,480	46.48%
2006	2004	760,656	294,457	23,491	1,078,604	71,476	148,805	1,298,885	13,896		1,284,989	35.79	2,600,045	49.96%
2005	2003	754,075	285,067	18,185	1,057,327	68,150	139,728	1,265,205	11,255		1,253,950	35.33	2,377,027	53.23%
2004	2002	745,786	283,750	17,002	1,046,538	66,929	144,468	1,257,935	13,481		1,244,454	33.54	2,210,936	56.90%

* Excludes assessed value on supplemental motor vehicle listings.

** Phase-in of Real Property revaluation - year 1 of 3 effective for fiscal year end June 30, 2008; year 2 of 3 effective for fiscal year end June 30, 2009; and year 3 of 3 for fiscal year end June 30, 2010.

(1) Includes public utility property.

(2) The latest real estate revaluation was effective for the October 1, 2008 Grand List. Real estate is assessed at 70% of estimated full value.

(3) The basis of assessment is 70% of estimated full value for personal property and motor vehicles which are assessed annually.

(4) Tax rate is per \$1,000 of assessed value.

Source of data: Town Assessor's office.

TABLE 6

TOWN OF VERNON, CONNECTICUT

PRINCIPAL PROPERTY TAXPAYERS

CURRENT YEAR AND NINE YEARS AGO
(UNAUDITED)

Taxpayer	FISCAL YEAR					
	2013			2004		
	Taxable Assessed Value (10/01/10 Grand List)*	Rank	% of Taxable Assessed Value (Grand List)	Taxable Assessed Value (10/01/01 Grand List)*	Rank	% of Taxable Assessed Value (Grand List)
Chapman and Mansions, LLC	\$ 47,852,430	1	2.75%	\$ 14,789,900	2	1.19%
Tri City Improvements, LLC	26,634,980	2	1.53%			
Evandro Santini & Woodbridge LLC	19,724,670	3	1.13%	10,711,469	5	0.86%
Connecticut Water Company	18,173,560	4	1.05%	13,128,284	3	1.05%
Connecticut Light & Power/Yankee Gas Co.	17,661,910	5	1.02%	10,931,239	4	0.88%
CE Vernon II, LLC	13,055,000	6	0.75%			
Chapman Acres. LLC	9,339,480	7	0.54%	7,014,000	8	0.56%
Boston Rockville / Boston Vernon	8,624,230	8	0.50%			
Kerensky, Schneider...(Risley Trust)	6,352,570	9	0.37%	8,345,380	6	0.67%
Parkwest Residents Association	4,947,690	10	0.28%			
Javit Asset Partnership				18,350,050	1	1.47%
Talcotville Development				7,081,100	7	0.57%
Lee and Lamont				6,449,600	9	0.52%
Nina/Ark Realty Co., Inc.				6,276,500	10	0.50%
Total Top 10 Taxpayers	\$ <u>172,366,520</u>		<u>9.92%</u>	\$ <u>103,077,522</u>		<u>8.28%</u>
*Based on 10/1 Net Taxable Grand List of:	\$ <u>1,738,439,714</u>			\$ <u>1,244,453,932</u>		

Source: Town of Vernon, Tax Assessor's Department.

TABLE 7

TOWN OF VERNON, CONNECTICUT
PROPERTY TAX LEVIES AND COLLECTIONS

LAST TEN FISCAL YEARS
(UNAUDITED)

Fiscal Year Ended June 30,	Grand List Oct 1,	Current Year Levy			Current Levy Collected Within the Fiscal Year of the Levy		Collections of Current Levy Subsequent Years	Total Levy Collections to Date			Uncollected Collectible Taxes June 30, 2013
		Original Current Year Levy	Adjustments To Date	Adjusted Current Year Levy	Amount	Percentage of Original Levy		Amount	Percentage of Original Levy	Percentage of Adjusted Levy	
2013	2011	\$ 58,943,099	\$ (258,559)	\$ 58,684,540	\$ 57,812,300	98.1%	\$	\$ 57,812,300	98.1%	98.5%	\$ 872,240
2012	2010	57,542,153	(135,137)	57,383,555	56,603,238	98.4%	372,098	56,975,336	98.4%	98.6%	408,219
2011	2009	57,205,162	(106,029)	57,099,133	56,484,922	98.7%	462,049	56,946,971	99.5%	99.7%	152,162
2010	2008	53,957,129	(132,302)	53,824,827	53,268,067	98.7%	475,170	53,743,237	99.6%	99.8%	81,590
2009	2007	51,964,949	(195,889)	51,769,060	51,114,202	98.4%	600,304	51,714,506	99.5%	99.9%	54,554
2008	2006	49,690,219	(144,386)	49,545,833	48,770,952	98.2%	731,790	49,502,742	99.6%	99.9%	43,091
2007	2005	48,761,915	(329,110)	48,432,805	47,704,186	97.8%	700,233	48,404,419	99.3%	99.9%	28,386
2006	2004	46,757,803	(370,683)	46,387,120	45,837,742	98.0%	531,438	46,369,180	99.2%	100.0%	17,940
2005	2003	45,007,299	(245,401)	44,761,898	44,228,933	98.3%	518,861	44,747,794	99.4%	100.0%	14,104
2004	2002	42,271,955	(210,419)	42,061,536	41,586,384	98.4%	464,123	42,050,507	99.5%	100.0%	11,029

Note: The latest revaluation was effective for the year ended June 30, 2008. Property is taxed by the Town of Vernon only.

Sources of Data:

Town of Vernon, Finance Department.
Town of Vernon Tax Collector.

TABLE 8

TOWN OF VERNON, CONNECTICUT

RATIO OF OUTSTANDING DEBT BY TYPE

LAST TEN FISCAL YEARS
(UNAUDITED)

