

**COMPREHENSIVE
ANNUAL FINANCIAL REPORT**

of the

**TOWN OF VERNON,
CONNECTICUT**

FOR THE YEAR ENDED

JUNE 30, 2012

**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, 2012

TABLE OF CONTENTS

	<u>PAGE</u>
<u>INTRODUCTORY SECTION</u>	
LIST OF PRINCIPAL OFFICIALS.....	1
ORGANIZATIONAL CHART	2
LETTER OF TRANSMITTAL	3-21
CERTIFICATE OF ACHIEVEMENT FOR EXCELLENCE IN FINANCIAL REPORTING FOR THE YEAR ENDED JUNE 30, 2011	22
<u>FINANCIAL SECTION</u>	
INDEPENDENT AUDITORS' REPORT	23-24
MANAGEMENT DISCUSSION AND ANALYSIS	25-40
<u>BASIC FINANCIAL STATEMENTS</u>	
<u>GOVERNMENT-WIDE FINANCIAL STATEMENTS:</u>	
<u>EXHIBITS</u>	
A STATEMENT OF NET ASSETS	41-42
B STATEMENT OF ACTIVITIES.....	43
<u>FUND FINANCIAL STATEMENTS:</u>	
C BALANCE SHEET - GOVERNMENTAL FUNDS AND RECONCILIATION OF FUND BALANCE TO NET ASSETS OF GOVERNMENTAL ACTIVITIES	44-45
D STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS	46
E RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO STATEMENT OF ACTIVITIES.....	47-48
F STATEMENT OF NET ASSETS - PROPRIETARY FUNDS	49
G STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS - PROPRIETARY FUNDS.....	50

TOWN OF VERNON, CONNECTICUT
TABLE OF CONTENTS (CONTINUED)

<u>EXHIBITS</u>	<u>PAGE</u>
<u>FUND FINANCIAL STATEMENTS: (CONTINUED)</u>	
H STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS	51
I STATEMENT OF FIDUCIARY NET ASSETS.....	52
J STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS	53
<u>NOTES TO BASIC FINANCIAL STATEMENTS:</u>	
K NOTES TO BASIC FINANCIAL STATEMENTS	54-102
<u>REQUIRED SUPPLEMENTARY INFORMATION:</u>	
RSI 1 SCHEDULE OF REVENUES AND OTHER FINANCING SOURCES - BUDGET AND ACTUAL- GENERAL FUND	103-106
RSI 2 SCHEDULE OF EXPENDITURES AND OTHER FINANCING USES - BUDGET AND ACTUAL- GENERAL FUND	107-112
RSI 3 SCHEDULE OF FUNDING PROGRESS - VERNON RETIREMENT SYSTEM.....	113-114
RSI 4 SCHEDULE OF FUNDING PROGRESS - VERNON OTHER POST EMPLOYMENT BENEFIT PLANS.....	115
RSI 5 SCHEDULE OF EMPLOYER CONTRIBUTIONS - VERNON RETIREMENT SYSTEM AND OTHER POST EMPLOYMENT BENEFIT PLANS.....	116
<u>SCHEDULES</u>	
<u>SUPPLEMENTAL SCHEDULES</u>	
<u>GENERAL FUND</u>	
1 COMPARATIVE BALANCE SHEET	117
2 REPORT OF THE TAX COLLECTOR.....	118
<u>NONMAJOR GOVERNMENTAL FUNDS</u>	
3 COMBINING BALANCE SHEET	119-123
4 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES	124-128

TOWN OF VERNON, CONNECTICUT
TABLE OF CONTENTS (CONTINUED)

<u>SCHEDULES</u>		<u>PAGE</u>
	<u>INTERNAL SERVICE FUNDS</u>	
5	COMBINING STATEMENT OF NET ASSETS	129
6	COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS	130
7	COMBINING STATEMENT OF CASH FLOWS.....	131
	<u>FIDUCIARY FUNDS</u>	
8	COMBINING STATEMENT OF NET ASSETS - AGENCY FUNDS	132
9	COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES - AGENCY FUNDS	133
	<u>CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS</u>	
10	SCHEDULE BY FUNCTION AND ACTIVITY.....	134
11	SCHEDULE OF CHANGES BY FUNCTION AND ACTIVITY.....	135
<u>TABLE</u>		
	<u>STATISTICAL SECTION</u>	
1	NET ASSETS BY COMPONENT	136
2	CHANGES IN NET ASSETS.....	137-138
3	FUND BALANCES, GOVERNMENTAL FUNDS	139
4	CHANGES IN FUND BALANCES, GOVERNMENTAL FUNDS.....	140-141
5	TAXABLE ASSESSED VALUE AND ESTIMATED ACTUAL VALUE OF TAXABLE PROPERTY	142
6	PRINCIPAL PROPERTY TAXPAYERS.....	143
7	PROPERTY TAX LEVIES AND COLLECTIONS	144
8	RATIO OF OUTSTANDING DEBT BY TYPE	145
9	RATIO OF NET GENERAL BONDED DEBT OUTSTANDING	146
10	SCHEDULE OF DEBT LIMITATION.....	147
11	SCHEDULE OF LEGAL DEBT LIMITATION.....	148

TOWN OF VERNON, CONNECTICUT
TABLE OF CONTENTS (CONTINUED)

TABLE

STATISTICAL SECTION (CONTINUED)

12	DEMOGRAPHIC AND ECONOMIC DATA.....	149
13	MAJOR EMPLOYERS	150
14	MUNICIPAL EMPLOYMENT BY BARGINING UNIT.....	151
15	MUNICIPAL FULL-TIME EMPLOYMENT BY FUNCTION/PROGRAM	152
16	OPERATING INDICATORS BY FUNCTION/PROGRAM	153
17	CAPITAL ASSET STATISTICS BY FUNCTION/PROGRAM	154

TREND INFORMATION

18	BALANCE SHEETS - GENERAL FUND	155
19	REVENUES BY SOURCE AND OTHER FINANCING SOURCES - GENERAL FUND	156
20	EXPENDITURES BY FUNCTION AND OTHER FINANCING USES - GENERAL FUND	157
21	SEWER ASSESSMENTS BILLING AND COLLECTIONS.....	158
22	CHANGES IN NET ASSETS - PENSION TRUST FUND.....	159
23	RATIO OF ANNUAL DEBT SERVICE EXPENDITURES FOR GENERAL DEBT TO GENERAL FUND EXPENDITURES.....	160
24	NET TAXABLE GRAND LIST AND PERCENTAGE CHANGE.....	161
25	U.S. BUREAU OF CENSUS STATISTICS	162
26	PROPERTY VALUES, CONSTRUCTION AND BANK DEPOSITS	163
27	LAND USE/ZONING STATISTICS	164
28	SCHOOL FACILITIES AND ENROLLMENT DATA.....	165

Introductory Section

TOWN OF VERNON, CONNECTICUT

**PRINCIPAL OFFICIALS
JUNE 30, 2012**

MAYOR

George F. Apel

TOWN COUNCIL

Bill F. Campbell
Thomas A. Didio
Virginia M. Gingras
Judy M. Hany
Marie A. Herbst
John Kopec

Brian R. Motola, Deputy
Steven 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 (Acting)
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
Richard Maselek
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
Cynthia A. Madden
Harold R. Cummings
Terry D. McCarthy
Leonard Tundermann
Shaun Gately

BOARD OF EDUCATION

Michelle B. Arn
Laura B. Bush
Amarit 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

ORGANIZATION CHART



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



TOWN OF VERNON

OFFICE OF THE
FINANCE DEPARTMENT

14 PARK PLACE, VERNON, CT 06066

Tel: (860) 870-3690

Fax: (860) 870-3587

E-mail: jluddecke@vernon-ct.gov

January 4, 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, 2012. 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, 2012, are free of material misstatement.

The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by 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 unqualified opinion that the Town's financial statements for the fiscal year ended June 30, 2012, 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 report of the independent auditors.

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. In addition, Vernon has two K-8 parochial schools.

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 Basic 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, 92.3% are employed in services while only 7.7% are employed in manufacturing and printing. Approximately 41.9% of this employment is with non-profit and public organizations. The largest Vernon employer is the Town of Vernon, which has 835 employees.

The second largest employer is Rockville General Hospital with 523 employees, followed by Visiting Nurse and Health Services with 458 employees, Stop and Shop with 317, Price Chopper with 221, the State of Connecticut with 204, New England Mechanical Services with 200 employees, Vernon Manor with 175, Fox Hill Nursing and Rehabilitation with 165 and Rein's Delicatessen with 155 employees.

In Vernon, the number of individuals employed by the top ten companies increased by 16 or .42% during the past year. Some of the decreases in employment include 7 at the Town of Vernon, 3 at Stop & Shop Supermarket, 6 at Fox Hill, 5 at Rein's and 10 at the Reminder Press. Increases in employment include 2 at Rockville General Hospital and 45 at HealthWise Medical Associates. Employment at the eight other Top 15 employers remained level from the prior year.

Vernon's population for the year ended June 30, 2012, was 29,179 compared with 29,205 on June 30, 2011, a decrease of 26 or .09%. This decrease follows a decrease in population of 977 or 3.24% 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, 2012 was 8.0%, a .4% decrease from June 30, 2011. In recent history, the unemployment rate was 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 downturn in the overall economy, however, Vernon's unemployment rate compares favorably to that of the State of Connecticut, 8.4%, and for the nation, 8.4%.

The Town of Vernon generally shares the same economic health as the State of Connecticut and the Hartford region, therefore experiencing the economic effect of the financial and insurance sector, in which the recovery from the 2008 recession has subsided; while business investment in new construction is on the rise. Taken as a whole, the removal of federal stimulus funding and other resources to the state and municipalities prolongs concern of its impact toward the public employment trend, a national trend that currently reports a decrease in public sector employment to a corresponding increase in the private sector. The State's investment into bio-science, has led to the development of the Jackson Laboratories and UConn Health Center cluster, and a potential position of global leadership in this area, leading to substantive job growth. Proactive business investment approaches, combined with the expansion of job training and educational opportunities for the workforce in areas such as precision manufacturing, will assist to stabilize employment, and provide modest growth in the near future.

Vernon completed a town wide revaluation of property as of October 1, 2011, which was effective for the 2012-13 fiscal year. Due to the effects of the revaluation, our tax base for the October 1, 2011 grand list decreased by 9.20%, inclusive of an 11.16% decrease in the real estate portion. This follows an increase in the October 1, 2010 grand list of 1.05%, inclusive of a .53% increase in real estate.

Property taxes have been supported by strong collection rates, averaging 98.29 % over the past ten years.

The number of building permits increased from 1,794 to 2,017, and the value of those permits increased from \$20,416,187 to \$28,163,805.

The 2012-2013 operating budget was approved by the Town Council and sent to the annual Town Meeting for adoption on April 24, 2012. The budget was petitioned to a referendum vote, held on May 1, 2012, and the voters adopted the budget. The mil rate increased by 3.73 mills, or 12.47%, from 29.90 mills to 33.63 mills. The impact from the revaluation decline contributed 3.03 mills to the rate increase. 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.

In December, 2011, the Town Council approved a Power Purchase Agreement to establish a 5-acre 1 megawatt solar farm in town to power the Waste Water Treatment Plant facility in hopes of reducing and stabilizing future energy costs. The Town has been placed on the reserve list by the Public Utilities Regulatory Agency for Connecticut's Zero Emissions Renewal Energy Credits program.

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. It is anticipated that once market conditions improve with a boost in capital lending, an application for final approval will be submitted to build these units.

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. In pursuit of this, the Town submitted an application to the State Office of Policy and Management in September 2012 for a \$500,000 Main Street Investment Fund grant. The grant, if awarded, would be used to improve building facades and parking in support of commercial redevelopment in the center of Rockville. 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 4 units on Village Street, is currently renovating 2 others and has erected an additional 3 units on vacant lots. To further this effort to reinforce the 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 2012. 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 is scheduled for completion in early 2013.

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 converted into a convenience store / deli at 60 Prospect Street, which has cultivated a village feel to this neighborhood.

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. Dunkin Donuts, and 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 recently renovated.

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 has been approved for a 13,144 square foot renovation along with a 1,720 square foot addition. Also, a recently completed addition to Ray Seraphin Ford at 100 Windsor Ave, added 2,862 square feet of space for a Quick Lane service center.

A proposed 70 room hotel, 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. 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 strengthened 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 complex, 110,000 square feet, was approved for the Talcott Mill at 47 Main Street. 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.

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.

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 operating as an upscale exercise facility with other tenants anticipated, has dramatically improved the marketability of the area.

A new gas station / convenience store is open for business at 229 Talcottville Road, the site of a former station, with attached repair areas. This new facility includes new underground gas storage tanks that will provide improved environmental protections. A new Cumberland Farms convenience store and gasoline station is under construction at 333 Talcottville Road. The store will contain 4,514 square feet of retail space within an attractively designed building.

A new 8,372 square foot Liquor Store was constructed at 482 Talcottville Road and was opened in the spring of 2011. Pervious pavement was utilized within the parking areas, consistent with Low Impact Design (LID) principles.

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

Stop & Shop, after making substantial renovations, has been approved to construct a fuel station next to its location on Windsorville Road. Also, The Garden Barn, located at 212 West Street, has expanded their operation, doubling their 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 is ongoing for the 76 private condominiums for 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 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, expanded its store within the plaza. The store attracts customers from adjacent towns.

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 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 provides 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 270 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 is approximately \$47,643,000, 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 8.3% 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. The former Talcottville Mill, on 47 Main Street, is now in the process of finalizing 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 2013. A project planned for 68 residential units at 215 East Main Street, the remediated former Roosevelt Mill site, is still seeking financing. Two businesses currently occupy a portion of the Hockanum Mill at 200 West Main Street. The tax lien on the property has been purchased and the foreclosure process has begun. The prospective owner plans on renovations 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 authorized \$75,000 to secure and winterize the complex due to public safety concerns. Subsequently, control over the Mill has been transferred to a private developers group familiar with adaptive reuse projects.

Upon the conclusion of the national election, Congress began deliberating on fiscal and taxing issues, absent of even modest concurrence, leaving little prospect of a major monetary stimulus, most notably in the areas of public infrastructure and local and state aid. Also, proposals to extend the payroll tax reduction were unsuccessful. 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 and food costs; in conjunction with a balanced Federal Reserve Quantitative Easing policy, between short and long-term interest rates, and any adverse effects on fixed incomes and pension fund returns. Improvements were achieved during 2012 in the Gross Domestic Product, employment and business spending, but the growth, as anticipated, did not accelerate as it normally has during past recoveries.

If the federal government reaches a resolution and takes a unified approach, there is cautious optimism that the economy will continue to attain modest growth at the end of the next twelve months. 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 planned 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. The concentration on the creation of jobs will prove beneficial. Yet with the evolution of the global economy, economic growth does not directly translate to job growth. There will not be a short-term fix to the domestic job market, specifically the tradable sector which has remained flat for two decades. Labor saving technology advancements permanently eliminated jobs and manufacturing jobs moved overseas. 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; along with the recognition and acceptance of the value of a long-term approach.

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:

The town has recently completed several extensive renovations including renovations to the third floor of the Town Hall at a cost of \$1,864,873. These improvements included an expanded Town Council Chambers and administrative office. Funding was primarily supported by three state grants. 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. Americans with Disabilities Act (ADA) improvements to town facilities continued, and will proceed with available funds of \$102,272. Other recent renovations include the expenditure of \$16,165 of State LOCIP grant funds for the replacing the Town Hall Annex building roof; completion of a \$186,576 optic fiber infrastructure project; and acquisition and development of a \$60,000 Geographical Information System (GIS) with compatible equipment. 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 \$84,000 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.

Current projects include a \$55,000 authorized building renovations project 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, a newly constructed, and much needed conference room was completed on the first floor of Town Hall for the Probate Court; and in addition, the Social Services Department moved from a rented facility to the first floor.

Also, \$90,000 designation of available Town Capital Nonrecurring has been authorized to fund renovations to the second floor finance office and mezzanine. Renovations are expected to commence in early 2013.

Community Development:

In a continued effort to support and initiate interest in economic development in town, \$49,382 was appropriated to the Economic Development special revenue fund during the year to finance targeted advertising and support the Downtown Association. 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 2012/13 appropriation of \$40,000 further supports these efforts.

In the recent past, the Town received a \$125,000 state grant to conduct an engineering and architectural feasibility study to determine the most effective building improvements Amerbelle Mill, a local industrial employer. In addition, the town secured an additional \$196,000 federal grant to complement these improvements with funding for a roof replacement and additional building improvements. Both projects have recently been completed. In August 2012, the operations at the Mill ceased. The Town Council authorized \$75,000 to winterize the building for public safety concerns. Subsequently, a group of developers familiar with adaptive reuse have taken control over the complex.

The Town has received two state grants totaling \$1,200,000 to provide 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 a prior year receipt of 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.

The Town was awarded a \$20,000 state grant 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, requiring the use of \$17,303 of Economic Development Funds, has been completed.

The Town is in the ninth 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 \$19,289 was expended this past fiscal year, with \$63,950 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.

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 parking use by the local hospital.

Public Safety:

The fire department's 160 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 2009	\$924,126
December 31, 2010	\$44,341
December 31, 2011	\$34,123

During the 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. Also during the fiscal year, the town received a federal Firefighters Assistance grant of \$195,435 to fund the purchase of firefighting and protective equipment, emergency training equipment and a soft-shell emergency rehab portable structure. Of the \$195,435, \$178,709 was expended during the year. 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 grant 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 October 2012, a period of twenty months, four weather events have resulted in federally declared disasters making the Town eligible to receive FEMA Public Assistance. The events included an historic snowstorm, 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. The Town has successfully recouped approximately 75% of the costs of three of these storms from FEMA to a total reimbursement of \$3,041,078, over the past two fiscal years. A claim for Superstorm Sandy, also FEMA eligible, will be prepared in 2013. 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.

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	\$ 1,428,718	\$ 17,560,534
Improvements to waste treatment plant	1,295,000	-	-
Improvements to sewer system	1,211,000	-	1,055,536
Issuance costs		500	182,301
Accrued note interest		-	712,745
Total:	\$ 21,609,000	\$ 1,429,218	\$ 19,511,116

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 upgrade of the waste treatment plant, to meet or surpass designated nitrogen limits, is in the early stages of design and has yet to commence. As of the winter of 2012, the roadway improvement program is 99% complete. To address the rising pavement costs, the Town applied for offsetting grants, and was been 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.

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 \$236,452 during the year, including \$197,903 for paving and crack sealing of various town roads. In the Town's Capital Nonrecurring Fund, \$800,000 was authorized in the prior-year for roadway repairs and improvements which were completed in the current year with \$84,489 being expended. An authorized, \$240,000 state LOCIP grant for additional roadway repairs and improvements were utilized to fund \$213,453 of costs in the current year; and \$800,000 was funded by a prior year additional appropriation. The town fully utilized another \$141,000 LoCIP grant for roads in the prior year.

In the recent past, the State of Connecticut provided most of the funding for significant roadway and sidewalk improvements on a portion of Vernon Avenue.

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 \$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 \$5,838 for this bridge were incurred during the fiscal year with available Town Capital and Non-Recurring Funds, and reconstruction costs, totaled \$1,301,223 for the fiscal year. The bridge reconstruction was completed in the summer of 2012 at a final cost of \$1,390,963.

Design costs, now estimated at \$338,500, for the **West Main Street Bridge** are 80% federally funded and 20% locally funded through the Public Bond Improvements Fund. \$180,338 has been expended to date. The reconstruction cost, estimated at \$1,950,000, is also eligible for the 80% federal grant award; and there is a \$783,787 authorization remaining in the Public Bond Improvements Fund which may be used to cover the local portion. Construction is contemplated for 2013.

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 Non-Recurring Fund with the remaining \$406,640 recently authorized by Town Council to be provided a state LoCIP grant. A November 2008 referendum to authorize such local funding was unsuccessful, therefore requiring identification of these two local funding sources.

During the past fiscal year, 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 to be reimbursed to the Fund from the General Fund in the ensuing five fiscal years. In addition, a federal grant was obtained to fund the \$108,756 purchase of additional recycling containers.

To 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. In September 2012, a \$224,633 refuse truck was acquired via lease purchase and in June 2012 the Town Council re-designated available funds in the Insurance Exchange and Capital Non-Recurring Funds to purchase a \$60,055 front loading refuse truck. 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 through a capital lease.

There are several appropriations available in the Town Capital Nonrecurring Fund including \$25,000 for sidewalk renovations and \$40,000 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. In fiscal year 2011-2012, the Town purchased a \$48,105 refuse truck, an \$119,380 roadside mower with funding from the CL&P Municipal Brush Control program, a \$30,790 hybrid vehicle with partial funding, \$8,168, from the Connecticut Clean Energy program, and two police vehicles at a cost of \$48,216 including the use of available Town Capital Non-Recurring Funds of \$28,516. In March 2012 the Town Council re-designated \$40,000 of available Town Capital Non-Recurring funds to allow public works to purchase a portable lift for fire apparatus.

In the prior year, the Town 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.

Subsequent to June 30, 2012, the town entered into a seven and ten year capital lease 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 \$199,663. A parks dump truck, estimated to cost \$36,500, will also be included in the new capital lease. Also, three police vehicles, at \$26,656 each, have been purchased with a FY 2012/13 original budget appropriation.

The ambulance services account is in the Special Revenue Fund and a reserve to periodically replace each of the three ambulances is maintained. Reserves, accumulated over the past several years, were used to fund the replacement of all three ambulances.

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 2013.

An emergency repair to the Talcottville sewage pump was necessary, and the cost amounting to \$67,948 was funded by the sewer connection account.

The Town has received a grant from the State Department of Transportation in conjunction with the Capital Region Council of Governments 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.

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 \$578,838 to fund design and construction enhancements in the Talcottville section of town have been awarded. Enhancements are substantially complete at a cost of \$551,121. Park improvements at the Valley Falls Nature Center, funded by state LoCIP grants, were completed at a cost of \$69,040. A \$300,000 state Contingency Needs grant to fund design and renovations at the Community Arts Center has been fully utilized and an additional \$1,500,000 state Urban Act grant has been used to fund construction renovations to the Arts Center. The project is substantially complete at a cost of \$1,482,883. This past February, the Town executed a three-year lease with the Arts Center, which is located in a former kindergarten building. In a prior year, the Town Council approved \$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. An additional \$27,620 of available Downstream Funds were approved in the current year 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 \$27,620, \$7,040 were expended during the current year and \$10,070 have been expended to date. The Town Council also authorized \$16,000 for repairs to the Fox Hill Tower at Henry Park.

Prior years' park improvements include replacement of restrooms at Valley Falls Park, renovations to Valley Falls Barn, trail improvements, improvements at Talcott Park, renovations to 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 in the prior year, 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 mature on October 11, 2012. The outstanding notes were retired with the receipt of school construction grants. The authorizations and expenditures are as follows:

Project	Amount Authorized	Expended Current Year	Expended Cumulative
Rockville High School - Additions & renovations	\$ 34,657,000	\$ 95,030	\$ 30,725,753
Vernon Center Middle School - Renovations	11,519,000	1,840	10,783,543
Center Road School	4,420,600	585	4,281,052
Lake Street School	5,828,800	2,037	4,958,686
Maple Street School	3,743,200	1,030	2,643,296
Northeast School	3,556,000	1,631	2,933,689
Skinner Road School	4,597,400	1,737	4,012,396
Total Elementary Schools - Additions and renovatio	22,146,000	7,020	18,829,119
Issuance costs		30,079	338,017
Accrued note interest		74,871	1,146,896
Total:	\$ 68,322,000	\$ 208,840	\$ 61,823,328

A school building commission that was formed as of December 6, 2005, has oversight of the projects, and works closely with the architect, a construction management firm, and the administration. The recorded state progress payment reimbursements received as of June 30, 2012, is \$26,596,129. In addition, a June 30, 2012 \$3,720,222 school progress receivable has subsequently been received.

In addition to the school bond improvement authorization, several recent appropriations from the Education Capital Non-Recurring Fund have funded various school projects. Year-end education transfers to this Fund of \$394,000, \$53,306 and \$50,404 the last three fiscal years have provided funding for these appropriations which include a \$100,000 appropriation to repair the Vernon Center Middle School chimney; \$25,000 for the Center Road School's gym wall repointing; \$50,000 for Center Road School's bridge roofs replacement and \$50,000 for Rockville High School bathroom repairs.

Other prior year-end transfers funded recently completed Education Capital Non-Recurring 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.

Current available resources for future education projects total \$495,707. Of this amount, an additional \$100,000 was appropriated by the Town Council in October 2012 for the phase II repairs to the Vernon Center Middle School chimney.

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. 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.

Long-Term Financial Planning

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. Issued in April 2012, a \$3,730,000 outstanding short-term bond anticipation notes for school facilities was 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, 2011. 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-one 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
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

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, 2011

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



Christopher P. Moynell

President

Jeffrey R. Emer

Executive Director

Financial Section

INDEPENDENT AUDITORS' REPORT

Town Council
Town of Vernon

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, 2012, which collectively comprise the Town's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Town's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the Town of Vernon, Connecticut, as of June 30, 2012, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 4, 2013, on our consideration of the Town's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is 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* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the general fund budgetary comparison information, Vernon Retirement System and Other Post Employment Benefit Plans - Schedule of Funding Progress and Schedule of Employer Contributions on Pages 25 through 40 and Pages 103 through 116, 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.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Vernon, Connecticut's financial statements as a whole. The introductory section, supplemental schedules, statistical section and trend information are presented for purposes of additional analysis and are not a required part of the 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 financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole. The introductory section, statistical section, and trend information 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.

CohnReznick LLP

Farmington, Connecticut
January 4, 2013



OFFICE OF THE
FINANCE DEPARTMENT

TOWN OF VERNON

14 PARK PLACE, VERNON, CT 06066

Tel: (860) 870-3690

Fax: (860) 870-3587

E-mail: jluddecke@vernon-ct.gov

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED JUNE 30, 2012

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, 2012. 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 assets increased as a result of this year's operations. Net assets of our business-type activities increased by \$826 thousand, or 4.95%; while net assets of our governmental activities increased by \$10.116 million, or 9.41%.
- During the year, the Town generated tax and other revenues, totaling \$105.381 million, that were \$10.116 million more than the \$95.265 million in expenses and transfers for governmental activities.
- In the Town's business-type activities, although revenues decreased to \$6.652 million (a decrease of \$388 thousand or 5.51%), expenses were nearly level, decreasing by \$2 thousand, resulting in increased net assets of \$826 thousand.
- Total combined cost of Town governmental and business activities decreased by \$96 thousand from \$101.187 million to \$101.091 million.
- The General Fund reported a fund balance this year of \$11.115 million, inclusive of unassigned fund balance in the amount of \$9.294 million.
- On April 11, 2012, the town refunded certain general obligation debt with a \$34.685 million bond issue that defeased \$36.190 million of general obligation debt. The net present value of savings to the Town relative to the refunding amounted to \$2.790 million; and the net budgetary savings amounted to \$3.716 million. On the same date, bond anticipation notes of \$4.220 million were retired and new notes of \$3.730 million were issued for improvements to school facilities.
- Despite significant debris removal associated with two federally declared disasters, resources exceeded General Fund expenditures by \$36 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 98.4%.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of a series of financial statements. The statement of net assets 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 and notes 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 Exhibit A and B, found in the Basic Financial Statements section of this report. The statement of net assets 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 assets and changes in them. The Town's net assets, the difference between assets and liabilities, are one way to measure the Town's financial health, or financial position. Over time, increases or decreases in the Town's net assets are one 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 assets 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.

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 assets and the statement of activities) and governmental funds is described in a reconciliation at the bottom of the fund financial statements.
- *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 assets 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 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 assets and changes in fiduciary net assets. 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 ASSETS

The Town's combined net assets increased from a year ago from \$124.143 million to \$135.085 million. The analysis below focuses on the net assets (Table 1) and changes in net assets (Table 2) of the Town's governmental and business-type activities.

NET ASSETS JUNE 30, 2012 AND 2011 In Thousands						
	Governmental Activities		Business-Type Activities		Total	
	2012	2011	2012	2011	2012	2011
Current and other assets	\$ 32,729	\$ 27,644	\$ 7,515	\$ 6,644	\$ 40,244	\$ 34,288
Capital assets, net of accumulated depreciation, as restated	156,679	153,443	10,640	11,053	167,319	164,496
Total assets	189,408	181,087	18,155	17,697	207,563	198,784
Non-current liabilities outstanding	54,703	58,656	373	405	55,076	59,061
Other liabilities	17,112	14,954	290	626	17,402	15,580
Total liabilities	71,815	73,610	663	1,031	72,478	74,641
Net assets:						
Invested in capital assets, net of related debt	102,048	95,834	10,640	11,053	112,688	106,887
Restricted	3,257	4,910	-	-	3,257	4,910
Unrestricted	12,288	6,733	6,852	5,613	19,140	12,346
Total Net Assets	\$ 117,593	\$ 107,477	\$ 17,492	\$ 16,666	\$ 135,085	\$ 124,143

Governmental Activities

Net assets of the Town's *governmental activities* increased by \$10.116 million or 9.41%, (\$117.593 million compared to \$107.477 million). Unrestricted net assets — the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements — changed from \$6.733 million, at June 30, 2011, to \$12.288 million at the end of this year.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

Governmental Activities, continued

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

- 1) \$4.264 million in grant revenues for the School Bond Improvement Capital Projects fund. This was offset by the spending of bond proceeds received in the prior year of \$1.429 million for the Public Bond Improvement Capital Project fund.
- 2) Capital assets, net of accumulated depreciation, increased by \$3.236 million and that change is a combination of the addition of current year capital purchases and construction in progress, against the depreciation expense of existing assets.
- 3) Long-term liabilities decreased by \$3.953 million, including a reduction of \$4.402 million in long-term debt, offset by changes in compensated absences, retirement obligations, accrued interest, and net OPEB totaling a net decrease of \$529 thousand.
- 4) Internal Service fund operations had a net decrease in net assets due to an increase in incurred claims.

The largest portion of the Town's net assets, \$102.048 million or 86.78%, 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 assets, \$3.257 million or 2.83%, represents resources that are subject to restrictions on how they may be used.

Business Type Activities

In 2012, the net assets of *business-type activities* increased by \$826 thousand or 4.95%, (\$17.492 million compared to \$16.666 million). Factoring into this change are reduced wage and benefit costs of \$92 thousand and a decrease in utility costs of \$160 thousand in the Sewer User Fund. These and other favorable factors contributed to an \$845 thousand increase in Sewer User Fund net assets. Center 375 rental revenues decreased by \$8 thousand and utilities expense increased by \$5 thousand from the prior year, contributing to the Fund's \$19 thousand decrease in net assets.

Although there are unrestricted net assets of \$6.852 million, these funds however, cannot be used to make up for any decreases reported in governmental activities. The Town generally can only use these net assets to finance the continuing operations of the wastewater treatment facility and Center 375.

CHANGES IN NET ASSETS

The Town's total revenues were \$112.033 million. The total cost of all programs and services was \$101.091 million. Our analysis below separately considers the operations of governmental and business-type activities.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

TABLE 2
CHANGES IN NET ASSETS
In Thousands

	Governmental Activities		Business-Type Activities		Total	
	2012	2011	2012	2011	2012	2011
Revenues:						
Program revenues:						
Charges for services	\$ 4,571	\$ 4,447	\$ 6,388	\$ 6,654	\$ 10,959	\$ 11,101
Operating grants and contributions	32,226	30,020			32,226	30,020
Capital grants and contributions	8,082	2,770			8,082	2,770
General revenues:						
Property taxes	57,712	57,509			57,712	57,509
Grants and contributions not restricted to specific programs	1,503	1,223			1,503	1,223
Investment income	35	282	1	6	36	288
Miscellaneous	1,079	1,188	263	380	1,342	1,568
Gain on sale of assets	173				173	-
Total revenues	105,381	97,439	6,652	7,040	112,033	104,479
Program expenses:						
General government	5,374	5,633			5,374	5,633
Community and development	639	2,058			639	2,058
Public safety	16,324	12,481			16,324	12,481
Maintenance and development	8,937	10,406			8,937	10,406
Human services	1,385	1,404			1,385	1,404
Park, recreation, and culture	2,391	2,611			2,391	2,611
Education	58,713	58,846			58,713	58,846
Interest on long-term debt	1,502	1,920			1,502	1,920
Sewer			5,645	5,608	5,645	5,608
Rental	-	-	181	220	181	220
Total program expenses	95,265	95,359	5,826	5,828	101,091	101,187
Increase (decrease) in net assets	10,116	2,080	826	1,212	10,942	3,292
Net Assets, July 1	107,477	105,397	16,666	15,454	124,143	120,851
Net Assets, June 30	\$ 117,593	\$ 107,477	\$ 17,492	\$ 16,666	\$ 135,085	\$ 124,143

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

Governmental Activities

As noted earlier, net assets from governmental activities increased \$10.116 million. Since the Town began preparing a statement of net assets as of June 30, 2003, this is the seventh increase in the ten-year period.

On the revenue side, key factors to the overall \$7.942 million increase from the prior year were as follows:

- Property tax revenues, which comprise 54.8% of the Town's governmental activities revenues, increased as a result of the increase in the adopted budget and related levy to fund increased appropriations.
- Charges for services increased by \$124 thousand, due to increases of \$91 in educational tuition receipts, \$58 thousand in building permits, \$48 thousand in sewer connection charges and \$19 thousand in parks program charges; partially offset by decreases in town clerk receipts of \$30 thousand and ambulance emergency medical service fees of \$43 thousand.
- Operating grants and contributions increased by \$2.206 million, a result of a \$2.884 million increase in FEMA public assistance grant reimbursements for two federally declared disasters; a \$77 thousand increase in cafeteria grants, offset by a decrease of \$584 thousand in grant funded costs of improvements paid by the Town on behalf of non-town owned mill properties.
- Capital grants and contributions increased by \$5.312 million due primarily to a \$3.289 million increase in school construction grants, \$532 thousand increase in bridge reconstruction grants, and \$1.479 million increase in building (arts center) improvement grant receipts.
- Unrestricted investment earnings decreased by \$247 thousand, reflecting a decrease in the market value of invested assets and reduced interest rates.

For governmental activities, expenses decreased \$94 thousand, or 0.09%, from the previous year. Of the total expenses of \$95.265 million, 61.6% are for educational services; 16.9% for public safety; 9.0% for maintenance and development; and 5.6% for general government.

Major expense factors include:

- The cost of educational services decreased by \$133 thousand due primarily to reduced local adult education costs of \$527 thousand; a reduction of \$174 thousand in repair costs from the prior year in which school facilities were damaged by record snowfalls; reduced health insurance costs of \$80 thousand, offset by increases to cafeteria operations of \$100 thousand, \$252 thousand in special education costs and \$367 thousand pertaining to educational grants.
- General government costs decreased by \$259 thousand, which included an increase for information technology operating costs of \$112 thousand, offset by reductions of \$266 thousand in health insurance costs, \$20 thousand in pension costs and \$75 thousand in allocable municipal insurance costs.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

- Community and development costs decreased by \$1.419 million due to reduced grant funded project costs expended by the Town on behalf of non-town owned mill properties, \$584 thousand; \$193 thousand in reduced community enhancement demolition costs; and reduced federally funded roadway community improvement costs of \$654 thousand.
- Public Safety costs increased by \$3.843 million as emergency management costs for two federally declared weather disasters resulted in increased costs of \$3.425 million. Other increases include \$168 thousand for police operating costs, \$137 thousand for firefighting costs and \$27 thousand for increased ambulatory costs.
- Maintenance and development costs decreased by \$1.469 million due mostly to significantly reduced snow removal costs of \$567 thousand; reduced roadway and building maintenance costs of \$696 and \$60 thousand, respectively; reduced allocable insurance costs of \$70 thousand; offset partially by increased sewer connection funded costs of \$64 thousand.
- Interest on long-term debt decreased by \$418 thousand from the prior year.

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

	Total Cost of Services		Net Cost of Services	
	2012	2011	2012	2011
Education	\$ 58,713	\$ 58,846	\$ 24,737	\$ 28,579
Public safety	16,324	12,481	15,140	11,177
Maintenance and development	8,937	10,406	3,612	8,315
General government	5,374	5,633	2,254	4,415
Interest on long-term debt	1,502	1,920	1,144	1,562
All others	4,415	6,073	3,499	4,074
Totals	\$ 95,265	\$ 95,359	\$ 50,386	\$ 58,122

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

Business-type Activities

Revenues of the Town's business-type activities (see Table 2) decreased by 5.51 percent, or \$388 thousand, (\$6.652 million in 2012 compared to \$7.040 million in 2011) and expenses, remained nearly level, decreasing by \$2 thousand. The factors influencing these results were: A reduction in service charge revenues from the prior year of \$266 thousand, due primarily to a \$258 reduction of sewer use charges, the result of dryer weather conditions; and reduced rental receipts of \$8 thousand. In addition, miscellaneous revenues and investment income were lower than the prior year by \$117 thousand and \$5 thousand, respectively.

A decrease in expenses of \$2 thousand is comprised of a decrease in utility costs of \$155 thousand, and reduced wage and benefit costs of \$92 thousand, offset by increases in depreciation expense of \$41 thousand and of \$204 thousand in other operating costs including repair and maintenance, 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 \$18.09 million, which is an increase of \$2.52 million from last year's total. Of total fund balance, \$7.35 million is non-spendable, 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 \$36 thousand in the Town's General Fund. The unassigned fund balance, which assigned \$303 thousand for encumbrances less than the prior year, reflects an overall increase of \$339 thousand. The unassigned fund balance of the General Fund at June 30, 2012 is \$9.294 million, which represents 11.53% 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 activities analysis, highlights on the following page, and as reported in Exhibit D.