Fiscal Year Ended June 30,	Governmental Activities						(1)	(2)	(3)		(4)			
	General Obligation Bonds				Notes Payable	Leases Payable	Total All Debt	Estimated Actual Value of Property (in thousands of \$	Total Debt as a % of Estimated Actual Value of Property	Population	Total Debt Per Capita	Per Capita Personal Income	Total Debt as a % of Per Capita Personal Income	Personal Income as a % of Total Debt
	General Purpose	School	Sewer	Total										
2013	\$13,317,000	\$25,275,000	\$743,000	\$39,335,000	\$5,613,695	\$1,798,543	\$46,747,238	\$2,501,860	1.87%	29,122	\$1,605	n/a	n/a	n/a
2012	14,182,000	27,003,000	1,005,000	42,190,000	7,160,338	46,109	49,396,447	2,555,955	1.93%	29,179	1,693	\$ 33,784	5.01%	0.07%
2011	15,508,000	29,723,000	1,324,000	46,555,000	8,695,599	75,395	55,325,994	2,474,000	2.24%	29,205	1,894	46,624	4.06%	0.08%
2010	13,927,000	29,300,000	1,613,000	44,840,000	10,210,277	188,094	55,238,371	2,438,811	2.26%	30,182	1,830	45,424	4.03%	0.08%
2009	14,287,000	29,798,000	1,905,000	45,990,000	11,696,643	963,877	58,650,520	2,494,179	2.35%	29,839	1,966	44,430	4.42%	0.08%
2008	13,909,000	20,393,000	2,203,000	36,505,000	13,154,440	1,262,457	50,921,897	2,021,544	2.52%	29,620	1,719	41,736	4.12%	0.08%
2007	9,251,000	5,117,000	2,507,000	16,875,000	14,584,236	996,364	32,455,600	2,850,480	1.14%	29,672	1,094	38,697	2.83%	0.12%
2006		3,286,000	1,729,000	5,015,000	15,986,583	1,192,669	22,194,252	2,600,045	0.85%	29,491	753	36,674	2.05%	0.17%
2005		3,820,000	1,905,000	5,725,000	17,362,025	819,413	23,906,438	2,377,027	1.01%	29,338	815	35,138	2.32%	0.15%
2004		4,584,000	2,201,000	6,785,000	18,711,094	918,256	26,414,350	2,210,936	1.19%	29,206	904	33,531	2.70%	0.13%

Sources of data:

- (1) Town of Vernon, Finance Department.
- (2) Estimated Actual Value of Property provided by State Office of Policy and Management and Town Assessor's Office.
- (3) Population estimates are provided by the Connecticut Department of Public Health except for the fiscal year (FY) 2011/12 population estimate which was provided by the U.S. Census Bureau.
- (4) Per capita income for fiscal year 2012 per U.S. Census. For all other years depicted, per capita income is for Tolland County of which Vernon is a part of.
- n/a - Information not available at report issuance date.

TABLE 9

TOWN OF VERNON, CONNECTICUT

RATIO OF NET GENERAL BONDED DEBT OUTSTANDING

LAST TEN FISCAL YEARS
(UNAUDITED)

(UNAUDITED)																
Fiscal Year Ended June 30,	Total General Obligation Bonds (1)		Net General Obligation Bonds	Other General Debt				Total Net General Bonded Debt	Net General Bonded Debt as a % of Estimated Actual Value of Property (2)	Net General Bonded Debt Per Capita (3)						
				Notes Payable	Less Funds Provided by Surrounding Municipalities	Leases Payable	Net Other General Debt									
2013	\$	39,335,000	\$	39,335,000	\$	5,613,695	\$	(1,208,340)	\$	1,798,543	\$	6,203,898	\$	45,538,898	2.22%	\$1,564
2012		42,190,000		42,190,000		7,160,338		(1,538,339)		46,109		5,668,108		47,858,108	1.87%	1,640
2011		46,555,000		46,555,000		8,695,599		(1,861,809)		75,395		6,909,185		53,464,185	2.16%	1,831
2010		44,840,000		44,840,000		10,210,277		(2,178,880)		188,094		8,219,491		53,059,491	2.18%	1,758
2009		45,990,000		45,990,000		11,696,643		(2,489,677)		963,877		10,170,843		56,160,843	2.25%	1,882
2008		36,505,000		36,505,000		13,154,440		(2,794,324)		1,262,457		11,622,573		48,127,573	2.38%	1,625
2007		16,875,000		16,875,000		14,584,236		(3,092,945)		996,364		12,487,655		29,362,655	1.03%	990
2006		5,015,000		5,015,000		15,986,583		(3,385,657)		1,192,669		13,793,595		18,808,595	0.72%	638
2005		5,725,000		5,725,000		17,362,025		(3,672,578)		819,413		14,508,860		20,233,860	0.85%	690
2004		6,785,000		6,785,000		18,711,094		(3,953,822)		918,256		15,675,528		22,460,528	1.02%	769

Sources of data:

- (1) See Table 8 for components of General Obligation Bonds.
 (2) Estimated Actual Value of Property - See Table 5.
 (3) Population - See Table 8.

TOWN OF VERNON, CONNECTICUT

SCHEDULE OF DEBT LIMITATION

JUNE 30, 2013
(UNAUDITED)

Base for Debt Limitation:

Total tax collections for the current fiscal year, including interest and lien fees \$ 58,833,770

	General Purpose	Schools	Sewers	Urban Renewal	Pension Deficit	Total
Debt limitation:						
2-1/4 times the Base for Debt Limitation	\$ 132,375,983	\$	\$	\$	\$	\$
4-1/2 times the Base for Debt Limitation		264,751,965				
3-3/4 times the Base for Debt Limitation			220,626,638			
3-1/4 times the Base for Debt Limitation				191,209,753		
3 times the Base for Debt Limitation					176,501,310	
7 times the Base for Debt Limitation						411,836,390
Total Debt Limitation	132,375,983	264,751,965	220,626,638	191,209,753	176,501,310	411,836,390
Indebtedness:						
Bonds payable	13,317,000	25,275,000	743,000			39,335,000
Notes payable			5,613,695			5,613,695
Bonds authorized and unissued	3,159,000	38,012,000	162,000			41,333,000
Total Indebtedness	16,476,000	63,287,000	6,518,695	-	-	86,281,695

Debt Limitation in Excess of Net Indebtedness Legal Debt Margin \$ 115,899,983 \$ 201,464,965 \$ 214,107,943 \$ 191,209,753 \$ 176,501,310 \$ 325,554,695

Schedule of Debt Limitation is prepared in accordance with the provisions of Connecticut General Statutes, Section 7-374(b).

The total net indebtedness above amounts to: \$ 86,281,695

In no event shall total indebtedness exceed seven time the base for debt limitation computation: \$ 411,836,390

There is no overlapping debt for the Town of Vernon.

Note: The Towns of Ellington, Manchester, South Windsor and Tolland allocable share of Sewer Total Indebtedness (Clean Water Fund project 200-C) totals \$1,208,340.

TABLE 11

TOWN OF VERNON, CONNECTICUT
SCHEDULE OF LEGAL DEBT LIMITATION

LAST TEN FISCAL YEARS
(UNAUDITED)

	Fiscal year									
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Total Debt Limitation	\$ 296,980,992	\$ 315,210,483	\$ 327,081,769	\$ 340,763,451	\$ 349,678,098	\$ 365,563,961	\$ 379,667,540	\$ 401,786,343	\$ 401,538,851	\$ 411,836,390
Total Net Indebtedness	(23,731,842)	(21,845,748)	(39,059,346)	(102,886,032)	(103,104,752)	(100,700,857)	(98,342,330)	(96,360,188)	(90,567,495)	(86,281,695)
Debt Limitation in Excess of Net Indebtedness (Legal Debt Margin)	\$ 273,249,150	\$ 293,364,735	\$ 288,022,423	\$ 237,877,419	\$ 246,573,346	\$ 264,863,104	\$ 281,325,210	\$ 305,426,155	\$ 310,971,356	\$ 325,554,695
Total Net Indebtedness as a Percentage of Debt Limitation	8.0%	6.9%	11.9%	30.2%	29.5%	27.5%	25.9%	24.0%	22.6%	21.0%

Source: Town of Vernon, Finance Department.