The increase in fund balance of the town's other major governmental funds, the Debt Service, Public Bond Improvement and School Bond Improvement Funds, totaled \$2.681 million for the fiscal year due to project bond and other proceeds exceeding expenditures. The prior year-end School Bond Improvement Fund deficit fund balance of \$4.043 million was fully eliminated by intergovernmental revenue. The Public Bond Fund ended the fiscal year with a fund balance of \$529 thousand which will be utilized for continued roadway and bridge improvements in the ensuing fiscal year.

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.

In addition, other changes in fund balances in Nonmajor Governmental Funds should be noted: in the *Special Revenue Fund* there was an increase of \$137 thousand, with gains of \$21 thousand in the Cafeteria Fund, \$76 thousand in the Sewer Connection Fund and \$388 thousand to the Medical Savings Reserve Fund, a result of a premium settlement. Fund balance decreases include \$40 thousand in the Ambulance Medical Services Fund, \$54 thousand in the Sewer Assessment Fund and \$267 thousand in the CDBG Fund, primarily due to utilizing \$250 thousand of available program income for roadway improvements. The Nonmajor Capital Projects Fund had a decrease of \$516 thousand including a decrease in fund balance in the Education Capital Nonrecurring Fund of \$27 thousand and a decrease in fund balance in the Town Capital Nonrecurring Fund of \$418 thousand. Design and construction costs of the other Nonmajor capital projects funds were funded 90 to 100% by federal and state grants; and the Permanent Trust Fund increased by \$182 thousand due primarily to a new cemetery trust endowment of \$185 thousand.

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 assets amounting to an \$812 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 assets is \$831 thousand. This increase is partially a result of increased fees of \$51 thousand, decreased wage and benefits of \$106 thousand, a reduction in utility costs of \$160 thousand and a \$142 capital contribution of infrastructure from developers. The October 1, 2011 sewer user rate was not increased from the October 1, 2010 rate of \$5.69 per 1,000 gallons of metered water; however, a reduction in treated flow resulted in reduced revenue. The October 1, 2012 sewer user rate was increased to \$5.86, or 3.0% to cover an anticipated significant loss of treated flow in fiscal year 2012/13. The plant is in the fifteenth year of operation since major renovations, and the facility itself is reported in the General Government 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 assets by \$19 thousand.

The **Internal Service Fund** is 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 assets decreased by \$20 thousand primarily as a result of a settlement payout for compensated absences.

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, 2012, expenses exceeded revenues by \$588 thousand, increasing the prior year net assets deficit from \$906 thousand to a deficit of \$1.494 million. Claims incurred for fiscal year 2011/12 increased from the prior year from \$687 thousand to \$1.024 million. 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, 2012, net assets were \$281 thousand, an increase of \$46 thousand from the prior year, primarily due to favorable dental claims and a prior year change in prescription plan provisions and the third party administrator.

General Fund Budgetary Highlights

Differences between the original budget and the final amended budget amounted to an increase of \$6.316 million. Included in that amount is \$1.801 million of encumbrances carried forward from the previous fiscal year, of which \$1.206 million were expended and \$441 thousand liquidated and \$154 thousand re-appropriated; and \$4.956 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 \$331 thousand during the year, including \$45 thousand related to education and school use activities; \$150 thousand for collections remitted to the state of Connecticut by the Town Clerk for the farmland and historic preservation act; \$15 thousand for youth service part-time wages; \$60 thousand in police special services pay; \$57 thousand for firefighting equipment and \$4 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 \$4.625 million were taken from net assets primarily for costs of debris removal and emergency management services, totaling \$3.916 million, for two federally declared FEMA disasters during the fiscal year. Also, \$148 thousand were appropriated for attorney labor relations costs; \$74 thousand for Police overtime, \$87 thousand for various capital improvements and \$20 thousand for revaluation fees; and \$380 thousand in other costs. These additional appropriations include funds for leaf collection, municipal insurance, payment of compensated absences and information technology equipment and software purchases. FEMA reimbursement of federally disaster costs were received subsequent to emergency management additional appropriation approvals totaling \$2.964 million.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

Actual final expenditures totaled \$82.983 million and can be summarized as follows. The budgetary unexpended, unencumbered resulted in a favorable amount of \$1.129 million. Contained within this amount are favorable variances of \$142 thousand in general government spending; \$63 thousand for police services; \$504 thousand in emergency management; \$21 thousand in firefighting services, \$111 thousand in refuse and recycling collection; \$73 thousand in public works maintenance; \$12 thousand for parks and recreation maintenance; \$32 thousand for FICA, and \$54 thousand for group insurance, the result primarily due to increased enrollment in a high deductible health plan. The Town's General Government implemented a conditional hiring freeze to address the significant costs of storm debris removal and wages for compensated absences. The hiring freeze produced savings to address the funding needed in the wage accounts.

On the revenue side, final actual revenues exceeded the original budget by \$3.726 million due to favorable (unfavorable) variances in the following categories: \$2.964 million in federal reimbursement of two federally-declared weather related storms with all other intergovernmental revenue \$66 thousand above original estimates. Other revenues in excess of estimates include \$224 thousand in tax collections due to effective pursuit of current and prior taxes; charges for services were above estimates by \$244 thousand due in most part to the farmland preservation surcharge, \$154 thousand, police special services, \$127 thousand, and school use fees, \$24 thousand, which in turn are appropriated to cover the respective costs. Town Clerk recording fees were below projections by \$173 thousand. Licenses and permits were below projections by \$20 thousand for collections pertaining to building and transfer station permits. The decrease in interest rates produced a shortfall of \$40 thousand in investment income. Other financing sources were above original estimates by \$280 thousand due primarily to sale proceeds of foreclosed property. Other revenue, which includes items such as insurance and gasoline reimbursements, were below estimates by \$1 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 \$4.983 million. This amount represents the on-behalf payments of the State of Connecticut contributions to the Teachers' Retirement System.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2012, the Town had \$167.3 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 increase (including additions and deductions) of \$2.823 million, or 1.72%, over last year.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

TABLE 4
CAPITAL ASSETS AT YEAR-END (NET OF DEPRECIATION)
In Thousands

	Governmental Activities		Business-Type Activities		Total	
	2012	2011	2012	2011	2012	2011
Land	\$ 8,385	\$ 8,382	\$ 1,268	\$ 1,268	\$ 9,653	\$ 9,650
Buildings and improvements	83,516	23,444	1,522	1,626	85,038	25,070
Improvements other than buildings	1,873	1,774	45	52	1,918	1,826
Equipment	8,093	8,022	2,091	2,322	10,184	10,344
Infrastructure	30,645	27,786	5,682	5,744	36,327	33,530
Intangible - computer software	105	171	32	41	137	212
Construction in progress	24,062	83,864	-	-	24,062	83,864
Total	<u>\$ 156,679</u>	<u>\$ 153,443</u>	<u>\$ 10,640</u>	<u>\$ 11,053</u>	<u>\$ 167,319</u>	<u>\$ 164,496</u>

Additions to total capital assets for the 2011-12 year were \$10.381 million, net of construction-in-progress reductions. Deductions to capital assets include \$5.383 million in depreciation expense, \$145 in the reduction of non-depreciable assets and \$2.028 million in the reduction of depreciable capital assets. Construction-in-progress of \$24.062 million is for the following (in thousands):

Road & bridge reconstruction projects	\$ 20,566
Animal control facility expansion	46
School additions & renovations	9
Park improvements	2,347
Town office improvements	113
Sewer system improvements	981
Total Construction-in-Progress	<u>\$ 24,062</u>

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)

Outstanding Debt

At June 30, 2012 the Town had \$50.901 million in bonds, notes, and lease purchase obligations outstanding versus \$55.326 million last year, a decrease of \$4.425 million or 8.00% - as shown in Table 5.

**TABLE 5
OUTSTANDING DEBT, AT YEAR-END
In Thousands**

	Governmental Activities		Business-Type Activities		Total	
	2012	2011	2012	2011	2012	2011
General obligation bonds (backed by the Town)	\$ 43,695	\$ 46,555	\$ -	\$ -	\$ 43,695	\$ 46,555
Promissory notes	7,160	8,696	-	-	7,160	8,696
Lease purchases	46	75	-	-	46	75
Totals	<u>\$ 50,901</u>	<u>\$ 55,326</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 50,901</u>	<u>\$ 55,326</u>
Bond anticipation notes	<u>\$ 3,730</u>	<u>\$ 4,220</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,730</u>	<u>\$ 4,220</u>

The Town refunded and defeased \$36.190 million of general obligation bonded debt with a \$34.685 million general obligation bond issue. In addition, long-term debt principal payments of \$2.860 million were made during the year.

Outstanding Debt

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, on 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 \$401.5 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 2012-2013 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 8.0%, .4% less than the prior year-end. This compares with the State's unemployment rate of 8.4% and the national rate of 8.4 %.

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 1.45% for fiscal year 2012 compared with the average U.S. town rate of 1.68%.

These indicators were taken into account when adopting the General Fund budget for fiscal year-end 2013. Total appropriations in the General Fund budget are \$80.599 million, an increase of \$1.305 million over the original 2012 budget. Property taxes, total \$58.306 million, a revenue increase of \$1.203 million from 2012 levels. In the next fiscal year, the estimated aid from the State of Connecticut is expected to increase by \$157 thousand to \$19.983 million, representing 24.8% 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, \$719 thousand, public safety, \$162 thousand, and capital improvements, \$196 thousand constitute the major increases in the 2012-13 budget, as debt service decreased by \$209 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; 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. 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. Technology advances, most notably a town wide connectivity infrastructure, is progressing, 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.

From a financial perspective and as detailed in this annual financial report, the Town of Vernon successfully addressed the many financial obstacles of 2011-12 through prudent, conservative fiscal management without a serious interruption of services. The 2012-13 Town budget experienced an overall 1.65% increase in appropriations with an increase of 3.73 mils in the tax rate from 29.90 to 33.63.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

Understanding the economic conditions; the anticipation of a master lease for rolling stock; a decrease in the grand list due to revaluation; and a modest increase in revenue other than taxes, overall spending in the operational budget was controlled, most notably by health insurance plan redesign and 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 assets. As in all areas, most especially the waste treatment facility, the elevated cost of energy resources is a major concern. In December of 2011, the Town Council approved a power purchase agreement to establish a 5-acre 1 megawatt solar farm in town to provide power to the treatment plant in hopes of further reduced energy costs for the next two decades. Presently, while this project is on the reserve list per the Public Utilities Regulatory Agency, the Town is negotiating 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 ASSETS
JUNE 30, 2012**

	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL
<u>ASSETS</u>			
Current assets:			
Cash.....	\$ 10,600,928	\$ 1,559,694	\$ 12,160,622
Investments.....	6,453,921	4,419,124	10,873,045
Receivables (net):			
Property taxes.....	969,234		969,234
Intergovernmental.....	9,934,032		9,934,032
Other.....	1,748,371	1,103,162	2,851,533
Internal balances.....	(400,987)	400,987	-
Other assets.....	76,247	31,850	108,097
Total current assets.....	29,381,746	7,514,817	36,896,563
Noncurrent assets:			
Restricted assets (permanent):			
Cash.....	109,720		109,720
Investments.....	1,856,579		1,856,579
Total restricted assets.....	1,966,299	-	1,966,299
Receivables (net):			
Property taxes.....	763,435		763,435
Loans.....	195,728		195,728
Total receivables (net).....	959,163	-	959,163
Other noncurrent assets:			
Net pension asset.....	421,164		421,164
Capital assets (net of accumulated depreciation):			
Land.....	8,384,925	1,267,840	9,652,765
Construction in progress.....	24,062,462		24,062,462
Intangible assets (net of accumulated amortization)...	105,009	31,500	136,509
Buildings and improvements.....	83,516,172	1,521,926	85,038,098
Improvements other than buildings.....	1,872,861	45,426	1,918,287
Machinery and equipment.....	8,092,608	2,091,119	10,183,727
Infrastructure.....	30,645,444	5,682,520	36,327,964
Total capital assets (net of accumulated depreciation).....	156,679,481	10,640,331	167,319,812
Total noncurrent assets.....	160,026,107	10,640,331	170,666,438
TOTAL ASSETS.....	189,407,853	18,155,148	207,563,001

(Continued)

TOWN OF VERNON, CONNECTICUT

**STATEMENT OF NET ASSETS
JUNE 30, 2012**

	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL
<u>LIABILITIES</u>			
LIABILITIES:			
Current liabilities:			
Accounts payable.....	\$ 2,013,493	\$ 171,804	\$ 2,185,297
Accrued payroll and related liabilities.....	392,237		392,237
Accrued interest payable.....	251,538		251,538
Unearned revenue.....	3,782,178		3,782,178
Bond anticipation notes.....	3,730,000		3,730,000
Bond and notes payable.....	4,401,643		4,401,643
Capital lease payable.....	30,188		30,188
Compensated absences.....	1,026,017	118,985	1,145,002
Retirement obligations.....	815,709		815,709
Claims payable and other.....	669,049		669,049
Total current liabilities.....	17,112,052	290,789	17,402,841
Noncurrent liabilities:			
Bonds and notes payable and related liabilities.....	46,453,695		46,453,695
Capital lease payable.....	15,921		15,921
Compensated absences.....	3,274,317	325,367	3,599,684
Retirement obligations.....	2,356,170		2,356,170
Claims payable and other.....	905,416		905,416
Net OPEB obligation.....	1,697,526	47,488	1,745,014
Total noncurrent liabilities.....	54,703,045	372,855	55,075,900
TOTAL LIABILITIES.....	71,815,097	663,644	72,478,741
<u>NET ASSETS</u>			
Invested in capital assets, net of related debt.....	102,048,034	10,640,331	112,688,365
Restricted for:			
Endowments:			
Nonexpendable.....	1,696,935		1,696,935
Expendable.....	394,323		394,323
Community development.....	93,400		93,400
Maintenance and development.....	512,639		512,639
Education.....	559,169		559,169
Unrestricted.....	12,288,256	6,851,173	19,139,429
TOTAL NET ASSETS.....	\$ 117,592,756	\$17,491,504	\$ 135,084,260

(Concluded)

The accompanying notes are an integral part of the financial statements.

TOWN OF VERNON, CONNECTICUT

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2012

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Governmental activities:							
General government.....	\$ 5,374,112	\$ 958,550	\$ 4,154	\$ 2,157,097	\$ (2,254,311)	\$	\$ (2,254,311)
Community development.....	638,976	8,973	20,436	109,900	(499,667)		(499,667)
Public safety.....	16,324,643	1,137,357	47,040		(15,140,246)		(15,140,246)
Maintenance and development.....	8,937,010	617,746	3,155,345	1,551,608	(3,612,311)		(3,612,311)
Human services.....	1,384,782				(1,384,782)		(1,384,782)
Parks, recreation and culture.....	2,391,015	718,122	58,796		(1,614,097)		(1,614,097)
Education.....	58,713,021	1,129,934	28,582,709	4,263,881	(24,736,497)		(24,736,497)
Interest on long-term debt.....	1,502,045		357,752		(1,144,293)		(1,144,293)
Total governmental activities.....	95,265,604	4,570,682	32,226,232	8,082,486	(50,386,204)	-	(50,386,204)
Business-type activities:							
Sewer user.....	5,644,652	6,226,800				582,148	582,148
Center 375 (building rental).....	181,037	161,398				(19,639)	(19,639)
Total business-type activities.....	5,825,689	6,388,198	-	-	-	562,509	562,509
Total.....	\$ 101,091,293	\$ 10,958,880	\$ 32,226,232	\$ 8,082,486	\$ (50,386,204)	\$ 562,509	\$ (49,823,695)
General revenues:							
Property taxes.....					\$ 57,711,708	\$	\$ 57,711,708
Grants and contributions not restricted to specific programs.....					1,503,374		1,503,374
Investment income.....					35,105	641	35,746
Miscellaneous.....					1,079,316	262,732	1,342,048
Gain on sale of assets.....					172,501		172,501
Total general revenues.....					60,502,004	263,373	60,765,377
Change in Net Assets.....					10,115,800	825,882	10,941,682
Net Assets at July 1, 2011.....					107,476,956	16,665,622	124,142,578
Net Assets at June 30, 2012.....					\$ 117,592,756	\$ 17,491,504	\$ 135,084,260

The accompanying notes are an integral part of the financial statements.