TABLE 12

TOWN OF VERNON, CONNECTICUT

DEMOGRAPHIC AND ECONOMIC DATA

LAST TEN FISCAL YEARS
(UNAUDITED)

Fiscal Year Ended June 30,	Population	Median Age*	Personal Income* (in thousands of dollars)	Per Capita Personal Income*	School Enrollment	Annual Change in School Enrollment	Unemployment Rate (June 30,)	Labor Force (June 30,)
2013	29,122	40.2	n/a	n/a	3,488	(91)	7.5%	16,819
2012	29,179	40.2	\$ 7,402,291	\$ 33,784	3,579	(40)	8.0%	17,444
2011	29,205	38.1	7,110,469	46,624	3,619	(84)	8.4%	17,923
2010	30,182	38.1	6,834,478	45,424	3,703	119	8.4%	17,894
2009	29,839	38.1	6,660,847	44,430	3,584	(131)	7.3%	17,673
2008	29,620	39.4	6,159,544	41,736	3,715	(82)	5.5%	17,842
2007	29,672	37.1	5,706,015	38,697	3,797	(163)	4.3%	17,496
2006	29,491	n/a	5,407,731	36,674	3,960	(90)	4.2%	17,241
2005	29,338	n/a	5,157,225	35,138	4,050	(24)	4.9%	16,822
2004	29,206	n/a	4,871,459	33,531	4,074	(4)	5.1%	16,752

n/a - Information not yet available.

*Tolland County, Connecticut of which Vernon is included for years 2003-2011.

Sources of data:

Population estimates are provided by the Connecticut Department of Public Health, except for fiscal year-end 2012 which was provided by the U.S. Census Bureau.

Median Age data for years 2003-2011 is shown for Tolland County, Connecticut, of which Vernon is a part of, and was provided by Fact Finder, U.S. Census Bureau. The fiscal year-end 2012 per capita income is reported for the Town of Vernon only as reported by the 2010 U.S. Census Bureau census.

Personal Income and Per Capita Personal Income are identified for Tolland County, of which Vernon is a part of. This information was provided by the Bureau of Economic Analysis, U.S. Department of Commerce. The fiscal year-end 2012 per capita income is reported for the Town of Vernon as provided by the 2010 U.S. Census Bureau census.

School Enrollment is provided by the Vernon Superintendent of Schools.

Unemployment and Labor Force data are provided by the State Department of Labor.

TABLE 13

TOWN OF VERNON, CONNECTICUT

MAJOR EMPLOYERS

JUNE 30, 2013 AND JUNE 30, 2004
(UNAUDITED)

Major Employer	2013			2004		
	Number Employed	Rank	Percentage of Total Town Employment	Number Employed	Rank	Percentage of Total Town Employment
Town of Vernon	840	1	5.0%	873	1	5.2%
Rockville General Hospital	523	2	3.1%	630	2	3.8%
Visiting Nurse and Health Services	505	3	3.0%	440	3	2.6%
Stop & Shop	323	4	1.9%	260	6	1.6%
Price Chopper	221	5	1.3%			
State of Connecticut	204	6	1.2%	165	7	1.0%
New England Mechanical Services	200	7	1.2%	430	4	2.6%
Fox Hill Nursing and Rehabilitation	190	8	1.1%	150	10	0.9%
Vernon Manor	175	9	1.0%			
Rein's Delicatessen	155	10	0.9%	160	8	1.0%
Shaw's Supermarket				160	8	1.0%
Reminder Press				300	5	1.8%
Total	<u>3,336</u>		<u>19.7%</u>	<u>3,568</u>		<u>21.5%</u>
Labor Force			<u>16,819</u>			<u>16,752</u>

Source: Town of Vernon Economic Development Department.

TABLE 14

TOWN OF VERNON, CONNECTICUT
MUNICIPAL EMPLOYMENT, BY BARGAINING UNIT

JUNE 30, 2013
(UNAUDITED)

Municipal Employment	Fiscal year									
	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
Board of Education	635	631	638	624	633	642	659	638	646	667
General Government	205	204	204	211	211	213	212	209	208	206
Total	840	835	842	835	844	855	871	847	854	873

	Bargaining Unit	Employees Covered at 6/30/2013	Current Contract Expiration Date
<u>Board of Education</u>			
Clerical / Custodial / Maintenance	Local 1303, AFSCME, AFL-CIO	68	6/30/13*
Teachers	Vernon Education Association	328	6/30/14
School Administrators	Vernon School Administrators Association	21	6/30/15
School Nurses	Vernon School Nurses' Association	8	6/30/13
Cafeteria	United Food & Commercial Workers, Local 919, AFL-CIO	34	6/30/14
Plant Operation Supervisors	Local 818, Council #4, Supervisors	1	6/30/15
Service Aids & Teacher Assistants	Vernon Federation of Paraprofessionals	141	6/30/14
Librarians / Media Managers / Assistants	Local 1303-279, AFSCME, AFL-CIO	9	6/30/13*
Non-Bargaining Employees	Not affiliated - salaried	25	n/a
Total Board of Education		635	
<u>General Government</u>			
<u>Bargaining Unit</u>			
Police officers	Local 17, Connecticut Independent Police Union	48	6/30/17
Public Works/ Parks / Water Pollution	Local 1471, AFSCME, AFL-CIO	57	6/30/13*
Public Works Supervisors	Local 818, AFSCME, AFL-CIO	5	6/30/15
Civilian Police Department Employees	Local 47, Connecticut Independent Labor Union	13	6/30/17
Professionals	Local 818 Professionals, AFSCME, AFL-CIO	32	6/30/16
Public Works Administrative Clerical	Local 1471, AFSCME, AFL-CIO	3	6/30/16
Waste Treatment Plant Supervisors	Local 818, AFSCME, AFL-CIO	3	6/30/15
Non-Bargaining Employees	Not affiliated	44	n/a
Total General Government		205	

* In negotiation at June 30, 2013. Subsequent to June 30, 2013, the Public Works/Parks/Water Pollution contract was ratified through June 30, 2016.

Sources of data:

Board of Education, Director of Business Office.
General Government, Town Administration.

TABLE 15

TOWN OF VERNON, CONNECTICUT

MUNICIPAL FULL-TIME EMPLOYMENT BY FUNCTION / PROGRAM

LAST TEN FISCAL YEARS
(UNAUDITED)

Function / Program	Full-time Employment Positions - Fiscal Year Ended June 30,									
	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
General Government:										
Administrative	7	7	7	8	8	8	7	8	8	7
Finance	13	13	13	14	13	14	14	14	14	14
Town Clerk	3	3	3	4	4	4	4	4	4	4
Data processing	10	4	4	4	4	4	3	3	3	3
Community Development:										
Planning	2	2	2	2	2	2	2	2	2	2
Economic Development	1	1	1	1	1	1	1	1	1	1
Public Safety:										
Police	64	67	67	67	67	67	67	67	66	66
Fire / Ambulance	2	2	2	2	2	2	2	2	2	1
Building	5	5	5	5	5	5	6	5	5	5
Animal Control	2	2	2	2	2	2	2	2	2	2
Maintenance and development:										
Public Works	47	48	48	51	51	51	51	48	48	48
Engineering	4	4	4	4	4	4	4	4	4	4
Water Pollution Control	22	22	22	23	24	24	24	24	24	24
Human Services:										
Youth Services	3	3	3	3	3	3	3	3	3	3
Social Services	4	4	4	4	4	4	4	4	4	4
Senior Center	3	3	3	3	3	3	3	3	3	3
Parks and Recreation:										
Administration	5	6	6	6	6	6	6	6	6	6
Parks Maintenance	6	6	6	6	6	6	6	6	6	6
Townwide:										
Cemeteries	2	2	2	2	2	3	3	3	3	3
Subtotal Town Hall employees	205	204	204	211	211	213	212	209	208	206
Education	635	631	638	624	633	642	659	638	646	667
Total Full-Time Employees	840	835	842	835	844	855	871	847	854	873

Source: Vernon Human Resources Department and Vernon School Business Office.

TABLE 16

TOWN OF VERNON, CONNECTICUT

OPERATING INDICATORS BY FUNCTION/ PROGRAM

LAST TEN FISCAL YEARS
(UNAUDITED)

FUNCTION/PROGRAM	FISCAL YEAR ENDED JUNE 30									
	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
<u>Community Development</u>										
Planning Administration:										
Number of Inland Wetland applications	9	8	7	12	13	13	24	31	17	5
Number of Planning/Zoning applications (both indicators based on calendar year)	22	19	26	29	20	27	38	42	32	30
<u>Public Safety (calendar year)</u>										
Police:										
Number of crimes	360	339	314	415	359	400	375	440	404	n/a
Number of motor vehicle infractions	1,002	1,108	1,126	1,567	1,678	1,383	1,720	1,351	1,919	n/a
Number of citations	5,206	4,814	6,157	6,674	5,823	6,917	9,002	6,382	8,158	n/a
Number of service calls	19,454	19,261	19,149	18,872	20,956	20,379	20,754	19,104	19,958	n/a
Building Inspection:										
Building permits issued	1,903	2,017	1,794	1,850	1,466	1,725	1,829	1,694	1,796	1,627
Building inspections conducted	7,594	7,669	6,350	6,343	2,886	2,073	1,817	1,731	1,401	n/a
<u>Maintenance and Development</u>										
General Maintenance:										
Miles of streets paved / reconstructed	1.64	1.11	6.02	0.98	1.16	4.16	4.41	3.43	0.60	0.43
Refuse Collection and Disposal:										
Tons of Municipal Solid Waste collected	6,740.80	7,641.02	7,570.10	8,177.00	8,398.99	8,770.60	8,975.21	9,177.05	8,988.35	9,012.49
Tons of Bulky Waste received	1,366.38	1,516.90	1,363.80	1,686.00	1,640.88	1,685.00	1,575.76	1,188.81	1,510.98	1,357.76
Recycling:										
Tons of Recyclables collected	2,510.82	2,492.44	2,442.90	1,877.00	1,955.46	1,946.80	2,135.41	2,153.59	2,312.51	2,177.48
Tons of Waste Motor Oil received	2.4	2.7	5.0	7.9	12.8	12.9	26.5	16.5	21.1	22.3
Tons of Metal received	162.00	168.00	185.00	275.00	289.00	365.00	476.00	551.00	669.00	592.00
Tons of Electronics received	70.00	78.00	19.09	21.00	20.30	5.00	n/a	n/a	n/a	n/a
Units of Lead Acid Batteries received	102	42	104	165	290	256	n/a	n/a	n/a	n/a
<u>Parks and Recreation</u>										
Recreation programs:										
Number of programs offered	89	94	97	89	65	82	75	68	60	57
Number of summer camp participants	2,378	2,301	2,042	1,971	1,830	2,619	2,395	2,640	1,325	n/a
<u>Townwide</u>										
Vernon Cemeteries:										
Number of cemetery lots sold	71	65	41	54	88	48	69	51	94	63
Number of burials / cremations	87	63	90	70	97	80	75	87	95	70
Water Pollution Control Facility:										
Average daily sewage treatment (thousands of gallons)	2,825.0	3,424.0	3,120.0	3,240.0	3,890.0	3,760.0	4,140.0	4,094.4	3,791.4	4,794.7

Source of data: Various town departments.

Note: No operating indicators are available/presented for general government, human services or education functions.

n/a = Information is not available or the information is not readily available at this time or the database for depicted years differs significantly from less recent years.

TABLE 17

TOWN OF VERNON, CONNECTICUT

CAPITAL ASSET STATISTICS BY FUNCTION / PROGRAM

LAST TEN FISCAL YEARS
(UNAUDITED)

FUNCTION/PROGRAM	FISCAL YEAR ENDED JUNE 30									
	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
Public Safety:										
Number of police stations	1	1	1	1	1	1	1	1	1	1
Number of police officers	50	50	50	50	50	50	50	50	50	50
Number of fire / ambulance stations	6	6	6	6	6	6	6	6	5	5
Number of fire / ambulance volunteers	155	160	158	161	154	135	138	123	132	130
Maintenance and Development:										
Miles of improved roads	112.78	112.34	112.34	112.34	111.83	111.81	111.81	111.81	111.08	111.02
Miles of unimproved roads	0.05	0.05	0.05	0.05	0.05	0.05	0.05	0.05	0.05	0.05
Miles of sanitary sewers	112.9	112.9	112	112	112	112	112	112	112	112
Number of sanitary sewer pump stations	7	7	7	7	7	7	7	7	7	7
Treatment capacity - million gallons/day	7.1	7.1	7.1	7.1	7.1	7.1	7.1	7.1	7.1	7.1
Parks and Recreation:										
Number of parks	26	26	26	23	22	22	22	22	22	22
Acres of park land	585.52	582.52	579.52	570.42	568.3	568.3	568.3	568.3	568.3	568.3
Number of pools	2	2	2	2	2	2	2	2	2	2
Number of beaches	2	2	2	2	2	2	2	2	2	2
Education:										
Number of schools:										
Elementary	5	5	5	5	5	5	5	5	5	5
Middle	1	1	1	1	1	1	1	1	1	1
High / VOAG	1	1	1	1	1	1	1	1	1	1
Special Education	1	1	1	1	1	1	1	1	1	1
Townwide:										
Number of cemeteries maintained	5	5	5	5	5	5	5	5	5	5

Source of data: Various town departments.