TOWN OF VERNON, CONNECTICUT

GOVERNMENTAL FUNDS
BALANCE SHEET
JUNE 30, 2012

	General	Debt Service	Public Bond Improvements	School Bond Improvements	Nonmajor Governmental Funds	Total Governmental Funds
ASSETS						
Cash	\$ 7,856,162	\$ 6,603	\$ 20,616	\$ 75,335	\$ 2,526,220	\$ 10,484,936
Investments	3,304,313	90			4,584,262	7,888,665
Receivables (net):						
Taxes	1,618,936					1,618,936
Intergovernmental	3,423,745	1,538,339		3,720,222	1,251,726	9,934,032
Other	558,661				969,929	1,528,590
Loans					195,728	195,728
Due from other funds	2,105,434		661,000		123,203	2,889,637
Inventory					31,857	31,857
Total Assets	\$ 18,867,251	\$ 1,545,032	\$ 681,616	\$ 3,795,557	\$ 9,682,925	\$ 34,572,381
LIABILITIES AND FUND BALANCES						
Liabilities:						
Accounts and other payables	\$ 1,150,706	\$	\$ 152,156	\$ 10,042	\$ 665,352	\$ 1,978,256
Accrued wages and benefits	392,237					392,237
Accrued interest payable				8,289		8,289
Due to other funds	788,442	90		6,579	1,859,005	2,654,116
Bond anticipation note payable				3,730,000		3,730,000
Deferred revenue	1,640,897	1,538,339			756,337	3,935,573
Unearned revenue	3,780,442				1,736	3,782,178
Total liabilities	7,752,724	1,538,429	152,156	3,754,910	3,282,430	16,480,649
Fund balances:						
Nonspendable					1,728,792	1,728,792
Restricted					1,559,531	1,559,531
Committed			529,460	40,647	3,492,915	4,063,022
Assigned	1,820,141	6,603			492,979	2,319,723
Unassigned	9,294,386				(873,722)	8,420,664
Total fund balances	11,114,527	6,603	529,460	40,647	6,400,495	18,091,732
Total Liabilities and Fund Balances	\$ 18,867,251	\$ 1,545,032	\$ 681,616	\$ 3,795,557	\$ 9,682,925	\$ 34,572,381

(Continued)

TOWN OF VERNON, CONNECTICUT

RECONCILIATION OF FUND BALANCE
TO NET ASSETS OF GOVERNMENTAL ACTIVITIES
JUNE 30, 2012

AMOUNTS REPORTED FOR GOVERNMENTAL ACTIVITIES IN THE STATEMENT OF NET ASSETS (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).....	\$	18,091,732
---	----	------------

CAPITAL ASSETS USED IN GOVERNMENTAL ACTIVITIES ARE NOT FINANCIAL RESOURCES AND, THEREFORE, ARE NOT REPORTED IN THE FUNDS:

Beginning capital assets.....	152,959,002
Current capital asset additions.....	10,030,209
Depreciation expense.....	(4,710,144)
Disposal and sale of capital assets.....	(2,028,356)

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.....	688,733
Property tax, sewer assessment, and community development block grant receivable - accrual basis change...	3,935,573
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 assets.....	(920,381)
--	-----------

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.....	(43,695,000)
Accrued interest payable.....	(243,249)
State of Connecticut clean water notes.....	(7,160,338)
Compensated absences.....	(4,285,675)
Capital leases.....	(46,109)
Net OPEB liability.....	(1,697,526)
Retirement obligations.....	(3,171,879)

NET ASSETS OF GOVERNMENTAL ACTIVITIES.....	\$	<u>117,592,756</u>
--	----	--------------------

(Concluded)

TOWN OF VERNON, CONNECTICUT

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2012**

	General	Debt Service	Public Bond Improvements	School Bond Improvements	Nonmajor Governmental Funds	Total Governmental Funds
Revenues:						
Property taxes	\$ 57,327,038	\$	\$	\$	\$	\$ 57,327,038
Intergovernmental	27,838,711			4,263,881	9,644,403	41,746,995
Assessments					11,527	11,527
Charges for services	1,925,167				2,537,393	4,462,560
Gifts and contributions		357,752			272,727	630,479
Income on investments	2,810	90		14	32,095	35,009
Other	406,945				660,844	1,067,789
Total revenues	87,500,671	357,842	-	4,263,895	13,158,989	105,281,397
Expenditures:						
Current:						
General government	3,277,010				7,346	3,284,356
Community development	248,176				381,093	629,269
Public safety	11,428,754				1,085,385	12,514,139
Maintenance and development	5,272,527				512,078	5,784,605
Human services	934,675				100,616	1,035,291
Parks, recreation and culture	1,339,374				604,283	1,943,657
Townwide	6,806,996					6,806,996
Education	52,300,137				6,393,173	58,693,310
Debt service	4,675,035	1,882,185		46,611		6,603,831
Capital outlay	77,995		1,429,218	133,969	4,222,720	5,863,902
Total expenditures	86,360,679	1,882,185	1,429,218	180,580	13,306,694	103,159,356
Excess (Deficiency) of Revenues over Expenditures	1,139,992	(1,524,343)	(1,429,218)	4,083,315	(147,705)	2,122,041
Other Financing Sources (Uses):						
Bonded debt refunding proceeds		34,685,000				34,685,000
Bond refunding premium		2,991,717				2,991,717
Payment to bond refunding escrow agent		(37,449,969)				(37,449,969)
Sale of assets	172,501					172,501
Transfers in	329,270	1,304,288	21,094		301,013	1,955,665
Transfers out	(1,605,301)	(90)			(350,274)	(1,955,665)
Total other financing sources (uses)	(1,103,530)	1,530,946	21,094	-	(49,261)	399,249
Net Change in Fund Balances	36,462	6,603	(1,408,124)	4,083,315	(196,966)	2,521,290
Fund Balances at July 1, 2011	11,078,065		1,937,584	(4,042,668)	6,597,461	15,570,442
Fund Balances at June 30, 2012	\$ 11,114,527	\$ 6,603	\$ 529,460	\$ 40,647	\$ 6,400,495	\$ 18,091,732

The accompanying notes are an integral part of the 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, 2012**

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)..... \$ 2,521,290

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.....	10,030,209
Depreciation expense.....	<u>(4,710,144)</u>
Total.....	<u>5,320,065</u>

The net effect of various miscellaneous transactions involving capital assets (i. e., sales, trade-ins and donations) is to increase net assets. 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 assets differs from the change in fund balance by the cost of the capital assets sold..... (2,028,356)

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, and community development block grant receivable - accrual basis change..	(175,232)
Change in property tax and sewer assessment interest and lien revenue.....	<u>100,172</u>
Total	<u>(75,060)</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 assets. Also, governmental funds report the effect of issuance costs, 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:	
General obligation bond.....	(34,685,000)
Deferred charges.....	<u>(1,505,000)</u>
Principal repayments:	
General obligation bonds and notes payable.....	40,585,261
Capital lease payable.....	<u>29,286</u>
Total	<u>4,424,547</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, 2012**

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.....	\$ (111,262)
Retirement obligations.....	76,884
Net OPEB obligation.....	(308,195)
Net pension asset.....	421,164
Accrued interest payable.....	450,491
Total	<u>529,082</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>(575,864)</u>
The net revenue of the activities of the Internal Service Fund is reported with governmental activities.....	<u>96</u>
CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES (EXHIBIT B)	<u>\$ 10,115,800</u>

(Concluded)

TOWN OF VERNON, CONNECTICUT
STATEMENT OF NET ASSETS - PROPRIETARY FUNDS
JUNE 30, 2012

	Business-Type Activities			Governmental Activities
	Sewer User	Center 375	Total	Internal Service Funds
Assets:				
Current assets:				
Cash	\$ 1,553,160	\$ 6,534	\$ 1,559,694	\$ 225,712
Investments	3,336,610	1,082,514	4,419,124	421,835
Receivables (net)	1,094,917	8,245	1,103,162	140,806
Due from other funds		4,173	4,173	
Prepaid expense	31,850		31,850	44,390
Total current assets	6,016,537	1,101,466	7,118,003	832,743
Capital assets (net):				
Land and land improvements	838,180	645,711	1,483,891	
Buildings and plant	4,174,064	1,870,657	6,044,721	
Machinery and equipment	8,595,945	24,644	8,620,589	243,605
Infrastructure	10,661,856		10,661,856	211,961
Intangible - computer software	49,000		49,000	387,278
Accumulated depreciation	(14,868,828)	(1,350,898)	(16,219,726)	(414,074)
Capital assets (net)	9,450,217	1,190,114	10,640,331	428,770
Total assets	15,466,754	2,291,580	17,758,334	1,261,513
Liabilities:				
Current liabilities:				
Accounts and other payables	166,887	4,917	171,804	35,237
Claims payable			-	669,049
Due to other funds	56,140		56,140	174,775
Accrued compensated absences	118,985		118,985	11,551
Total current liabilities	342,012	4,917	346,929	890,612
Noncurrent liabilities:				
Claims payable			-	905,416
Accrued compensated absences	325,367		325,367	3,107
Net OPEB obligation	47,488		47,488	
Total noncurrent liabilities	372,855	-	372,855	908,523
Total liabilities	714,867	4,917	719,784	1,799,135
Net Assets:				
Invested in capital assets	9,450,217	1,190,114	10,640,331	428,770
Unrestricted	5,301,670	1,096,549	6,398,219	(966,392)
Total Net Assets	\$ 14,751,887	\$ 2,286,663	17,038,550	\$ (537,622)
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds.....			452,954	
Net assets of Business-type activities (Exhibit A).....			<u>\$17,491,504</u>	

The accompanying notes are an integral part of the financial statements.

TOWN OF VERNON, CONNECTICUT

**STATEMENT OF REVENUES, EXPENSES AND CHANGES
IN FUND NET ASSETS - PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2012**

	<u>Business-Type Activities</u>			<u>Governmental Activities</u>
	<u>Sewer User</u>	<u>Center 375</u>	<u>Total</u>	<u>Internal Service Funds</u>
Operating Revenues:				
Charges for services	\$ 5,543,828	\$ 161,398	\$ 5,705,226	\$ 1,546,863
Gifts and contributions			-	1,908,217
Other:				
Septic fees	608,901		608,901	
Delinquent interest	74,071		74,071	
Miscellaneous				60,636
Total operating revenues	6,226,800	161,398	6,388,198	3,515,716
Operating Expenses:				
Wages and benefits	2,123,367		2,123,367	458,546
Repairs, maintenance and rentals	546,651	11,118	557,769	221,159
Utilities	1,687,198	41,541	1,728,739	10,082
Supplies and materials	448,449	23,647	472,096	2,240
General and administrative	333,503	61,287	394,790	195,057
Claims incurred			-	3,082,616
Depreciation	519,833	43,444	563,277	110,000
Total operating expenses	5,659,001	181,037	5,840,038	4,079,700
Operating Income (Loss)	567,799	(19,639)	548,160	(563,984)
Nonoperating Revenues (Expenses):				
Investment income	487	154	641	96
Insurance and Other Reimbursements	120,576		120,576	
Net Nonoperating Revenues (Expenses)	121,063	154	121,217	96
Income (loss) before capital contribution	688,862	(19,485)	669,377	(563,888)
Capital contributed	142,156		142,156	2,470
Change in Net Assets	831,018	(19,485)	811,533	(561,418)
Total Net Assets at July 1, 2011	13,920,869	2,306,148		23,796
Total Net Assets at June 30, 2012	\$ 14,751,887	\$ 2,286,663		\$ (537,622)
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds.....			14,349	
Net change in assets of Business-type activities (Exhibit B).....			\$ 825,882	

The accompanying notes are an integral part of the financial statements.

TOWN OF VERNON, CONNECTICUT**STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2012**

	Business-Type Activities			Governmental Activities
	Sewer User	Center 375	Total	Internal Service Funds
Cash Flows from Operating Activities:				
Service charges collected	\$ 5,771,029	\$ 148,980	\$ 5,920,009	\$ 1,432,154
Contributions collected			-	1,908,245
Other operating revenues collected	603,677		603,677	50,023
Cash payments for employee wages and benefits	(2,241,776)		(2,241,776)	(442,356)
Cash payments for goods and services	(3,220,192)	(197,310)	(3,417,502)	(500,683)
Cash payments for other operating expenses			-	(2,841,293)
Cash payments of due to balance			-	(791,000)
Net cash provided by (used in) operating activities	912,738	(48,330)	864,408	(1,184,910)
Cash Flows from Capital and Related Financing Activities:				
Purchase of capital assets	(8,821)		(8,821)	(52,682)
Cash Flows from Investing Activities:				
Investment income	487	154	641	96
Cash Flows from Noncapital Financing Activities:				
Insurance and Other Reimbursements	120,576		120,576	
Net Increase (Decrease) in Cash and Cash Equivalents	1,024,980	(48,176)	976,804	(1,237,496)
Cash and Cash Equivalents at July 1, 2011	3,864,790	1,137,224	5,002,014	1,885,043
Cash and Cash Equivalents at June 30, 2012	4,889,770	1,089,048	5,978,818	647,547
Cash Equivalents Reported as Investments	(3,336,610)	(1,082,514)	(4,419,124)	(421,835)
Cash, June 30, 2012	\$ 1,553,160	\$ 6,534	\$ 1,559,694	\$ 225,712
Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used) in Operating Activities:				
Operating income (loss)	\$ 567,799	\$ (19,639)	\$ 548,160	\$ (563,984)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:				
Add:				
Depreciation expense	519,833	43,444	563,277	110,000
Decrease in accounts receivable	147,906		147,906	
Decrease in prepaid expense			-	14,480
Increase in accounts payable			-	6,886
Increase in claims payable			-	269,477
Increase in due to other funds	16,406		16,406	
Increase in OPEB obligation	12,781		12,781	
Deduct:				
Increase in accounts receivable		(8,245)	(8,245)	(125,294)
Increase in due from other funds		(4,173)	(4,173)	
Increase in prepaid expense	(31,850)		(31,850)	
Decrease in accounts / claims payable	(284,006)	(59,717)	(343,723)	(17,376)
Decrease in accrued compensated absences	(36,131)		(36,131)	(10,972)
Decrease in due to other funds			-	(868,127)
Net adjustments to operating income (loss)	344,939	(28,691)	316,248	(620,926)
Net Cash Provided by (Used in) Operating Activities	\$ 912,738	\$ (48,330)	\$ 864,408	\$ (1,184,910)

Schedule of noncash capital and related financing activities:

\$ 42,036 of Sewer User Fund capital assets, gross of accumulated depreciation of \$42,036, were disposed of during the fiscal year.
\$142,156 of capital assets were contributed to the Sewer fund during the year.
\$ 2,470 of capital assets were contributed by the Town to the Data Processing Internal Service Fund during the year.

The accompanying notes are an integral part of the financial statements.

TOWN OF VERNON, CONNECTICUT

STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
DECEMBER 31, 2011 AND JUNE 30, 2012

	Pension Trust Funds December 31, 2011	Other Post Employment Benefits Trust Fund June 30, 2012	Private Purpose Trust Fund June 30, 2012	Agency Funds June 30, 2012
Assets:				
Cash	\$	\$	\$ 240,009	\$ 491,097
Investments, at fair value (pooled):				
Certificates of deposit				
Pooled fixed income		84,700	239,509	164,294
Mutual funds:				
Domestic equity	17,243,764			
International equity	4,543,827			
Corporate bond	6,640,866			
International bond	107,666			
Money market	11,140			
Guaranteed investment account	15,784,201			
Total investments	44,331,464	84,700	239,509	164,294
Accounts receivable		1,504	33,548	
Due from other funds				66
Total assets	44,331,464	86,204	513,066	655,457
Liabilities:				
Accounts and other payables	20,337			655,457
Due to other funds		8,845		
Unearned revenue		350		
Total Liabilities	20,337	9,195	-	655,457
Net Assets:				
Held in trust for pension and OPEB benefits and other purposes	\$ 44,311,127	\$ 77,009	\$ 513,066	\$ -

The accompanying notes are an integral part of the financial statements.

TOWN OF VERNON, CONNECTICUT

STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2011 AND JUNE 30, 2012

	Pension Trust Funds December 31, 2011	Other Post Employment Benefits Trust Fund June 30, 2012	Private Purpose Trust Fund June 30, 2012
Additions:			
Contributions:			
Employer	\$ 3,399,576	\$ 17,000	\$
Employee	1,238,650		
Retirees		1,260,008	
State		158,366	
Private			33,675
Total contributions	4,638,226	1,435,374	33,675
Net investment income	100,809	9	4,405
Total additions	4,739,035	1,435,383	38,080
Deductions:			
Benefit payments/annuity purchases	4,061,246	1,418,374	
Refund of contributions	29,190		
Administrative expense	174,509		
Awards			34,332
Total deductions	4,264,945	1,418,374	34,332
Change in Net Assets	474,090	17,009	3,748
Net Assets at January 1 and July 1, 2011	43,837,037	60,000	509,318
Net Assets at December 31, 2011 and June 30, 2012	\$ 44,311,127	\$ 77,009	\$ 513,066

The accompanying notes are an integral part of the financial statements.

TOWN OF VERNON, CONNECTICUT**NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2012****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 assets and the statement of activities) report information on all of the nonfiduciary activities of the primary government. *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)

A. Government-Wide and Fund Financial Statements (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 Benefits 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)

A. Government-Wide and Fund Financial Statements (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, except for property taxes, the Town considers 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.

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)

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

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989 generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board ("GASB"). Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The Town has elected not to follow subsequent private-sector guidance.

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.

When both restricted and unrestricted resources are available for use, it is the Town's policy to use restricted resources first, then unrestricted resources as they are needed.

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

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Assets, Liabilities, and Net Assets 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 10 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)

C. Assets, Liabilities, and Net Assets or Equity (Continued)

2. Receivables and Payables (Continued)

b. Property Taxes and Other Receivables (Continued)

Property taxes receivable at June 30 are recorded in the General Fund as deferred revenue since they are not considered to be available to finance expenditures of the current fiscal year, except that receivables collected within 60 days after June 30 have been recorded as revenue.

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)

C. Assets, Liabilities, and Net Assets or Equity (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. 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, 2012 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.

6. Long-Term Obligations

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

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)

C. Assets, Liabilities, and Net Assets or Equity (Continued)

7. Fund Equity and Net Assets

In the **government-wide financial statements**, net assets are classified into the following categories:

Invested in Capital Assets, Net of Related Debt

This category presents the net assets 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 Assets

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

Unrestricted Net Assets

This category presents the net assets of the Town which are 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.

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

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Assets, Liabilities, and Net Assets or Equity (Continued)

7. Fund Equity and Net Assets (Continued)

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 an action by the Town Council.

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.

8. 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.

9. 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 \$4,956,183 were authorized during the fiscal year along with reappropriations of \$1,360,301. 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 assets as restricted for endowments. Investment income, including appreciation of \$366,774 for the Cemetery Fund and \$-0- for the Memorial Fund, is approved for expenditure by the individual Boards of the benefiting activities.

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, 2012:

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	611,708	249,057	362,651
<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
<u>Maintenance and Development</u>			
Road Reconstuction	16,818,467	17,746,568	(928,101)
Storm Drainage	204,000	-	204,000
Bridges	11,998,446	6,182,890	5,815,556
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 Improvements	82,000	69,040	12,960
Talcottville Enhancements	578,838	555,121	23,717
Fox Hill Tower Renovation	9,754	9,754	-
Community Arts Center	1,800,000	1,782,883	17,117

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

II. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (CONTINUED)

C. Capital Projects Authorizations (Continued)

The following is a summary of certain construction project funds at June 30, 2012:

Project	Project Authorization	Expended To Date	Remaining Authorization
<u>Education</u>			
Rockville High School Photo Lab	\$ 308,591	\$ 305,341	\$ 3,250
Rockville High School Track Resurfacing	50,000	44,000	6,000
Central Administration Repointing / Reroofing	337,186	337,186	-
Center Road School Bridge Roofs	50,000	6,500	43,500
Center Road School Exterior Wall Repointing	25,000	3,000	22,000
RHS Additions & Renovations	34,657,000	30,725,783	3,931,217
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	\$ 103,995,331	\$ 88,947,268	\$ 15,048,063

D. Deficit Equity Balances

The following funds had a deficit equity balance at June 30, 2012:

Nonmajor Funds:

Special Revenue Funds:

Ambulance Medical Services	\$ 12,540
Public Safety Complex Grant-in-Aid Fund	860,500
Parks and Recreation Programs Fund	682

Internal Service Fund:

Workers' Compensation	\$ 1,494,366
-----------------------	--------------

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 Parks and Recreation Programs Fund will be eliminated by future collection of fund program revenues. The deficit in the Workers' Compensation Fund will be eliminated by future charges to other funds.

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

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, 2012, \$0- of the Town's bank balance of \$15,057,328 (including certificates of deposit and money market accounts) was exposed to custodial credit risk.

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, 2012, 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	\$ 17,860,296	\$ 17,860,296	\$	\$	\$	\$
International Equity	4,732,166	4,732,166				
International Corporate Bond	107,666			107,666		
Corporate Bond	7,271,691		5,150	316,260	6,615,575	334,706
Money Market	55,855		55,855			
Certificates of Deposit	144,555		144,555			
Pooled Fixed Income	11,593,161		11,593,161			
Guaranteed Income Account	15,784,201			15,784,201		
TOTAL	\$ 57,549,591	\$ 22,592,462	\$ 11,798,721	\$ 16,208,127	\$ 6,615,575	\$ 334,706

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.

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

III. DETAILED NOTES (CONTINUED)

A. Cash and Investments (Continued)

The Town's investments in pooled fixed income, fixed income mutual funds and bond mutual funds had average ratings as follows by Standard & Poor's.

AVERAGE RATING	POOLED FIXED INCOME	INTERNATIONAL CORPORATE BOND FUNDS	MONEY MARKET MUTUAL FUNDS	CORPORATE BOND MUTUAL FUNDS	GUARANTEED INCOME ACCOUNT
AAA.....	\$ 11,593,161	\$ 19,240	\$	\$ 3,839,482	\$ 15,784,201
AA.....		4,856		1,198,709	
A.....		24,063		934,133	
B.....		2,896		415,712	
BB.....		9,281		417,114	
BBB.....		25,711		347,199	
CCC.....		75		95,792	
Unrated.....		21,544	55,855	23,550	
TOTAL.....	\$ 11,593,161	\$ 107,666	\$ 55,855	\$ 7,271,691	\$ 15,784,201

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, 2012, 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, 2012, including the applicable allowances for uncollectible accounts, are presented below.

	PROPERTY TAXES		
	INTEREST AND		
	TAXES	LIEN FEES	TOTAL
Current portion	\$ 890,415	\$ 78,819	\$ 969,234
Long-term portion.....	\$ 728,521	\$ 609,914	\$ 1,338,435
Less allowance for uncollectibles.....	(225,000)	(350,000)	(575,000)
Net long-term portion	\$ 503,521	\$ 259,914	\$ 763,435

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

III. DETAILED NOTES (CONTINUED)

B. Receivables (Continued)

	SEWER USER	AMBULANCE MEDICAL SERVICES
Receivable amount	\$ 1,217,588	\$ 1,119,046
Less allowance for uncollectibles.....	<u>(122,671)</u>	<u>(559,523)</u>
Net receivable	<u>\$ 1,094,917</u>	<u>\$ 559,523</u>

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

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

	UNAVAILABLE	UNEARNED
Delinquent property taxes receivable	\$ 1,468,054	\$
Loans	195,728	
Inter-municipal	1,595,339	
Special assessments and ambulance.....	560,609	
Taxes collected in advance		3,780,442
Intergovernmental (grants)		29
School building grant	115,843	
Other.....		<u>1,707</u>
TOTALS.....	<u>\$ 3,935,573</u>	<u>\$ 3,782,178</u>

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

III. DETAILED NOTES (CONTINUED)

C. Capital Assets

Capital asset activity for the year ended June 30, 2012, for Governmental Activities was as follows:

	BALANCE JULY 1, 2011	INCREASES	DECREASES	BALANCE JUNE 30, 2012
<u>Capital Assets, not being depreciated:</u>				
Land.....	\$ 8,381,925	\$ 148,001	\$ 145,001	\$ 8,384,925
Construction in progress.....	83,863,666	4,821,994	64,623,198	24,062,462
Total capital assets, not being depreciated.....	92,245,591	4,969,995	64,768,199	32,447,387
<u>Capital Assets, being depreciated:</u>				
Land improvements.....	5,290,163	474,627	31,564	5,733,226
Buildings and improvements.....	48,002,828	61,483,727	233,014	109,253,541
Machinery and equipment.....	41,413,740	3,373,460	5,391,763	39,395,437
Intangibles - computer software.....	387,278			387,278
Infrastructure.....	53,914,036	4,551,751	638,500	57,827,287
Total capital assets, being depreciated.....	149,008,045	69,883,565	6,294,841	212,596,769
Total capital assets.....	241,253,636	74,853,560	71,063,040	245,044,156
<u>Less accumulated depreciation for:</u>				
Land improvements.....	3,516,712	375,217	31,564	3,860,365
Buildings and improvements.....	24,558,444	1,419,826	240,901	25,737,369
Machinery and equipment.....	33,434,854	1,441,557	3,573,582	31,302,829
Intangibles - computer software.....	216,451	65,818		282,269
Infrastructure.....	26,084,555	1,517,726	420,438	27,181,843
Total accumulated depreciation.....	87,811,016	4,820,144	4,266,485	88,364,675
Total Capital Assets, being depreciated, net....	61,197,029	65,063,421	2,028,356	124,232,094
Governmental Activities Capital Assets, net.....	\$ 153,442,620	\$ 70,033,416	\$ 66,796,555	\$ 156,679,481

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, 2012, for Business-Type Activities was as follows:

	BALANCE JULY 1, 2011	INCREASES	DECREASES	BALANCE JUNE 30, 2012
<u>Capital Assets, not being Depreciated:</u>				
Land.....	\$ 1,267,840	\$	\$	\$ 1,267,840
<u>Capital Assets, being depreciated:</u>				
Buildings and system.....	6,042,738	1,983		6,044,721
Improvements other than building.....	216,051			216,051
Machinery and equipment.....	8,655,787	6,838	42,036	8,620,589
Intangibles - computer software.....	49,000			49,000
Infrastructure.....	10,519,700	142,156		10,661,856
Total Capital Assets, being Depreciated	25,483,276	150,977	42,036	25,592,217
Total capital assets.....	26,751,116	150,977	42,036	26,860,057
<u>Less accumulated depreciation for:</u>				
Buildings and system.....	4,416,196	106,599		4,522,795
Improvements other than building.....	164,319	6,306		170,625
Machinery and equipment.....	6,333,829	237,677	42,036	6,529,470
Intangibles - computer software.....	8,328	9,172		17,500
Infrastructure.....	4,775,813	203,523		4,979,336
Total Accumulated Depreciation	15,698,485	563,277	42,036	16,219,726
Total Capital Assets, being Depreciated, net..	9,784,791	(412,300)	-	9,372,491
Business-Type Activities Capital Assets, net..	\$ 11,052,631	\$ (412,300)	\$ -	\$ 10,640,331

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

III. DETAILED NOTES (CONTINUED)

C. Capital Assets (Continued)

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

Governmental activities:	
General government	\$ 1,521,937
Community development	427
Public safety	412,366
Maintenance and development	1,737,785
Human services	1,189
Parks and recreation	171,709
Education	<u>974,731</u>
Total Depreciation Expense - Governmental Activities	<u>\$ 4,820,144</u>
Business-type activities:	
Sewer use	\$ 519,833
Rental of building	<u>43,444</u>
Total Depreciation Expense - Business-type Activities	<u>\$ 563,277</u>

D. Interfund Receivables, Payables and Transfers

Interfund transfers:

	<u>Transfers In</u>				<u>Total Out</u>
	<u>General Fund</u>	<u>Debt Service</u>	<u>Public Bond Improvements</u>	<u>Nonmajor Funds</u>	
Transfers out:					
General Fund	\$	\$ 1,304,288	\$	\$301,013	\$ 1,605,301
Debt Service	90				90
Public Bond Improvements					
School Bond Improvements					
Nonmajor Governmental	<u>329,180</u>		<u>21,094</u>		<u>350,274</u>
Total Transfers In	<u>\$ 329,270</u>	<u>\$ 1,304,288</u>	<u>\$ 21,094</u>	<u>\$301,013</u>	<u>\$ 1,955,665</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.

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

III. DETAILED NOTES (CONTINUED)

D. Interfund Receivables, Payables and Transfers (Continued)

At June 30, 2012, the amounts due to and from other funds were as follows:

	<u>DUE FROM OTHER FUNDS</u>	<u>DUE TO OTHER FUNDS</u>
General Fund	\$ 2,105,434	\$ 788,442
Debt Service Fund		90
Major Funds:		
Public Bond Improvements	661,000	
School Bond Improvements		6,579
Nonmajor Funds:		
Special Revenue Funds:		
Insurance Exchange		17
Town Aid Road		11
Dog License Fund		728
Ambulance Medical Services		20,671
Vernon Cemetery Commission		8,515
Sewer Assessment		21
Special Education Grants	794	590,121
Public Safety Complex		860,500
CDBG Small Cities		381
Parks and Recreation Programs		26,700
Roosevelt Mill Cleanup		1,200
Talcottville Enhancements		25,965
Miscellaneous Grants	51,840	34,903
Miscellaneous Special Revenue		6,000
Capital Projects Funds:		
Town Capital & Nonrecurring	20,165	
Education Capital & Nonrecurring	50,404	85,300
River Street Bridge Renovations		7,999
Spring Street Bridge Renovations		2,363
Phoenix Street Bridge Renovations		109,079
Ordinance # 199		78,531
Total Nonmajor Funds	123,203	1,859,005
Fiduciary Funds:		
Other Post Employment Trust		8,845
Miscellaneous Activity	66	
Total Fiduciary Funds	66	8,845

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

III. DETAILED NOTES (CONTINUED)

D. Interfund Receivables, Payables and Transfers (Continued)

	<u>DUE FROM OTHER FUNDS</u>	<u>DUE TO OTHER FUNDS</u>
Proprietary Funds:		
Enterprise Funds:		
Sewer User Fund	\$	\$ 56,140
Center 375	<u>4,173</u>	<u> </u>
Total Proprietary Funds	<u>4,173</u>	<u>56,140</u>
Internal Service Funds:		
Workers' Compensation Fund		100,000
Medical Self-Insurance Fund		74,392
Data Processing Fund		<u>383</u>
Total Internal Service Funds	<u>-</u>	<u>174,775</u>
Total	<u>\$ 2,893,876</u>	<u>\$ 2,893,876</u>

Interfund balances are the result of interfund transfers, reimbursements or loans outstanding at June 30, 2012.

E. Short-Term Obligations - Bond Anticipation Notes

Bond Anticipation Notes:

<u>PROJECT</u>	<u>BALANCE JULY 1, 2011</u>	<u>ADDITIONS</u>	<u>REDUCTIONS</u>	<u>BALANCE JUNE 30, 2012</u>
School Bond Improvements Fund	\$ 4,220,000	\$ 3,730,000	\$ 4,220,000	\$3,730,000

The June 30, 2011 outstanding Bond Anticipation Note (BAN) matured on April 11, 2012 and was retired by the April 11, 2012 issuance of a \$3,730,000 BAN that matures on October 11, 2012. The \$3,730,000 BAN funded short-term school renovation costs at 2.00% interest, with a yield of .25% and at a premium of \$28,260. BAN premium will be utilized to offset BAN interest expense. This June 30, 2012, outstanding BAN was subsequently retired with available funds on October 11, 2012.

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

III. DETAILED NOTES (CONTINUED)

F. Changes in Long-Term Obligations

1. Summary of Changes

Long-term liability activity for the year ended June 30, 2012, was as follows:

	Balance July 1, 2011	Additions	Reductions	Balance June 30, 2012	Due Within One Year
Governmental activities:					
Bonds:					
General purpose	\$ 15,508,000	\$ 11,724,000	\$ 13,050,000	\$ 14,182,000	\$ 865,000
Schools	29,723,000	22,168,000	24,888,000	27,003,000	1,728,000
Sewers	1,324,000	793,000	1,112,000	1,005,000	262,000
Total	46,555,000	34,685,000	39,050,000	42,190,000	2,855,000
Deferred charge		1,505,000		1,505,000	
Total bonds payable and related liabilities	46,555,000	36,190,000	39,050,000	43,695,000	2,855,000
Notes:					
State of Connecticut					
Clean Water Fund	8,695,599		1,535,261	7,160,338	1,546,643
Lease purchases:					
Fire Truck:					
Police Cruisers	44,597		21,974	22,623	22,623
Asphalt Box Reclaimer	30,798		7,312	23,486	7,565
Total lease purchases	75,395	-	29,286	46,109	30,188
Compensated absences:					
Town	3,012,701	340,905	339,200	3,014,406	687,056
Board of Education	1,161,712	136,018	26,461	1,271,269	327,410
Internal Service Fund	25,630	20,744	31,715	14,659	11,551
Total compensated absences	4,200,043	497,667	397,376	4,300,334	1,026,017

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.

* \$47,488 of the net OPEB obligation is recorded in the Sewer User Fund

	Balance July 1, 2011	Additions	Reductions	Balance June 30, 2012	Due Within One Year
Retirement obligations:					
Town:					
Net OPEB obligation*	\$ 585,553	\$ 458,920	\$ 250,000	\$ 794,473	\$
Board of Education:					
Net OPEB obligation	803,778	571,275	472,000	903,053	
Estimated retirement pay	1,829,753	214,732	157,691	1,886,794	375,000
Early retirement pay	1,383,521	301,604	404,779	1,280,346	438,749
Healthcare termination	35,489	1,754	32,504	4,739	1,960
Total Board of Education retirement obligations	4,052,541	1,089,365	1,066,974	4,074,932	815,709
Total retirement obligations	4,638,094	1,548,285	1,316,974	4,869,405	815,709
Risk management:					
Claims payable	1,314,100	3,082,616	2,822,251	1,574,465	669,049
Total Governmental Activities Long-Term Liabilities	\$ 65,478,231	\$ 41,318,568	\$ 45,151,148	\$ 61,645,651	\$ 6,942,606
Business-Type Activities:					
Compensated absences	\$ 480,483	\$ 27,413	\$ 63,544	\$ 444,352	\$ 118,985
Net OPEB Liability	34,707	12,781		47,488	
Total Business-Type Activities Long-term Liabilities	\$ 515,190	\$ 40,194	\$ 63,544	\$ 491,840	\$ 118,985

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, 2012
<u>Bonded Debt</u>					
General Purpose Bonds:					
Public Improvements (defeased)	02/15/07	02/15/27	3.875 - 5.75%	\$ 9,251,000	\$
Public Improvements (defeased)	02/01/08	02/01/28	3.50 - 5.50%	5,000,000	214,000
Public Improvements (defeased)	02/01/09	02/01/24	2.50 - 4.50%	720,000	188,000
Public Improvements	04/12/11	04/01/25	2.00 - 3.75%	2,155,000	2,056,000
Public Improvements (refunding)	04/11/12	08/01/27	2.00 - 4.50%	11,724,000	11,724,000
Total General Purpose Bonds					14,182,000
School Bonds:					
School Renovations (defeased)	02/04/04	09/15/12	1.00 - 5.00%	3,125,000	113,000
School Improvements (defeased)	02/15/07	02/15/27	3.875 - 5.75%	2,515,000	
School Renovations (defeased)	02/01/08	02/01/28	3.50 - 5.50%	16,040,000	686,000
School Renovations (defeased)	02/14/08	02/01/28	3.50 - 5.50%	10,155,000	2,512,000
School Renovations	04/12/11	04/01/25	2.00 - 3.75%	1,600,000	1,524,000
School Renovations (refunding)	04/11/12	08/01/27	2.00 - 4.50%	22,168,000	22,168,000
Total School Bonds					27,003,000
Sewer Bonds:					
Sewer Ordinance #167	02/04/04	09/15/12	1.00 - 5.00%	2,085,000	212,000
Sewer System Improvements (defeased)	02/15/07	02/15/27	3.875 - 5.75%	1,049,000	
Sewer System Improvements (refunding)	04/11/12	08/01/27	2.00 - 4.50%	793,000	793,000
Total Sewer Bonds					1,005,000
Total Bonded Debt					\$42,190,000
<u>Notes Payable</u>					
State of Connecticut					
Clean Water Fund 244-C	05/28/93	11/30/12	2.0%	649,740	\$ 13,536
Clean Water Fund 200-C	12/31/97	12/31/16	2.0%	27,635,550	7,146,802
Total Notes Payable					\$ 7,160,338
<u>Lease Purchases</u>					
Police Cruisers	2/1/2011	3/1/2013	2.95%	67,500	\$ 22,623
Asphalt Reclaimer Box	2/1/2011	3/1/2015	3.45%	38,912	23,486
Total Lease Purchases					\$ 46,109

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	General Purpose	Bonded Debt			Notes Payable	Lease Purchase	Total All Debt
		School	Sewer	Total			
2013	\$ 865,000	\$ 1,728,000	\$ 262,000	\$ 2,855,000	\$ 1,546,643	\$ 30,188	\$ 4,431,831
2014	907,000	1,582,000	56,000	2,545,000	1,564,052	7,826	4,116,878
2015	921,500	1,608,500	55,000	2,585,000	1,595,621	8,095	4,188,716
2016	915,500	1,604,500	55,000	2,575,000	1,627,828		4,202,828
2017	939,000	1,747,000	54,000	2,740,000	826,194		3,566,194
2018	943,000	1,883,000	54,000	2,880,000			2,880,000
2019	963,000	2,024,000	53,000	3,040,000			3,040,000
2020	958,000	2,019,000	53,000	3,030,000			3,030,000
2021	959,000	2,028,000	53,000	3,040,000			3,040,000
2022	958,000	2,035,000	52,000	3,045,000			3,045,000
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	<u>\$ 14,182,000</u>	<u>\$ 27,003,000</u>	<u>\$ 1,005,000</u>	<u>\$ 42,190,000</u>	<u>\$ 7,160,338</u>	<u>\$ 46,109</u>	<u>\$ 49,396,447</u>

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

Fiscal Year Ending June 30	General Purpose	Bonded Debt			Notes Payable	Lease Purchase	Total All Debt
		School	Sewer	Total			
2013	\$ 399,276	\$ 801,191	\$ 24,648	\$ 1,225,115	\$ 129,001	\$ 1,478	\$ 1,355,594
2014	446,225	871,365	25,230	1,342,820	97,988	549	1,441,357
2015	419,870	816,521	23,565	1,259,956	66,419	279	1,326,654
2016	394,030	772,537	21,915	1,188,482	34,213		1,222,695
2017	366,807	716,832	20,280	1,103,919	4,826		1,108,745
2018	339,678	663,193	18,660	1,021,531			1,021,531
2019	313,497	609,647	17,188	940,332			940,332
2020	280,639	539,460	15,333	835,432			835,432
2021	241,741	454,822	13,080	709,643			709,643
2022	203,490	371,964	10,915	586,369			586,369
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	<u>\$ 3,861,924</u>	<u>\$ 7,394,232</u>	<u>\$ 214,199</u>	<u>\$ 11,470,355</u>	<u>\$ 332,447</u>	<u>\$ 2,306</u>	<u>\$ 11,805,108</u>

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 5 former school administrators receiving this benefit. The cost to the Town, net of participant contributions, for the 2011/12 fiscal year is \$32,504. A liability of \$4,739, 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 9.39% and an investment yield of .20%.