Note: No capital asset indicators are available for general government, community development or human services functions.

Trend Data Section

This part of the Town's comprehensive annual financial report presents additional detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the Town's overall financial health.

TABLE 18

TOWN OF VERNON, CONNECTICUTGENERAL FUND - BALANCE SHEETSLAST TEN FISCAL YEARS
(UNAUDITED)

	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
Assets:										
Cash	\$ 5,700,066	\$ 7,856,162	\$ 8,870,779	40,340	\$ 697,928	\$ 240,097	\$ 323,970	\$ 689,248	\$ 737,153	\$ 141,383
Investments	3,368,016	3,304,313	2,436,623	10,443,021	10,364,088	10,350,750	10,287,126	7,091,252	8,364,683	8,430,528
Receivables:										
Property taxes	1,754,356	1,618,936	1,370,094	1,281,734	1,373,298	1,329,106	1,305,826	1,437,171	1,450,857	1,900,645
Grants and other	868,194	3,982,406	632,077	891,434	966,108	1,433,194	1,820,165	2,338,640	2,677,397	3,132,749
Due from other funds	3,746,953	2,105,434	2,255,427	4,092,563	1,954,903	1,263,191	1,353,258	2,190,610	620,609	228,686
Total assets	\$ 15,437,585	\$ 18,867,251	\$ 15,565,000	16,749,092	\$ 15,356,325	\$ 14,616,338	\$ 15,090,345	\$ 13,746,921	\$ 13,850,699	\$ 13,833,991
Liabilities, Deferred Inflows of Resources and Fund Equity										
Liabilities:										
Accounts payable	\$ 1,225,307	\$ 1,150,706	\$ 1,327,943	1,513,258	\$ 1,817,271	\$ 1,138,836	\$ 927,733	\$ 581,715	\$ 750,925	\$ 755,880
Accrued wages and benefits	326,395	392,237	748,115	559,911	277,649	175,219	221,947	119,046	391,319	407,325
Due to other funds	844,442	788,442	804,219	2,464,181	1,209,431	1,258,402	1,886,412	467,977	473,653	591,456
Total liabilities	2,396,144	2,331,385	2,880,277	4,537,350	3,304,351	2,572,457	3,036,092	1,168,738	1,615,897	1,754,661
Deferred Inflows of Resources:										
Unavailable revenues - property taxes	\$ 1,498,156	1,468,054	1,600,781	1,780,291	2,146,305	2,518,040	2,913,758	3,566,505	4,090,122	4,967,550
Advance property tax collections	109,695	3,780,442	5,877	4,722						
Unavailable revenues - grants	29,400	172,843								
Total deferred inflows of resources	1,637,251	5,421,339	1,606,658	1,785,013	2,146,305	2,518,040	2,913,758	3,566,505	4,090,122	4,967,550
Fund Equity:										
Assigned	1,388,542	1,820,141	2,122,970	2,155,779	1,860,649	1,917,231	1,238,263	1,348,658	1,502,979	1,117,823
Unassigned	10,015,648	9,294,386	8,955,095	8,270,950	8,045,020	7,608,610	7,902,232	7,663,020	6,641,701	5,993,957
Total fund equity	11,404,190	11,114,527	11,078,065	10,426,729	9,905,669	9,525,841	9,140,495	9,011,678	8,144,680	7,111,780
Total liabilities, deferred inflows of resources and fund equity	\$ 15,437,585	\$ 18,867,251	\$ 15,565,000	16,749,092	\$ 15,356,325	\$ 14,616,338	\$ 15,090,345	\$ 13,746,921	\$ 13,850,699	\$ 13,833,991

Source: Town of Vernon, Finance Department.

TABLE 19

TOWN OF VERNON, CONNECTICUT

GENERAL FUND

REVENUES BY SOURCE AND OTHER FINANCING SOURCES - GAAP BASIS

LAST TEN FISCAL YEARS
(UNAUDITED)

Fiscal Year Ended June 30,	Revenues by Source									Revenues and Other Financing Sources	
	Property Taxes	Intergovernmental	Charges for Services	Licenses and Permits	Gifts and Contributions	Fines and Penalties	Investment Income	On-Behalf Payments and Other	Other Financing Sources	Total	Annual % Increase
2013 % of Total	\$ 58,939,088 67.7%	\$ 20,104,837 23.1%	\$ 1,276,169 1.5%	\$ 547,833 0.6%		\$ 18,615 0.0%	\$ 1,054 0.0%	\$ 5,586,913 6.4%	\$ 572,915 0.7%	\$ 87,047,424 100.0%	-1.1%
2012 % of Total	57,327,038 65.1%	22,856,032 26.0%	1,341,318 1.5%	563,598 0.6%		20,251 0.0%	2,810 0.0%	5,389,624 6.1%	501,771 0.6%	88,002,442 100.0%	3.70%
2011 % of Total	57,387,268 67.6%	20,710,835 24.4%	1,386,203 1.6%	491,675 0.6%		10,193 0.0%	27,708 0.0%	4,604,572 5.4%	279,614 0.3%	84,898,068 100.0%	5.0%
2010 % of Total	54,241,727 67.1%	20,352,445 25.2%	1,561,369 1.9%	441,648 0.5%		13,008 0.0%	42,113 0.1%	3,963,079 4.9%	241,856 0.3%	80,857,245 100.0%	1.6%
2009 % of Total	52,186,924 65.6%	21,194,696 26.6%	1,421,907 1.8%	406,025 0.5%		10,088 0.0%	199,312 0.3%	3,906,222 4.9%	259,876 0.3%	79,585,050 100.0%	-12.8%
2008 % of Total	49,913,095 54.7%	20,870,957 22.9%	2,223,776 2.4%	497,149 0.5%		18,515 0.0%	670,210 0.7%	16,859,883 18.5%	223,892 0.2%	91,277,477 100.0%	20.7%
2007 % of Total	48,717,250 64.4%	19,559,484 25.9%	2,279,748 3.0%	478,589 0.6%		19,711 0.0%	871,920 1.2%	3,416,995 4.5%	250,827 0.3%	75,594,524 100.0%	3.7%
2006 % of Total	46,735,710 64.1%	19,252,033 26.4%	2,072,163 2.8%	407,494 0.6%		16,273 0.0%	627,897 0.9%	3,522,395 4.8%	228,715 0.3%	72,862,680 100.0%	6.6%
2005 % of Total	45,044,605 65.9%	18,538,035 27.1%	1,880,649 2.8%	468,028 0.7%	1,704 0.0%	26,598 0.0%	300,156 0.4%	1,907,981 2.8%	195,115 0.3%	68,362,871 100.0%	2.3%
2004 % of Total	42,462,509 63.5%	18,493,182 27.7%	1,851,104 2.8%	468,199 0.7%		11,959 0.0%	138,292 0.2%	2,408,603 3.6%	1,003,288 1.5%	66,837,136 100.0%	4.6%

Note for 2008: On-behalf payments increased from \$3,392,385 to \$16,476,243 due to a one-time State of Connecticut \$2,000,000,000 contribution made to the Teachers' Retirement System.

Source: Town of Vernon, Finance Department.

TOWN OF VERNON, CONNECTICUT

GENERAL FUND

EXPENDITURES BY FUNCTION AND OTHER FINANCING USES - GAAP BASIS

LAST TEN FISCAL YEARS
(UNAUDITED)

Fiscal Year Ended June 30,	Expenditures by Function											Expenditures and Other Financing Uses	
	General Government	Community Development	Public Safety	Maintenance and Development	Human Services	Parks, Recreation and Culture	Townwide	Education	Capital Outlay	Debt Service	Other Financing Uses	Total	Annual % Increase
2013	\$ 3,230,952	\$ 241,139	\$ 8,169,618	\$ 5,222,913	\$ 974,251	\$ 1,358,243	\$ 7,054,780	\$ 54,365,055	\$ 57,787	\$ 4,365,302	\$ 1,717,721	\$ 86,757,761	-1.4%
% of total	3.7%	0.3%	9.4%	6.0%	1.1%	1.6%	8.1%	62.7%	0.1%	5.0%	2.0%	100.0%	
2012	3,277,010	248,176	11,428,754	5,272,527	934,675	1,339,374	6,806,996	52,300,137	77,995	4,675,035	1,605,301	87,965,980	4.4%
% of total	3.7%	0.3%	13.0%	6.0%	1.1%	1.5%	7.7%	59.5%	0.1%	5.3%	1.8%	100.0%	
2011	3,047,360	210,671	7,774,406	5,757,991	958,938	1,343,872	7,321,967	52,089,429	109,587	4,053,738	1,578,773	84,246,732	4.9%
% of total	3.6%	0.3%	9.2%	6.8%	1.1%	1.6%	8.7%	61.8%	0.1%	4.8%	1.9%	100.0%	
2010	3,003,175	222,003	7,698,462	5,451,295	923,368	1,338,415	6,138,804	49,302,826	264,740	3,091,374	2,901,723	80,336,185	1.4%
% of total	3.7%	0.3%	9.6%	6.8%	1.1%	1.7%	7.6%	61.4%	0.3%	3.8%	3.6%	100.0%	
2009	3,026,387	217,126	7,381,590	5,681,841	899,092	1,305,429	6,167,528	49,284,455	117,423	3,254,029	1,870,322	79,205,222	-12.9%
% of total	3.8%	0.3%	9.3%	7.2%	1.1%	1.6%	7.8%	62.2%	0.1%	4.1%	2.4%	100.0%	
2008	2,903,470	228,828	7,288,175	5,445,696	837,812	1,773,120	5,961,569	61,340,447	296,916	2,379,422	2,436,676	90,892,131	20.4%
% of total	3.2%	0.3%	8.0%	6.0%	0.9%	2.0%	6.6%	67.5%	0.3%	2.6%	2.7%	100.0%	
2007	2,750,317	297,715	6,952,435	5,162,350	824,362	1,677,953	6,002,591	46,567,372	63,015	1,399,968	3,767,629	75,465,707	4.8%
% of total	3.6%	0.4%	9.2%	6.8%	1.1%	2.2%	8.0%	61.7%	0.1%	1.9%	5.0%	100.0%	
2006	2,656,684	387,792	6,854,826	5,022,273	856,084	1,531,572	5,966,312	45,669,360	261,775	1,090,300	1,698,704	71,995,682	6.9%
% of Total	3.7%	0.6%	9.5%	7.0%	1.2%	2.1%	8.3%	63.4%	0.4%	1.5%	2.5%	100.0%	
2005	2,343,544	292,866	6,551,245	4,659,914	798,707	1,414,842	5,542,875	42,293,527	157,566	1,478,381	1,796,504	67,329,971	3.1%
% of Total	3.5%	0.5%	9.7%	6.9%	1.2%	2.1%	8.2%	62.8%	0.2%	2.2%	2.7%	100.0%	
2004	2,650,579	132,012	6,189,419	4,220,216	745,105	1,330,795	5,100,827	41,079,425	149,710	1,773,510	1,963,338	65,334,936	1.9%
% of Total	4.1%	0.2%	9.5%	6.5%	1.1%	2.0%	7.8%	62.9%	0.2%	2.7%	3.0%	100.0%	

Note for 2008: On-behalf payments increased from \$3,392,385 to \$16,476,243 due to a one-time State of Connecticut \$2,000,000,000 contribution to the Teachers' Retirement System.

Source: Town of Vernon, Finance Department.

TABLE 21**TOWN OF VERNON, CONNECTICUT****SEWER ASSESSMENTS BILLINGS AND COLLECTIONS****LAST TEN FISCAL YEARS
(UNAUDITED)**

Fiscal Year Ended June 30,	Current Assessment Receivable July 1,	Assessment Billings	Assessment Collections	Current Assessment Receivable June 30,
2013	\$ 1,086	\$ 4,391	\$ 4,461	\$ 1,016
2012	825	11,253	10,992	1,086
2011	1,263	47,913	48,351	825
2010	792	59,201	58,730	1,263
2009	1,287	63,372	63,867	792
2008	718	62,227	61,658	1,287
2007	1,485	81,718	82,485	718
2006	12,074	87,074	97,663	1,485
2005	11,998	120,219	120,143	12,074
2004	12,109	80,428	80,539	11,998

Sources of data:

Town of Vernon, Water Pollution Control Department.

Town of Vernon, Finance Department.

TABLE 22

TOWN OF VERNON, CONNECTICUT
CHANGES IN NET POSITION - PENSION TRUST FUND

**LAST TEN FISCAL YEARS
(UNAUDITED)**

	Fiscal Year									
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Additions:										
Contributions:										
Employer	\$ 1,996,518	\$ 2,039,145	\$ 2,210,536	\$ 2,609,818	\$ 2,796,299	\$ 2,941,678	\$ 2,655,103	\$ 2,604,841	\$ 3,399,576	\$ 3,199,500
Employee	964,484	971,103	1,023,923	1,133,129	1,155,185	1,199,405	1,262,617	1,232,063	1,238,650	1,332,034
Net investment income (loss)	3,961,658	2,582,283	1,865,254	3,384,945	2,207,027	(8,078,202)	5,604,908	4,054,823	100,809	4,787,526
Total Additions to Net Position	6,922,660	5,592,531	5,099,713	7,127,892	6,158,511	(3,937,119)	9,522,628	7,891,727	4,739,035	9,319,060
Deductions:										
Benefit payments/annuity purchases	1,802,770	2,017,309	2,146,399	2,523,452	2,740,940	3,017,123	3,269,875	3,678,415	4,061,246	4,340,495
Refunds of contributions	110,487	52,416	68,278	238,593	104,205	264,810	126,960	71,754	29,190	74,631
Administrative expense	117,044	128,962	136,388	145,491	145,588	156,405	140,276	156,607	174,509	178,039
Total Deductions to Net Position	2,030,301	2,198,687	2,351,065	2,907,536	2,990,733	3,438,338	3,537,111	3,906,776	4,264,945	4,593,165
Change in Plan Net Position	\$ 4,892,359	\$ 3,393,844	\$ 2,748,648	\$ 4,220,356	\$ 3,167,778	\$ (7,375,457)	\$ 5,985,517	\$ 3,984,951	\$ 474,090	\$ 4,725,895
Employer Contributions as a Percentage of Covered Payroll	12.70%	12.40%	13.29%	15.29%	15.57%	15.85%	13.76%	13.77%	17.87%	16.36%

Source: Town of Vernon, Finance Department.