In addition to healthcare termination benefits, cash payments are available to school administrator early retirees. Also, there are 11 former school administrators receiving this benefit. The cost to the Town for the 2011/12 fiscal year is \$109,779. A liability of \$418,893, presented in government-wide financial statements, for this benefit is calculated based upon the discounted present value of expected future benefits and an .20% 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 2011/12 fiscal year is \$295,000. A liability of \$861,453, presented in government-wide financial statements, for this benefit is calculated based upon the discounted present value of expected future benefits and an .20% yield of investments that are expected to be used to finance such benefit payments.

3. Capital Leases

Capital leases outstanding at June 30, 2012 were for three police cruisers and an asphalt reclaimer box. The present value of future minimum lease payments amounts to \$46,109 at June 30, 2012.

The amount of assets capitalized under Capital Leases totaled \$106,412 at June 30, 2012 and accumulated depreciation totaled \$22,803.

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	\$ 129,066,059	\$ 17,341,000	\$ 111,725,059
Schools.....	258,132,119	64,899,157	193,232,962
Sewers.....	215,110,099	8,327,338	206,782,761
Urban renewal.....	186,428,752		186,428,752
Pension deficit.....	172,088,079		172,088,079

The total overall statutory debt limit for the Town is equal to seven times annual receipts from taxation, \$401,538,851.

The indebtedness reflected above includes bonds outstanding in addition to the amount of bonds authorized and unissued against which bond anticipation notes are issued and outstanding. School building grants receivable of \$115,843 for bond principal are reflected as deductions in the computation of net indebtedness.

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, 2012.

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 \$3,730,000 of BANs remain issued and outstanding. The remaining unissued School Bond Improvements authorization is \$34,282,000 as of June 30, 2012.

At a referendum held on September 2, 2008, \$1,182,000 were authorized to fund the reconstruction of the Phoenix Street Bridge.

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

III. DETAILED NOTES (CONTINUED)

F. Changes in Long-Term Obligations (Continued)

6. Current Years' Advanced Refunding

On April 5, 2012, the Town issued \$34,685,000 of general obligation refunding bonds with interest rates of 2.5% to 4.50%. These refunding bonds were issued to advance refund and defease bonds issued February 2007, February 2008 and February 2009. The refunding resulted in an economic gain of \$2,789,733 with a total savings of \$3,716,214.

7. 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, 2012, the amount of defeased debt outstanding amounted to \$325,000.

G. Restricted Net Assets

The amount of restricted net assets, which were restricted by enabling legislation, totaled \$368,379 at June 30, 2012.

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

III. DETAILED NOTES (CONTINUED)

H. Fund Balance Classifications:

Fund balances components at June 30, 2012 were for the following purposes:

FUND BALANCE COMPONENT	GENERAL FUND	DEBT SERVICE	PUBLIC BOND IMPROVEMENTS	SCHOOL BOND IMPROVEMENTS	NONMAJOR FUNDS	TOTAL
<u>NONSPENDABLE:</u>						
Permanent fund principal.....	\$	\$	\$	\$	\$ 1,696,935	\$ 1,696,935
Inventory.....					31,857	31,857
TOTAL NONSPENDABLE	-	-	-	-	1,728,792	1,728,792
<u>RESTRICTED:</u>						
General government.....					366,774	366,774
Community development.....					93,400	93,400
Public safety.....					155,021	155,021
Maintenance and development...					540,188	540,188
Human services.....					488	488
Parks, recreation and culture.....					1,718	1,718
Education.....					401,942	401,942
TOTAL RESTRICTED	-	-	-	-	1,559,531	1,559,531
<u>COMMITTED:</u>						
General government.....					573,625	573,625
Maintenance and development...					1,586,074	1,586,074
Education.....					85,263	85,263
Construction Contracts.....			529,460			529,460
Approved CNR Projects.....				40,647	1,247,953	1,288,600
TOTAL COMMITTED	-	-	529,460	40,647	3,492,915	4,063,022
<u>ASSIGNED:</u>						
Compensated absences.....	322,000					322,000
General government.....	565,836					565,836
Community development.....	4,688				3,564	8,252
Public safety.....	158,406				140,262	298,668
Maintenance and development...	116,797				2,700	119,497
Human services.....	12,071				61,500	73,571
Parks, recreation and culture.....	19,209				284,953	304,162
Education.....	621,134					621,134
Debt service.....		6,603				6,603
TOTAL ASSIGNED	1,820,141	6,603	-	-	492,979	2,319,723
UNASSIGNED	9,294,386		-		(873,722)	8,420,664
TOTAL	\$ 11,114,527	\$ 6,603	\$ 529,460	\$ 40,647	\$ 6,400,495	\$ 18,091,732

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,	
	2012	2011
Claims payable, July 1	\$ 1,199,928	\$ 1,311,111
Incurred claims, current year	925,397	648,760
Claims adjustments, prior years	98,655	38,375
Claims incurred for the fiscal year	1,024,052	687,135
Claims paid, current and prior years	754,575	798,318
Claims payable, June 30	\$ 1,469,405	\$ 1,199,928

Based on historical payment data, approximately 38.38% of claims payable at June 30, 2012, will be paid during the following fiscal year. Thus, \$563,989 of claims payable at June 30, 2012, is considered as a current liability and the remaining \$905,416 is considered as a long-term liability. Claims payable at June 30, 2012, includes \$160,883 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, 2012, 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:

	Fiscal Year	
	<u>2011-12</u>	<u>2010-11</u>
Claims payable, July 1	\$ <u>114,172</u>	\$ <u>90,018</u>
Incurred claims, current year	2,058,564	2,357,991
Claims adjustments, prior years	<u>-</u>	<u>-</u>
Claims incurred for the fiscal year	<u>2,058,564</u>	<u>2,357,991</u>
Claims paid, current and prior years	<u>2,067,676</u>	<u>2,333,837</u>
Claims payable, June 30	\$ <u><u>105,060</u></u>	\$ <u><u>114,172</u></u>

The entire portion of claims payable at June 30, 2012, 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 \$7,146,802 due on the CWF loan as of June 30, 2012, the Towns of Ellington, Manchester, South Windsor and Tolland are obligated to provide payments totaling \$1,538,339 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 2013.

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, 2012 was as follows:

	Police Plan	Town Plan	LOSAP
Retirees, disabled and beneficiaries currently receiving benefits	43	172	10
Terminated employees entitled to benefits, but not yet receiving them	1	125	32
Active employees:			
Vested, partially vested and nonvested	49	385	146
	<hr/>	<hr/>	<hr/>
Total participant membership	<u>93</u>	<u>682</u>	<u>188</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)

C. Employee Retirement Systems and Pension Plans (Continued)

Defined Benefit Plans (Continued)

1. Plan Descriptions (Continued)

c. Benefit Provisions (Continued)

i. Normal Retirement Date and Benefits (Continued)

Police Pension Plan

The normal retirement date for police officers is attained at the completion of 20 years of service.

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)

C. Employee Retirement Systems and Pension Plans (Continued)

Defined Benefit Plans (Continued)

1. Plan Descriptions (Continued)

c. Benefit Provisions (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.

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

IV. OTHER INFORMATION (CONTINUED)

C. Employee Retirement Systems and Pension Plans (Continued)

Defined Benefit Plans (Continued)

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.

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

Police officers are required to contribute 6% of their W-2 earnings to the plan. Such contributions are credited with interest at a rate of 5.5% per annum.

Town Pension Plan

Non-bargaining Town Hall employees, P.W. Supervisors, WTP Supervisors, School Librarians, School Supervisors and Education Custodial, Secretarial and Maintenance union members are required to contribute 7% 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 and P.W. Clerical unions are required to contribute 7.5% of earnings (pre-tax). Members of the P.W. and Parks union and School Nurse union members are required to contribute 6.5% of their 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.

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

IV. OTHER INFORMATION (CONTINUED)

C. Employee Retirement Systems and Pension Plans (Continued)

Defined Benefit Plans (Continued)

3. Funding Policy (Continued)

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 \$1,366,874 Police, and \$1,998,579 Town were determined based on actuarial valuations as of January 1, 2011, 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 28.49% for the Police Plan and 11.96% for the Town Plan.

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 \$34,123 were determined based on an actuarial valuation as of January 1, 2011, using the frozen entry age actuarial cost method. The actuarially determined contribution includes the retirement benefit of ten volunteers who received retirement benefits in calendar year 2011.

4. Annual Pension Cost and Net Pension Assets

In accordance with GASB Statement No. 27, the Annual Pension Cost and Net Pension Obligation of the Pension Plans for the current year are reported below:

	Police Plan	Town Plan	LOSAP
Annual required contribution (ARC)	\$ 1,240,074	\$ 1,704,215	\$ 34,123
Interest on net pension obligation (NPO)	-	-	-
Adjustment to ARC	-	-	-
Annual pension cost (APC)	1,240,074	1,704,215	34,123
Employer contributions made	<u>(1,366,874)</u>	<u>(1,998,579)</u>	<u>(34,123)</u>
Change in the NPO for the year	(126,800)	(294,364)	-
Net pension asset, January 1, 2011	-	-	-
Net Pension asset, December 31, 2011	\$ <u>(126,800)</u>	\$ <u>(294,364)</u>	\$ <u>-</u>

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

IV. OTHER INFORMATION (CONTINUED)

C. Employee Retirement Systems and Pension Plans (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 Obligations for the current and prior two years be reported:

Police Plan				
Fiscal Year	Annual Pension Cost (APC)	Actual Employer Contribution	Percentage of APC Contributed	Net Pension Asset
12/31/11	\$ 1,240,074	\$ 1,366,874	110.2%	\$ (126,800)
12/31/10	1,057,949	1,057,949	100%	-
12/31/09	1,025,928	1,025,928	100%	-
Town Plan				
Fiscal Year	Annual Pension Cost (APC)	Actual Employer Contribution	Percentage of APC Contributed	Net Pension Asset
12/31/11	\$ 1,704,215	\$ 1,998,579	117.3%	\$ (294,364)
12/31/10	1,502,551	1,502,551	100%	-
12/31/09	1,509,046	1,509,046	100%	-
LOSAP				
Fiscal Year	Annual Pension Cost (APC)	Actual Employer Contribution	Percentage of APC Contributed	Net Pension Asset
12/31/11	\$ 34,123	\$ 34,123	100%	\$ -
12/31/10	44,341	44,341	100%	-
12/31/09	120,129	120,129	100%	-

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

IV. OTHER INFORMATION (CONTINUED)

C. Employee Retirement Systems and Pension Plans (Continued)

Defined Benefit Plans (Continued)

5. Funding Status and Funding Progress

The funded status of the plan as of January 1, 2012 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>						
2012	\$ 16,653,256	\$ 31,441,382	\$ (14,788,126)	53.0%	\$ 4,434,630	(333.5)%
<u>TOWN PLAN</u>						
2012	\$ 29,800,448	\$ 53,500,179	\$ (23,699,731)	55.7%	\$ 14,396,003	(164.6)%
<u>LOSAP</u>						
2012	\$ 1,116,227	\$ 933,551	\$ (182,676)	119.6%	N/A	N/A

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:

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

IV. OTHER INFORMATION (CONTINUED)

C. Employee Retirement Systems and Pension Plans (Continued)

Defined Benefit Plans (Continued)

6. Actuarial Assumptions (Continued)

	<u>Police Pension Plan</u>	<u>Town Pension Plan</u>	<u>LOSAP</u>
Actuarial valuation date	01/01/12	01/01/12	01/01/12
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	28 years	28 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)

C. Employee Retirement Systems and Pension Plans (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, 2011 for either of the Police or Town Pension Plans. Also, there were no plan benefit or assumption changes that affected the January 1, 2012 Actuarial Accrued Liability of either the Police Pension or Town Pension Plans.

There were no plan benefit or assumption changes that affected either the required employer contribution for the LOSAP that was calculated on January 1, 2011 or the January 1, 2012 AAL of the LOSAP.

7. Plan Statements

**Statement of Fiduciary Fund Net Assets
Pension Trust Funds
December 31, 2011**

	Police Pension	Town Pension	Volunteer Firefighters Length of Award (LOSAP)	Total
Assets:				
Investments, at fair value:				
Mutual funds:				
Domestic equity	\$ 6,378,381	\$ 10,422,222	\$ 443,161	\$ 17,243,764
International equity	1,529,226	2,866,771	147,830	4,543,827
Corporate bond	1,600,061	4,634,375	406,430	6,640,866
International bond			107,666	107,666
Money market			11,140	11,140
Guaranteed investment account	6,051,983	9,732,218		15,784,201
Total assets	15,559,651	27,655,586	1,116,227	44,331,464
Liability:				
Accounts and other payables	8,062	12,275		20,337
Net Assets:				
Held in Trust for Pension Benefits	\$ 15,551,589	\$ 27,643,311	\$ 1,116,227	\$ 44,311,127

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

IV. OTHER INFORMATION (CONTINUED)

C. Employee Retirement Systems and Pension Plans (Continued)

Defined Benefit Plans (Continued)

7. Plan Statements (Continued)

**Statement of Changes in Fiduciary Net Assets
Pension Trust Funds
For the Year Ended December 31, 2011**

	Police Pension	Town Pension	Volunteer Firefighters Length of Award (LOSAP)	Total
Additions:				
Contributions:				
Employer	\$ 1,366,874	\$ 1,998,579	\$ 34,123	\$ 3,399,576
Employee	267,298	971,352		1,238,650
Total contributions	1,634,172	2,969,931	34,123	4,638,226
Net investment income	78,270	51,605	(29,066)	100,809
Total additions	1,712,442	3,021,536	5,057	4,739,035
Deductions:				
Benefit payments/annuity purchases	1,847,078	2,191,184	22,984	4,061,246
Refund of contributions	2,639	26,551		29,190
Administrative expense	60,816	99,407	14,286	174,509
Total deductions	1,910,533	2,317,142	37,270	4,264,945
Change in net assets	(198,091)	704,394	(32,213)	474,090
Net assets - January 1, 2011	15,749,680	26,938,917	1,148,440	43,837,037
Net Assets - December 31, 2011	\$ 15,551,589	\$ 27,643,311	\$ 1,116,227	\$ 44,311,127

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 for 2011/12 fiscal year are as follows:

<u>Plan</u>	<u>Employee Contribution</u>	<u>Employer Contribution</u>
DPW Clerical	\$0	\$ 0
Professionals	0	3,402
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	0	3,350
DPW Laborers / Parks / WPC	0	0

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 Benefits 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, effective for the fiscal year 2010/11. The plans do not issue stand alone financial reports.

b. Participant Membership

Participant membership at July 1, 2010 was as follows:

	Police	Town	Board of Education	Total
Retired members	16	11	115	142
Spouses of retired members	2	9	44	55
Active employees	<u>50</u>	<u>164</u>	<u>575</u>	<u>789</u>
Total participant membership	<u>68</u>	<u>184</u>	<u>734</u>	<u>986</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.

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

IV. OTHER INFORMATION (CONTINUED)

E. Other Post-Employment Benefits Plan (Continued)

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.

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 2011/12 was \$722,000.

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.

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

IV. OTHER INFORMATION (CONTINUED)

E. Other Post-Employment Benefits Plan (Continued)

4. Funded Status and Funding Progress

The funded status of the plan as of July 1, 2010 was as follows (no valuation was performed in July 2011):

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, 2010	\$ 60,000	\$ 2,269,000	\$ (2,209,000)	2.6%	\$ 3,394,227	(65.08)%
<u>TOWN</u>						
July 1, 2010	\$ -	\$ 1,893,000	\$ (1,893,000)	0.0%	\$ 8,240,567	(22.97)%
<u>BOARD OF EDUCATION</u>						
July 1, 2010	\$ -	\$ 6,193,000	\$ (6,193,000)	0.0%	\$ 30,026,823	(20.62)%
<u>TOTAL</u>						
July 1, 2010	\$ 60,000	\$ 10,355,000	\$ (10,295,000)	0.6%	\$ 41,661,617	(24.71)%

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.

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

IV. OTHER INFORMATION (CONTINUED)

E. Other Post Employment Benefits 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, 2010
ACTUARIAL COST METHOD	Projected Unit Credit
AMORTIZATION METHOD	Level Percentage
REMAINING AMORTIZATION PERIOD:	
Police	28 years closed
Town	28 years closed
Board of Education	28 years closed

ACTUARIAL ASSUMPTIONS:

Investment rate of return - Town and Police	7.0%
Investment rate of return - Board of Education	7.0%
Healthcare inflation rate:	
Initial*	6.7%
Ultimate*	4.7%

*An inflation rate of 2.5% is included in the initial and ultimate healthcare inflation rates.

The following assumption changes, effective July 1, 2010, include increasing the discount rate from 4.0% to 7.0% to reflect the establishment of an OPEB investment Trust. The effects of this change decreased the Accrued Liability by \$4.9 million and decreased the Annual Required Contribution (ARC) for the ensuing fiscal year by \$350,000. In addition, the Initial healthcare inflation rate was adjusted from 7.0% to 6.7% and the Ultimate healthcare inflation rate was adjusted from 4.4% to 4.7%. These changes resulted in an increase to the Accrued Liability of \$1.9 million and an increase in the ARC of \$190,000 for the ensuing fiscal year.

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

IV. OTHER INFORMATION (CONTINUED)

E. Other Post Employment Benefits 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	\$ 239,000	\$ 224,000	\$ 560,000	\$ 1,023,000
Interest on net OPEB obligation	18,762	24,656	56,264	99,682
Adjustment to annual required contribution	<u>(15,002)</u>	<u>(19,715)</u>	<u>(44,989)</u>	<u>(79,706)</u>
Annual OPEB cost	242,760	228,941	571,275	1,042,976
Contributions made	<u>115,000</u>	<u>135,000</u>	<u>472,000</u>	<u>722,000</u>
Change in net OPEB obligation	127,760	93,941	99,275	320,976
Net OPEB obligation - July 1, 2011	<u>268,033</u>	<u>352,227</u>	<u>803,778</u>	<u>1,424,038</u>
Net OPEB obligation - June 30, 2012	<u>\$ 395,793</u>	<u>\$ 446,168</u>	<u>\$ 903,053</u>	<u>\$ 1,745,014</u>

7. Three Year Trend Information

YEAR ENDING JUNE 30	ANNUAL OPEB COST (AOC)	PERCENTAGE OF AOC CONTRIBUTED	NET OPEB OBLIGATION
<u>POLICE</u>			
2012	\$ 242,760	47.4%	\$ 395,793
2011	270,590	77.2%	268,033
2010	259,443	61.7%	206,443
<u>TOWN</u>			
2012	\$ 228,941	59.0%	\$ 446,168
2011	223,701	52.3%	352,227
2010	215,526	45.0%	245,526
<u>BOARD OF EDUCATION</u>			
2012	\$ 571,275	82.6%	\$ 903,053
2011	670,561	61.6%	803,778
2010	644,217	60.9%	546,217

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>			
2012	\$1,042,976	69.2%	\$1,745,014
2011	1,164,852	63.4%	1,424,038
2010	1,119,186	58.0%	998,186

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 \$4,982,679.

G. Subsequent Events

On August 22, 2012, the Town entered into a seven and ten year capital lease for the acquisition of two fire trucks, a rescue truck, an automated refuse / recycling truck, an excavator, a loader mounted snow blower and a parks tractor. This \$2,010,000 capital lease matures on January 10, 2022 at an interest rate of 1.48 – 1.68%.

On October 11, 2012, the June 30, 2012 outstanding \$3,730,000 Bond Anticipation Note was retired with available funds.

In October 2012, the Town experienced a severe wind storm (Superstorm Sandy), which resulted in tree damage that required local emergency disaster relief efforts. A combination of emergency and additional appropriations were approved to finance the protective measures, response, recovery and cleanup. The storm was declared a disaster by the President making FEMA Public Assistance funds available to the Town. The Town is applying to FEMA for 75% emergency relief assistance.

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, 2012

	Budgeted Amounts			Variance with Final Budget
	Original	Final	Actual	
Tax revenue				
Current year taxes	\$55,938,588	\$ 55,938,588	\$56,015,718	\$ 77,130
Prior year taxes	400,000	400,000	430,934	30,934
Supplemental motor vehicle tax	521,000	521,000	587,519	66,519
Interest and lien fees	235,000	235,000	280,108	45,108
Warrant revenue	6,000	6,000	8,782	2,782
Liens	2,400	2,400	3,977	1,577
Total tax revenue	57,102,988	57,102,988	57,327,038	224,050
Intergovernmental				
Civil preparedness grant	7,100	7,100	5,931	(1,169)
FEMA Public Assistance October Storm Alfred			2,857,525	2,857,525
FEMA Public Assistance October Storm Irene			106,559	106,559
Bullet Proof Vest grant	6,000	6,000	1,273	(4,727)
Community services block grant	20,436	20,436	20,436	-
Education cost sharing	17,645,165	17,645,165	17,593,087	(52,078)
Public pupil transportation	193,279	193,279	172,573	(20,706)
Non-public pupil transportation	22,000	22,000	20,595	(1,405)
Vocational Agriculture	112,423	112,423	107,667	(4,756)
Student Based Supplement grant	128,580	128,580	128,580	-
Special ed. - Excess student based grant			52,078	52,078
School construction grants - Principal	212,082	212,082	212,082	-
School construction grants - Interest	6,547	6,547	6,547	-
School progress payments			14,162	14,162
Medicaid reimbursement	45,000	45,000	19,849	(25,151)
Pilot - Colleges and hospitals	318,894	318,894	318,886	(8)
Pilot - State owned property	206,328	206,328	206,413	85
Pilot - Shelter rent	24,000	24,000	26,868	2,868
Tax relief - Elderly circuit breaker	142,000	142,000	146,601	4,601
Tax relief - Disability exemption	3,300	3,300	3,350	50
Tax relief - Veterans exemption	24,000	24,000	19,132	(4,868)
Tax relief - New mfg. mach. and equipment	80,000	80,000		(80,000)
Mashantucket Pequot and Mohegan grant	238,327	238,327	217,972	(20,355)
Property Tax Relief grant	246,567	246,567	345,334	98,767
State Revenue Sharing			120,309	120,309
Telephone tax sharing	80,420	80,420	67,545	(12,875)
Municipal Video Trust Account			10,673	10,673
Judicial reimbursement - Parking	50	50	50	-
Judicial reimbursements	100	100	199	99
Special reimbursements - Permits	200	200	193	(7)
Driving Under the Influence grant	38,000	38,000	28,679	(9,321)
Motor Vehicle Violation surcharge	15,000	15,000	14,730	(270)
Historic Document Preservation Grant	6,000	6,000	6,000	-
Other - State grants	4,000	4,000	4,154	154
Total intergovernmental	19,825,798	19,825,798	22,856,032	3,030,234

(Continued)-1

TOWN OF VERNON, CONNECTICUT

GENERAL FUND
 SCHEDULE OF REVENUES AND OTHER FINANCING SOURCES
 BUDGET AND ACTUAL
 FOR THE YEAR ENDED JUNE 30, 2012

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<u>Charges for services</u>				
Town Clerk recording fees	\$ 506,000	\$ 506,000	\$ 332,531	\$ (173,469)
Vital statistics	500	500		(500)
Historic document preservation	8,560	8,560	12,495	3,935
Farmland Preservation surcharge			154,105	154,105
Printing and copying fees	900	900	356	(544)
Finance administration fee	11,000	11,000	11,000	-
Planning and zoning fees	9,300	9,300	6,019	(3,281)
Conservation fees	1,200	1,200	2,574	1,374
Assessor fees	3,000	3,000	441	(2,559)
Tax Collection fees	22,000	22,000		(22,000)
Tax Lien Option Agreement			1,000	1,000
Police - Special services	10,000	10,000	137,395	127,395
Fingerprint fees	2,500	2,500		(2,500)
Other Public Safety			5,445	5,445
Fire Marshal - services	250	250	1,201	951
Historic properties certification			100	100
Recycling	57,000	57,000	46,507	(10,493)
Recycling bin promotion	6,500	6,500	6,390	(110)
Bulky waste pickup	11,000	11,000	12,670	1,670
Other maintenance and development	10,000	10,000	13,545	3,545
Yankee Gas - administrative allocation	1,800	1,800	3,207	1,407
Energy application administration	7,980	7,980	17,639	9,659
Housing Rehab Admininstration	1,300	1,300	380	(920)
Recreation - Other			2,750	2,750
Tuition - Special education			131,959	131,959
Tuition - Vo-ag	365,000	365,000	347,368	(17,632)
Tuition - Special education Vo-ag	48,000	48,000	29,056	(18,944)
Tuition - Individual	10,000	10,000		(10,000)
School use fee			24,030	24,030
Other - Education community	4,000	4,000	41,155	37,155
Total charges for services	1,097,790	1,097,790	1,341,318	243,528

(Continued)-2

TOWN OF VERNON, CONNECTICUT

GENERAL FUND
 SCHEDULE OF REVENUES AND OTHER FINANCING SOURCES
 BUDGET AND ACTUAL
 FOR THE YEAR ENDED JUNE 30, 2012

	Budgeted Amounts			Variance with Final Budget
	Original	Final	Actual	
Licenses and permits				
Building permits	\$ 470,000	\$ 470,000	\$ 458,018	\$ (11,982)
Zoning Review			150	150
ZBA Fees	4,140	4,140	5,085	945
Zoning Permits	6,000	6,000	4,175	(1,825)
Town Clerk - License surcharge	2,356	2,356	10,075	7,719
Refuse licensing	5,500	5,500	6,500	1,000
Transfer station permits	86,380	86,380	72,695	(13,685)
Driveway & road cut permits	9,500	9,500	6,900	(2,600)
Total licenses and permits	583,876	583,876	563,598	(20,278)
Fines and penalties				
Parking tags	10,430	10,430	19,351	8,921
Returned check charge	200	200		(200)
Zoning citations			900	900
Total fines and penalties	10,630	10,630	20,251	9,621
Interest on investments				
General Fund	42,000	42,000	2,759	(39,241)
Interest on investments-Post Employment	680	680	44	(636)
Teachers' Retirement Board	110	110	7	(103)
Total interest on investments	42,790	42,790	2,810	(39,980)
Other revenue				
Purchasing Card Reimbursement	34,000	34,000		(34,000)
Rental income - Annex	24,000	24,000	24,000	-
Rental income - Senior Center			185	185
Rental management fee	50,000	50,000	50,000	-
Rental income other			10	10
Medical insurance reimbursement	165,430	165,430	183,290	17,860
Insurance reimbursements			5,273	5,273
Gasoline reimbursement	64,494	64,494	89,458	24,964
Tolland - East /East Main St. Sewers	37,523	37,523	37,523	-
Lease - Ellington pump station	6,475	6,475	6,552	77
Miscellaneous	26,000	26,000	10,654	(15,346)
Total other revenue	407,922	407,922	406,945	(977)
Total revenues	79,071,794	79,071,794	82,517,992	3,446,198

(Continued)-3

TOWN OF VERNON, CONNECTICUT

GENERAL FUND
 SCHEDULE OF REVENUES AND OTHER FINANCING SOURCES
 BUDGET AND ACTUAL
 FOR THE YEAR ENDED JUNE 30, 2012

	<u>Budgeted Amounts</u>			Variance with Final Budget
	Original	Final	Actual	
Other financing sources				
Special Revenue Funds:				
Roosevelt Mill Cleanup	\$	\$	\$ 1,200	\$ 1,200
Recreation programs	71,400	71,400	71,400	-
Sewer assessments - Ord. 167	46,000	46,000	46,000	-
Sewer assessments - Ord. 201	20,000	20,000	20,000	-
Capital Projects			78,531	78,531
Ambulance services	82,000	82,000	82,000	-
Interest on investments-Insurance Exchange	250	250	30,017	29,767
Interest on investments-Town Aid roads	300	300	11	(289)
Interest on investments-School Readiness	30	30		(30)
Interest on investments-Sewer Assessments	400	400	21	(379)
Total Special Revenue Funds	220,380	220,380	329,180	108,800
Transfers in:				
Debt Service Fund:				
Interest on investments	1,575	1,575	90	(1,485)
Total transfers in	221,955	221,955	329,270	107,315
Proceeds from sale of property			172,501	172,501
Total other financing sources	221,955	221,955	501,771	279,816
Total revenues and other financing sources	\$79,293,749	\$ 79,293,749	83,019,763	\$3,726,014

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

4,982,679

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

\$88,002,442

(Concluded)-4

TOWN OF VERNON, CONNECTICUT

GENERAL FUND
 SCHEDULE OF EXPENDITURES AND OTHER FINANCING USES
 BUDGET AND ACTUAL
 FOR THE YEAR ENDED JUNE 30, 2012

	<u>Budgeted Amounts</u>		Expenditures	Outstanding Encumbrances	Total Expenditures and Encumbrances	Variance with Final Budget
	Original	Final				
<u>General government</u>						
Town Council	\$ 13,449	\$ 16,547	\$ 8,121	\$ 469	\$ 8,590	\$ 7,957
Probate court	16,172	26,017	9,855	14,179	24,034	1,983
Executive and administrative	719,758	758,435	633,417	60,954	694,371	64,064
Law	160,000	315,301	281,500	12,483	293,983	21,318
Registration	74,910	79,012	75,562	1,627	77,189	1,823
Elections - general	26,900	30,299	25,161	1,952	27,113	3,186
Elections - primary	1	16,031	16,029		16,029	2
Elections - referendum	6,600	10,524	9,814		9,814	710
Finance administration	436,896	516,854	477,222	34,880	512,102	4,752
Independent audit	48,980	48,980	48,825	150	48,975	5
Treasury	22,855	23,785	4,210	16,710	20,920	2,865
Purchasing	10,050	18,328	11,123	6,775	17,898	430
Assessment	250,379	259,109	257,066		257,066	2,043
Refunds - tax adjustments	25,000	50,000	38,965		38,965	11,035
Collector of Revenue	204,566	225,670	209,238	12,490	221,728	3,942
Revaluation	30,000	50,258	50,202		50,202	56
Town Clerk	242,735	439,727	402,921	23,081	426,002	13,725
Board of Assessment Appeals	2,700	2,700	2,400		2,400	300
Water Pollution Control Authority	13,365	13,365	13,110		13,110	255
Greater Hartford Transit District	3,647	3,647	3,647		3,647	-
Data processing	550,678	850,913	698,622	150,503	849,125	1,788
Total general government	2,859,641	3,755,502	3,277,010	336,253	3,613,263	142,239
<u>Community development</u>						
Town Planner - Administration	236,525	253,573	248,176	4,688	252,864	709

(Continued)-1

TOWN OF VERNON, CONNECTICUT

GENERAL FUND
 SCHEDULE OF EXPENDITURES AND OTHER FINANCING USES
 BUDGET AND ACTUAL
 FOR THE YEAR ENDED JUNE 30, 2012

	<u>Budgeted Amounts</u>		Expenditures	Outstanding Encumbrances	Total Expenditures and Encumbrances	Variance with Final Budget
	Original	Final				
<u>Public safety</u>						
Police	\$ 5,700,375	\$ 6,021,336	\$ 5,929,028	\$ 29,375	\$ 5,958,403	\$ 62,933
School crossing guards	60,500	61,300	59,748		59,748	1,552
Traffic authority	315,960	408,894	311,392	86,090	397,482	11,412
Fire fighting and administration	1,167,435	1,264,241	1,207,098	36,095	1,243,193	21,048
Fire Marshal	88,100	94,735	92,908	40	92,948	1,787
Building inspection	251,562	254,579	237,007	2,557	239,564	15,015
Emergency Management	47,430	3,968,578	3,460,507	4,249	3,464,756	503,822
Animal control	128,924	134,184	131,066		131,066	3,118
Total public safety	7,760,286	12,207,847	11,428,754	158,406	11,587,160	620,687
<u>Maintenance and development</u>						
Public Works administration	602,191	615,173	610,368	1,538	611,906	3,267
General maintenance	1,207,881	1,229,960	1,205,361	4,684	1,210,045	19,915
Equipment maintenance	754,320	778,242	748,401	15,562	763,963	14,279
Maintenance of gov't buildings	757,622	835,842	785,760	11,755	797,515	38,327
Snow removal	187,620	147,104	146,205	118	146,323	781
Refuse collection and disposal	1,092,003	1,201,515	1,096,693	16,917	1,113,610	87,905
Recycling	295,095	303,467	278,464	2,211	280,675	22,792
Condominium refuse	5,046	5,046	5,046		5,046	-
Tree Warden	9,150	13,455	11,213		11,213	2,242
Leaf collection program	107,811	125,345	97,419		97,419	27,926
Engineering admin. services	285,438	289,281	287,597	1,632	289,229	52
Total maintenance and development	5,304,177	5,544,430	5,272,527	54,417	5,326,944	217,486

(Continued)-2

TOWN OF VERNON, CONNECTICUT

GENERAL FUND
 SCHEDULE OF EXPENDITURES AND OTHER FINANCING USES
 BUDGET AND ACTUAL
 FOR THE YEAR ENDED JUNE 30, 2012

	<u>Budgeted Amounts</u>		Expenditures	Outstanding Encumbrances	Total Expenditures and Encumbrances	Variance with Final Budget
	Original	Final				
<u>Human services</u>						
North Central Health District	\$ 125,859	\$ 125,859	\$ 125,859	\$	\$ 125,859	\$ -
Visiting Nurses and Health Services	12,249	13,132	13,132		13,132	-
Hockanum Valley Community Council	165,000	165,000	165,000		165,000	-
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	15,000	15,000	5,052	9,948	15,000	-
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	240,528	244,622	236,786	960	237,746	6,876
Youth services	211,657	228,834	227,161	174	227,335	1,499
Senior center	125,997	126,932	119,185	989	120,174	6,758
Total human services	938,790	961,879	934,675	12,071	946,746	15,133
<u>Parks, recreation and culture</u>						
Recreation administration	417,999	423,631	420,392	1,430	421,822	1,809
Public celebration	20,000	20,000	14,781	5,218	19,999	1
Parks maintenance	573,480	599,308	575,083	12,391	587,474	11,834
Art commission	11,640	13,890	13,618	170	13,788	102
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	1,338,619	1,372,329	1,339,374	19,209	1,358,583	13,746

(Continued)-3

TOWN OF VERNON, CONNECTICUT

GENERAL FUND
 SCHEDULE OF EXPENDITURES AND OTHER FINANCING USES
 BUDGET AND ACTUAL
 FOR THE YEAR ENDED JUNE 30, 2012

	<u>Budgeted Amounts</u>		Expenditures	Outstanding Encumbrances	Total Expenditures and Encumbrances	Variance with Final Budget
	Original	Final				
<u>Townwide</u>						
Social security and Medicare	\$ 918,000	\$ 960,000	\$ 927,514	\$	\$ 927,514	\$ 32,486
Pension	1,850,359	2,014,368	1,859,149	154,871	2,014,020	348
Group insurance	3,092,993	3,069,092	2,955,502	60,000	3,015,502	53,590
Unemployment compensation	25,000	46,512	43,259	3,253	46,512	-
Municipal insurance	752,619	819,056	812,291	5,200	817,491	1,565
Contingency	220,000	30,698	6,000	1,000	7,000	23,698
Housing Authority sewer subsidy	52,989	55,541	50,282	5,259	55,541	-
Vernon Cemetery Commission	152,999	152,999	152,999		152,999	-
Total townwide	7,064,959	7,148,266	6,806,996	229,583	7,036,579	111,687
Subtotal - General Government	25,502,997	31,243,826	29,307,512	814,627	30,122,139	1,121,687
<u>Debt service</u>						
Debt service - principal	2,975,137	2,921,924	2,921,774		2,921,774	150
Debt service - interest	1,787,386	1,753,263	1,753,261		1,753,261	2
Total debt service	4,762,523	4,675,187	4,675,035	-	4,675,035	152
<u>Capital improvements</u>						
Capital improvements - Town	55,000	143,602	77,995	62,380	140,375	3,227
Subtotal - Cap. improve. / Debt Service	4,817,523	4,818,789	4,753,030	62,380	4,815,410	3,379

(Continued)-4

TOWN OF VERNON, CONNECTICUT

GENERAL FUND
 SCHEDULE OF EXPENDITURES AND OTHER FINANCING USES
 BUDGET AND ACTUAL
 FOR THE YEAR ENDED JUNE 30, 2012

	<u>Budgeted Amounts</u>		Expenditures	Outstanding Encumbrances	Total Expenditures and Encumbrances	Variance with Final Budget
	Original	Final				
Education						
Regular instruction	\$ 18,508,833	\$ 18,646,513	\$ 18,513,940	\$ 54,125	\$ 18,568,065	\$ 78,448
Special Education instruction	4,119,219	4,122,349	4,167,799	21,708	4,189,507	(67,158)
Continuing Education	215,406	215,406	215,406		215,406	-
Special Education program support	2,625,589	2,628,231	2,698,046	22,915	2,720,961	(92,730)
Social Work services	573,253	573,253	567,843		567,843	5,410
Guidance services	677,587	677,587	671,572	523	672,095	5,492
Health services	394,689	396,438	406,619	319	406,938	(10,500)
Psychological services	618,122	618,122	564,375	172	564,547	53,575
Speech pathology & audio services	549,718	549,718	535,952	88	536,040	13,678
Instructional program support	36,128	37,528	28,717	13,730	42,447	(4,919)
Library / Media services	331,994	355,431	341,193	3,754	344,947	10,484
Curriculum development	1,166,812	1,238,300	1,114,768	125,576	1,240,344	(2,044)
Superintendent's office	462,679	465,227	475,333	47,787	523,120	(57,893)
Board of Education - Elected	101,542	101,542	64,864	12,557	77,421	24,121
Principal office services	1,980,101	2,023,517	1,987,737	10,473	1,998,210	25,307
Business office	377,262	381,407	414,048	18,149	432,197	(50,790)
Building / Plant operations	3,782,156	4,029,397	3,950,260	224,567	4,174,827	(145,430)
Student transportation services	2,419,810	2,419,810	2,407,066	34,847	2,441,913	(22,103)
General control	189,842	197,030	186,724	20,698	207,422	(10,392)
Information systems	340,000	340,000	340,041		340,041	(41)
System-wide fringe benefits	7,425,666	7,427,759	7,157,153	5,946	7,163,099	264,660
Extra curricular student activities	487,853	488,154	467,002	3,200	470,202	17,952
Contingency	60,000	60,000	41,000		41,000	19,000
Total Education	47,444,261	47,992,719	47,317,458	621,134	47,938,592	54,127
Total Expenditures	77,764,781	84,055,334	81,378,000	1,498,141	82,876,141	1,179,193