TABLE 23

TOWN OF VERNON, CONNECTICUT

RATIO OF ANNUAL DEBT SERVICE EXPENDITURES FOR GENERAL DEBT TO GENERAL FUND EXPENDITURES - GAAP BASIS

LAST TEN YEARS (UNAUDITED)										
FISCAL YEAR ENDED										
	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
General Fund expenditures	\$ 85,040,040	\$ 86,360,679	\$ 82,667,959	\$ 77,434,462	77,334,900	\$ 88,455,455	\$ 71,698,078	\$ 70,296,978	\$ 65,533,467	\$ 63,371,598
Debt service expenditures:										
Principal	\$ 3,126,102	\$ 2,921,774	\$ 2,301,286	\$ 1,280,829	\$ 1,731,047	\$ 1,656,374	\$ 1,187,957	\$ 855,491	\$ 1,201,310	\$ 1,322,299
Interest	1,239,200	1,753,261	1,752,452	1,810,545	1,522,982	723,048	212,011	234,809	277,071	451,211
Total debt service	\$ 4,365,302	\$ 4,675,035	\$ 4,053,738	\$ 3,091,374	\$ 3,254,029	\$ 2,379,422	\$ 1,399,968	\$ 1,090,300	\$ 1,478,381	\$ 1,773,510
Percentage of debt service Expenditures to General Fund expenditures	5.13%	5.41%	4.90%	3.99%	4.21%	2.69%	1.95%	1.55%	2.26%	2.80%

Source of data: Town of Vernon, Finance Department.

TABLE 24**TOWN OF VERNON, CONNECTICUT****NET TAXABLE GRAND LIST AND PERCENTAGE CHANGE - BY TAXABLE PROPERTY****LAST TEN YEARS
(UNAUDITED)**

Fiscal Year Ended June 30,	Grand List	Real Estate**		Personal Property		Motor Vehicles*		Total All Property	
		Net Taxable Grand List	% Change	Net Taxable Grand List	% Change	Net Taxable Grand List	% Change	Net Taxable Grand List	% Change
2013	10/1/2011	\$ 1,486,403,230	(11.28%)	\$ 73,714,500	(4.54%)	\$ 178,321,984	10.12%	\$ 1,738,439,714	(9.20%)
2012	10/1/2010	1,675,422,920	0.53%	77,221,820	3.73%	161,928,532	5.47%	1,914,573,272	1.05%
2011	10/1/2009	1,666,654,720	0.13%	74,447,066	2.87%	153,537,018	(0.20%)	1,894,638,804	0.21%
2010**	10/1/2008	1,664,474,310	13.12%	72,373,200	1.54%	153,851,591	(3.48%)	1,890,699,101	11.08%
2009**	10/1/2007	1,471,452,682	16.42%	71,272,686	1.61%	159,395,290	1.39%	1,702,120,658	14.14%
2008**	10/1/2006	1,263,919,130	16.58%	70,146,000	(1.80%)	157,213,010	1.07%	1,491,278,140	13.74%
2007	10/1/2005	1,084,123,077	1.29%	71,432,611	4.85%	155,547,030	6.14%	1,311,102,718	2.03%
2006	10/1/2004	1,070,314,493	1.86%	68,130,433	4.04%	146,544,210	6.45%	1,284,989,136	2.48%
2005	10/1/2003	1,050,805,694	1.04%	65,482,777	5.94%	137,661,775	3.48%	1,253,950,246	.76%
2004	10/1/2002	1,040,012,554	1.83%	61,813,768	6.63%	142,627,610	2.40%	1,244,453,932	2.12%

* Excludes assessed value on supplemental motor vehicle listings.

** Phase-in of Real Property revaluation- year 1 of 3 effective for fiscal year end June 30, 2008 and year 2 of 3 effective for fiscal year end June 30, 2009 and year 3 of 3 effective for fiscal year end June 30, 2010.

Source of data: Town Assessor and Town Clerk Offices.

TABLE 25

TOWN OF VERNON, CONNECTICUTU.S. BUREAU OF CENSUS STATISTICS

JUNE 30, 2013

(UNAUDITED)

Year	Population (1)	Density (2)	Age Characteristics (1)				Income Characteristics (1)		
			Age	2000	2010	% Change	Income	2010 Households	% of total
2010	29,179	1,569	Under 5	1,713	1,663	-2.9%	\$ 0 to 14,999	1,134	8.7%
2000	28,063	1,509	5-19	5,027	4,597	-8.6%	\$15,000 to 24,999	1,110	8.5%
1990	29,841	1,604	20-34	6,023	6,456	7.2%	\$25,000 to 34,999	993	7.6%
1980	27,974	1,504	35-54	8,647	8,227	-4.9%	\$35,000 to 49,999	2,023	15.5%
1970	27,237	1,464	55-64	2,747	3,683	34.1%	\$50,000 to 74,999	2,404	18.4%
1960	16,961	912	Over 65	3,906	4,553	16.6%	\$75,000 to 99,999	2,050	15.7%
1950	10,115	544	Total	28,063	29,179	4.0%	\$100,00 or more	3,317	25.6%
			Median	37.7	40.2				
Total									
Total									
13,031 100%									
2000									
Income Households % of total									
\$ 0 to 14,999 1,355 11.0%									
\$15,000 to 24,999 1,400 11.4%									
\$25,000 to 34,999 1,520 12.4%									
\$35,000 to 49,999 2,098 17.1%									
\$50,000 to 74,999 2,864 23.2%									
\$75,000 to 99,999 1,571 12.8%									
\$100,00 or more 1,482 12.1%									
Total 12,290 100%									
2000 2010									
Median Income \$ 47,816 \$ 62,115									
Mean Income 57,533 74,113									
Per Capita Income 25,150 33,784									
% below poverty level 5.8% 6.4%									

Years of School Completed, Persons Age 25 and Over (1)

Educational Attainment	All Persons 2000		All Persons 2010	
	No.	%	No.	%
Did not complete high school	2,782	14.3%	2,020	9.5%
High school graduate	5,934	30.2%	6,451	30.4%
Some college, no degree & Associate degree	5,660	28.8%	6,348	29.9%
Bachelor, graduate of professional degree	5,253	26.8%	6,397	30.2%
Total	19,629	100%	21,216	100%
Percent high school graduate or higher		85.8%		89.5%
Percent bachelor's degree or higher		26.8%		30.4%

Housing Occupancy

	All Housing Units 2000		All Housing Units 2010	
	No.	% of total	No.	% of total
Owner Occupied Housing Units	6,935	56.5%	7,532	58.0%
Renter Occupied Housing Units	5,334	43.5%	5,444	42.0%
Total	12,269	100%	12,976	100%

Sources of Data:

- (1) U.S. Department of Commerce, Bureau of Census.
(2) Population per square mile, based on an area of 18.6 square miles.

TABLE 26

TOWN OF VERNON, CONNECTICUT
PROPERTY VALUES, CONSTRUCTION AND BANK DEPOSITS

LAST TEN FISCAL YEARS
(UNAUDITED)

Fiscal Year Ended June 30,	Building Permits (1)								Bank Deposits (2) (in thousands)	Property Values (3) **		
	Residential		Industrial and Commercial		All Other *		Total Building Permits			Industrial and		
	Construction		Construction		Construction		Construction			Commercial		
	#	Value	#	Value	#	Value	#	Value		Residential	Commercial	Nontaxable (4)
2013	16	\$ 1,998,000	80	\$ 5,741,017	1,807	\$ 19,899,840	1,903	\$ 27,638,857	\$ 1,002,845	\$ 1,606,255,471	\$ 506,433,643	\$ 231,289,640
2012	13	1,954,000	89	6,504,974	1,915	19,704,831	2,017	28,163,805	892,262	1,647,973,312	540,385,815	279,872,330
2011	23	2,569,000	103	4,583,919	1,668	13,263,268	1,794	20,416,187	816,121	1,517,985,824	598,948,165	270,568,720
2010	34	5,618,507	99	4,408,402	1,717	13,352,039	1,850	23,378,948	782,363	1,677,860,407	405,017,402	236,654,310
2009	27	3,759,546	66	1,901,260	1,373	15,661,565	1,466	21,322,371	776,296	1,755,785,729	379,577,798	232,017,940
2008	43	9,817,719	69	3,870,742	1,613	21,958,018	1,725	35,646,479	744,794	1,204,042,543	470,833,357	232,217,470
2007	69	11,632,730	174	5,694,247	1,574	17,991,124	1,817	35,318,101	761,580	1,941,698,122	534,299,916	208,038,107
2006	51	8,109,961	163	12,272,007	1,480	2,846,258	1,694	23,228,226	748,669	1,743,708,049	486,131,510	208,479,547
2005	56	9,331,922	222	16,580,000	1,518	4,769,331	1,796	30,681,253	733,455	1,594,998,623	443,053,222	201,889,167
2004	64	8,138,600	178	11,048,981	1,385	7,665,025	1,627	26,852,606	695,890	1,415,128,918	461,805,544	202,347,687

* Includes municipal improvements, multi-family dwellings, mobile homes, garages, pools, alterations, additions, stoves, sheds, fences etc.

** Excludes vacant land.

Sources: (1) Town of Vernon, Building Department.
(2) Available on-line at www.fdic.gov/sod.
(3) State of Connecticut Office of Policy and Management sales / assessment ratio studies.
(4) Town of Vernon, Assessor's Department.

TABLE 27

TOWN OF VERNON, CONNECTICUTLAND USE / ZONING STATISTICS

JUNE 30, 2013

Category	LAND USE			EXISTING ZONING		
	# of Acres	% of Total	% of Developed / Committed Land	Category	# of Acres	% of Total
Residential	5,304	46.05%	53.67%	Residential	8,289	71.97%
Commercial / Industrial*	712	6.18%	7.21%	Business:		
Community Facilities / Institutional	352	3.06%	3.56%	Commercial / Industrial	877	7.61%
Open Space	1,904	16.53%	19.27%	Rockville Historic District	698	6.06%
R-O-W / Utilities	1,610	13.98%	16.29%	Other Special Zones	326	2.83%
Vacant	1,636	14.20%		No zone (right-of-way, water, other)	1,328	11.53%
Total	11,518	100.00%	100.00%	Total	11,518	100.00%

* Includes Agriculture and Mixed Use total acreage of 95 and 16 acres, respectively.

Source: Statistics from the Town's Plan of Conservation and Development.

TABLE 28

TOWN OF VERNON, CONNECTICUT
SCHOOL FACILITIES AND ENROLLMENT DATA

JUNE 30, 2013

School	Grades	Number of Classrooms	Total Floor Area (Sq. ft.)	School Capacity	School Enrollment as of 10/1/2012
Elementary Schools:					
Center Road	Pre-K to 5	33	75,122	825	495
Lake Street	Pre-K to 5	20	39,219	525	280
Maple Street	Pre-K to 5	23	39,920	525	337
Northeast	Pre-K to 5	19	41,500	525	323
Skinner Road	Pre-K to 5	21	45,350	525	332
Total Elementary Schools				2,925	1,767
Middle School	6 to 8	70	135,988	1,500	697
Rockville High and VO-AG	9 to 12	136	272,748	2,400	976
Rockville High	Special Ed	n/a		n/a	48
Total All Schools				6,825	3,488

**ACTUAL
SCHOOL ENROLLMENTS
LAST TEN FISCAL YEARS**

School Year *	Pre-K	K-5	6-8	9-12	UNGRADED	TOTAL	ANNUAL % CHANGE
2003/04	46	1,751	944	1,292	41	4,074	-0.10%
2004/05	40	1,710	939	1,314	47	4,050	-0.59%
2005/06	34	1,667	929	1,284	46	3,960	-2.22%
2006/07	26	1,656	851	1,244	20	3,797	-4.12%
2007/08	39	1,626	811	1,226	13	3,715	-2.16%
2008/09	33	1,588	781	1,166	16	3,584	-3.53%
2009/10	124	1,638	802	1,124	15	3,703	3.32%
2010/11	129	1,620	768	1,079	23	3,619	-2.27%
2011/12	142	1,615	738	1,055	29	3,579	-1.11%
2012/13	172	1,595	697	976	48	3,488	-2.54%

* As of October 1.

**PROJECTED
SCHOOL ENROLLMENTS**

2013/14	143	1,630	729	1,054	13	3,569	2.32%
2014/15	143	1,638	712	1,012	13	3,518	-1.43%
2015/16	143	1,619	740	993	13	3,508	-0.28%
2016/17	143	1,620	748	987	13	3,511	0.09%
2017/18	143	1,607	776	963	13	3,502	-0.26%

School Classrooms, Capacity and Actual Enrollments: Vernon Superintendent of Schools Office.
 Projected Enrollments: Provided by Peter N. Prowda, PhD. Report dated 12/7/11 as requested by the Vernon Board of Education
 School Square Footage: Per Code information sheets (updated to reflect school building projects).