(Continued)-5

TOWN OF VERNON, CONNECTICUT

GENERAL FUND
 SCHEDULE OF EXPENDITURES AND OTHER FINANCING USES
 BUDGET AND ACTUAL
 FOR THE YEAR ENDED JUNE 30, 2012

	<u>Budgeted Amounts</u>		Expenditures	Outstanding Encumbrances	Total Expenditures and Encumbrances	Variance with Final Budget												
	Original	Final																
<u>Other financing uses</u>																		
Transfers out:																		
Special Revenue Funds:																		
Town Clerk - Preservation surcharge	\$	\$	4,165	\$	\$	4,165	\$	-										
Planning - Open space			10,000			10,000		-										
Community & Economic development			49,382			49,382		-										
Social services administration			10,000			10,000		-										
Debt service - principal			1,179,305			1,179,304		1										
Debt service - interest			124,984			124,984		1										
Capital improvements - Town			137,200			158,965		-										
Education - Building / Plant Operations			18,097			18,097		-										
Education - Capital Reserve						50,404		(50,404)										
Total other financing uses			1,528,968			1,554,899		1,605,301	(50,402)									
Total expenditures and other financing uses	\$		79,293,749	\$		85,610,233	\$		82,983,301	\$		1,498,141			84,481,442	\$		1,128,791

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

4,982,679

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

(1,498,141)

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

\$ 87,965,980

(Concluded)-6

TOWN OF VERNON, CONNECTICUT

REQUIRED SUPPLEMENTARY INFORMATION

VERNON RETIREMENT SYSTEM
SCHEDULE OF FUNDING PROGRESS

POLICE 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
JANUARY 1,						
2007	\$ 16,600,994	22,516,606	\$ (5,915,612)	73.7%	\$ 3,701,061	(159.8%)
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%)
TOWN 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
JANUARY 1,						
2007	\$ 21,441,511	\$ 35,308,131	\$ (13,866,620)	60.7%	\$ 12,743,672	(108.8%)
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%)

(Continued)

TOWN OF VERNON, CONNECTICUT

REQUIRED SUPPLEMENTARY INFORMATION

VERNON RETIREMENT SYSTEM
SCHEDULE OF FUNDING PROGRESS

LOSAP						
	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,						
2007	\$ 809,550	\$ 990,973	\$ (181,423)	81.7%	N/A	N/A
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

N/A - Not applicable to this plan.

(Concluded)

TOWN OF VERNON, CONNECTICUT

REQUIRED SUPPLEMENTARY INFORMATION

VERNON OTHER POST EMPLOYMENT BENEFIT PLANS
SCHEDULE OF FUNDING PROGRESS

POLICE 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	\$ -	\$ 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
TOWN 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	\$ -	\$ 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
BOARD 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

N/A - Not available due to biennial valuations.

TOWN OF VERNON, CONNECTICUT

**REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF EMPLOYER CONTRIBUTIONS
VERNON RETIREMENT SYSTEM AND OTHER POST EMPLOYMENT BENEFIT PLANS**

YEAR ENDED DECEMBER 31,	ANNUAL REQUIRED CONTRIBUTION	ACTUAL CONTRIBUTION	PERCENTAGE CONTRIBUTED
<u>PENSION PLANS</u>			
<u>POLICE EMPLOYEES</u>			
2006	\$ 931,473	\$ 931,473	100.0%
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%
<u>TOWN</u>			
2006	1,583,333	1,583,333	100.0%
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%
<u>LOSAP</u>			
2006	95,012	95,012	100.0%
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%
<u>OTHER POST EMPLOYMENT BENEFIT PLANS</u>			
<u>POLICE</u>			
JUNE 30, 2009	\$ 249,000	\$ 142,000	57.0%
JUNE 30, 2010	259,000	160,000	61.8%
JUNE 30, 2011	270,000	209,000	77.4%
JUNE 30, 2012	239,000	115,000	48.1%
<u>TOWN</u>			
JUNE 30, 2009	206,000	79,000	38.3%
JUNE 30, 2010	215,000	97,000	45.1%
JUNE 30, 2011	223,000	117,000	52.5%
JUNE 30, 2012	224,000	135,000	60.3%
<u>BOARD OF EDUCATION</u>			
JUNE 30, 2009	618,000	324,000	52.4%
JUNE 30, 2010	643,000	392,000	61.0%
JUNE 30, 2011	669,000	413,000	61.7%
JUNE 30, 2012	560,000	472,000	84.3%

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, health, social services, recreation, 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 SHEET
JUNE 30, 2012 AND 2011**

	2012	2011
ASSETS		
Cash	\$ 7,856,162	\$ 8,870,779
Investments	3,304,313	2,436,623
Receivables, net:		
Uncollected property taxes	1,618,936	1,370,094
Intergovernmental	3,423,745	632,077
Other	558,661	
Due from other funds	2,105,434	2,255,427
Total Assets	<u>\$ 18,867,251</u>	<u>\$ 15,565,000</u>
LIABILITIES AND FUND BALANCE		
Liabilities:		
Accounts payable	\$ 1,150,706	\$ 1,327,943
Accrued wages and benefits	392,237	748,115
Due to other funds	788,442	804,219
Deferred revenue	1,640,897	1,600,781
Unearned revenue	3,780,442	5,877
Total liabilities	<u>7,752,724</u>	<u>4,486,935</u>
Fund balance:		
Assigned	1,820,141	2,122,970
Unassigned	9,294,386	8,955,095
Total fund balance	<u>11,114,527</u>	<u>11,078,065</u>
Total Liabilities and Fund Balance	<u>\$ 18,867,251</u>	<u>\$ 15,565,000</u>

TOWN OF VERNON, CONNECTICUT

REPORT OF THE TAX COLLECTOR
FOR THE YEAR ENDED JUNE 30, 2012

Grand List October 1,	Uncollected Taxes July 1, 2011	Current Year Levy	Lawful Corrections		Transfers (From) to Suspense	Adjusted Taxes Collectible	Collections				Uncollected Taxes June 30, 2012
			Additions	Deductions			Taxes	Interest	Liens	Total	
2009	\$ 699,198	\$	\$ 3,991	\$ 20,212	\$ 28,300	\$ 654,677	\$ 337,528	\$ 59,617	\$ 5,164	\$ 402,309	\$ 317,149
2008	257,085		484	8,112	23,047	226,410	60,415	23,851	545	84,811	165,995
2007	144,525		500	1,360	5,982	137,683	37,755	20,052	312	58,119	99,928
2006	81,243		315		(1,476)	83,034	17,061	9,607	405	27,073	65,973
2005	37,154				(1,753)	38,907	7,149	6,626	277	14,052	31,758
2004	19,146				(1,503)	20,649	2,049	2,369	230	4,648	18,600
2003	14,756		208		(2,396)	17,360	2,396	3,138	285	5,819	14,964
2002	11,648				(825)	12,473	825	1,212	275	2,312	11,648
2001	11,193				(302)	11,495	302	503	121	926	11,193
2000	10,679				(425)	11,104	425	688	146	1,259	10,679
1999	17,311				(361)	17,672	361	730		1,091	17,311
1998	16,683					16,683		25		25	16,683
1997	16,683				(323)	17,006	323	772		1,095	16,683
1996	16,594					16,594				-	16,594
1995	16,196			16,196		-				-	-
Total prior years	1,370,094	-	5,498	45,880	47,965	1,281,747	466,589	129,190	7,760	603,539	815,158
2010		57,542,153	56,126	191,215	48	57,407,016	56,603,238	150,918	4,998	56,759,154	803,778
Total all years	\$ 1,370,094	\$ 57,542,153	\$ 61,624	\$ 237,095	\$ 48,013	\$ 58,688,763	\$ 57,069,827	\$ 280,108	\$ 12,758	\$ 57,362,693	\$ 1,618,936

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
Roosevelt Mill Cleanup Project	State grants	Mill Demolition and Remediation
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
WTP Upgrade and Expansion Ordinance #199	Clean Water Fund loan/grant	Upgrade and expansion of WTP
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, 2012**

	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	\$ 52,589	\$ 603	\$ 33,181	\$ 102,518	\$ 27,013	\$ 13,689		\$ 210,898
Investments	24,780		121,539	48,316	25,357	12,099		
Receivables (net):								
Intergovernmental	141,919							
Other	591		307			559,523		4,700
Loan								
Sewer assessment								
Due from other funds								61
Inventory	31,857							
Total Assets	\$ 251,736	\$ 603	\$ 155,027	\$ 150,834	\$ 52,370	\$ 585,311	\$ -	\$ 215,659
Liabilities and Fund Balances								
Liabilities:								
Accounts payable	\$ 16,174	\$ 603	\$ 44,996	\$ 9,597	\$ 12,633	\$ 17,657		\$ 150
Other payables								
Due to other funds			24,768	11	728	20,671	860,500	8,765
Deferred revenue						559,523		
Unearned revenue								
Total liabilities	16,174	603	69,764	9,608	13,361	597,851	860,500	8,915
Fund Balances:								
Nonspendable	31,857							
Restricted	203,705			141,226				206,744
Committed			85,263					
Assigned					39,009			
Unassigned						(12,540)	(860,500)	
Total fund balances	235,562	-	85,263	141,226	39,009	(12,540)	(860,500)	206,744
Total Liabilities and Fund Balances	\$ 251,736	\$ 603	\$ 155,027	\$ 150,834	\$ 52,370	\$ 585,311	\$ -	\$ 215,659

(Continued on next page)

TOWN OF VERNON, CONNECTICUT

COMBINING BALANCE SHEET (CONTINUED)
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2012

	Special Revenue Funds							
	Special Education Grants	Adult Basic Education Tuition	CDBG Small Cities	Housing and Community Development	Downstream	Roosevelt Mill Cleanup Project	Sidewalk Development	Sewer Assessment
Assets								
Cash	\$ 364,767	\$ 121,293	\$ 65,631	\$ 29,450	\$ 28,117	\$ 1,200	\$ 2,700	\$ 86,598
Investments					36,870			339,968
Receivables (net):								
Intergovernmental	359,437							
Other								
Loan			94,084	101,644				
Sewer assessment								1,255
Due from other funds	794							
Inventory								
Total Assets	\$ 724,998	\$ 121,293	\$ 159,715	\$ 131,094	\$ 64,987	\$ 1,200	\$ 2,700	\$ 427,821
Liabilities and Fund Balances								
Liabilities:								
Accounts payable	\$ 71,216	\$ 26,259	\$ 1,300	\$	\$ 1,530	\$	\$	\$
Other payables	11,799	10,706						
Due to other funds	590,121		381			1,200		262,066
Deferred revenue			94,084	101,644				1,086
Unearned revenue								
Total liabilities	673,136	36,965	95,765	101,644	1,530	1,200	-	263,152
Fund Balances:								
Nonspendable								
Restricted	51,862	84,328	63,950	29,450				164,669
Committed								
Assigned					63,457		2,700	
Unassigned								
Total fund balances	51,862	84,328	63,950	29,450	63,457	-	2,700	164,669
Total Liabilities and Fund Balances	\$ 724,998	\$ 121,293	\$ 159,715	\$ 131,094	\$ 64,987	\$ 1,200	\$ 2,700	\$ 427,821

(Continued on next page)

TOWN OF VERNON, CONNECTICUT

COMBINING BALANCE SHEET (CONTINUED)
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2012

	Special Revenue Funds						
	Sewer Connections	Medical Savings Reserve	Parks and Recreation Programs	Talcottville Enhancements TCSP 010	Miscellaneous Grants	Miscellaneous Special Revenue	Total
Assets							
Cash	\$	\$ 387,736	\$ 22,563	\$ 13,180	\$ 233,266	\$ 314,299	\$ 2,111,291
Investments	1,391,977	185,889			1,718	86,328	2,274,841
Receivables (net):							
Intergovernmental				25,176	83,105		609,637
Other	1,707		15,060			6,000	587,888
Loan							195,728
Sewer assessment							1,255
Due from other funds	262,045				51,840	10	314,750
Inventory							31,857
Total Assets	\$ 1,655,729	\$ 573,625	\$ 37,623	\$ 38,356	\$ 369,929	\$ 406,637	\$ 6,127,247
Liabilities and Fund Balances							
Liabilities:							
Accounts payable	\$ 67,948	\$	\$ 11,595	\$	\$ 112,666	\$ 12,824	\$ 407,148
Other payables				12,391	3,086		37,982
Due to other funds			26,710	25,965	34,903	6,000	1,862,789
Deferred revenue							756,337
Unearned revenue	1,707						1,707
Total liabilities	69,655	-	38,305	38,356	150,655	18,824	3,065,963
Fund Balances:							
Nonspendable							31,857
Restricted					219,274		1,165,208
Committed	1,586,074	573,625					2,244,962
Assigned						387,813	492,979
Unassigned			(682)				(873,722)
Total fund balances	1,586,074	573,625	(682)	-	219,274	387,813	3,061,284
Total Liabilities and Fund Balances	\$ 1,655,729	\$ 573,625	\$ 37,623	\$ 38,356	\$ 369,929	\$ 406,637	\$ 6,127,247

(Continued on next page)

TOWN OF VERNON, CONNECTICUT

COMBINING BALANCE SHEET (CONTINUED)
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2012

	Capital Projects Funds						
	WTP Upgrade and Expansion Ordinance #199	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	\$ 78,531	\$ 7,010	\$ 6,895	\$ 47,608	\$ 113,901	\$ 56,264	\$ 310,209
Investments					833	452,009	452,842
Receivables (net):							
Intergovernmental		7,999	4,412	229,583	377,519	22,576	642,089
Other					251,016		251,016
Loan							-
Sewer assessment							-
Due from other funds					44,916	50,404	95,320
Inventory							-
Total Assets	\$ 78,531	\$ 15,009	\$ 11,307	\$ 277,191	\$ 788,185	\$ 581,253	\$ 1,751,476
Liabilities and Fund Balances							
Liabilities:							
Accounts payable	\$	\$	\$ 3,024	\$ 159,580	\$ 57,372	\$ 246	\$ 220,222
Other payables							-
Due to other funds	78,531	7,999	2,363	109,079		85,300	283,272
Deferred revenue							-
Unearned revenue		10	19				29
Total liabilities	78,531	8,009	5,406	268,659	57,372	85,546	503,523
Fund Balances:							
Nonspendable							-
Restricted							-
Committed		7,000	5,901	8,532	730,813	495,707	1,247,953
Assigned							-
Unassigned							-
Total fund balances	-	7,000	5,901	8,532	730,813	495,707	1,247,953
Total Liabilities and Fund Balances	\$ 78,531	\$ 15,009	\$ 11,307	277,191	\$ 788,185	\$ 581,253	\$ 1,751,476

(Continued on next page)

TOWN OF VERNON, CONNECTICUT

**COMBINING BALANCE SHEET (CONCLUDED)
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2012**

	<u>Permanent Funds</u>				Total Nonmajor Governmental Funds
	Cemetery Trust	Memorial Trust	Total	Interfund Eliminations	
Assets					
Cash	\$ 72,171	\$ 32,549	\$ 104,720	\$	\$ 2,526,220
Investments	1,856,579		1,856,579		4,584,262
Receivables (net):					
Intergovernmental			-		1,251,726
Other	129,770		129,770		968,674
Loan			-		195,728
Sewer assessment			-		1,255
Due from other funds	250		250	(287,117)	123,203
Inventory			-		31,857
Total Assets	\$ 2,058,770	\$ 32,549	\$ 2,091,319	\$ (287,117)	\$ 9,682,925
Liabilities and Fund Balances					
Liabilities:					
Accounts payable	\$	\$	\$ -	\$	\$ 627,370
Other payables			-		37,982
Due to other funds	61		61	(287,117)	1,859,005
Deferred revenue			-		756,337
Unearned revenue			-		1,736
Total liabilities	61	-	61	(287,117)	3,282,430
Fund Balances:					
Nonspendable	1,691,935	5,000	1,696,935		1,728,792
Restricted	366,774	27,549	394,323		1,559,531
Committed			-		3,492,915
Assigned			-		492,979
Unassigned			-		(873,722)
Total fund balances	2,058,709	32,549	2,091,258	-	6,400,495
Total Liabilities and Fund Balances	\$ 2,058,770	\$ 32,549	\$ 2,091,319	\$ (287,117)	\$ 9,682,925

(Concluded)

TOWN OF VERNON, CONNECTICUT

**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2012**

	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	\$ 783,862	\$	\$	\$	\$	\$	\$	\$
State	78,486			208,231				
Local								
Assessments								
Sales								31,412
Charges for services	556,366				7,460	970,846		45,681
Licenses and permits		7,346			15,010			
Gifts and contributions					2,358			5,150
Investment income	16		17	11	3	4		629
Other			30,197			310		2,000
Total revenues	1,418,730	7,346	30,214	208,242	24,831	971,160	-	84,872
Expenditures:								
Current:								
General government		7,346						
Community development								
Public safety					17,161	925,644		
Maintenance and development			12,929	236,452				97,729
Human services								
Parks, recreation and culture								
Education	1,397,867							
Capital outlay						3,487		1,000
Total expenditures	1,397,867	7,346	12,929	236,452	17,161	929,131	-	98,729
Excess (Deficiency) of Revenues over Expenditures	20,863	-	17,285	(28,210)	7,670	42,029	-	(13,857)
Other Financing Sources (Uses):								
Transfers in								15,620
Transfers out			(54,768)	(11)		(82,000)		
Net other financing sources (uses)	-	-	(54,768)	(11)	-	(82,000)	-	15,620
Net Change in Fund Balances	20,863	-	(37,483)	(28,221)	7,670	(39,971)	-	1,763
Fund Balances at July 1, 2011	214,699	-	122,746	169,447	31,339	27,431	(860,500)	204,981
Fund Balances at June 30, 2012	\$ 235,562	\$ -	\$ 85,263	\$ 141,226	\$ 39,009	\$ (12,540)	\$ (860,500)	\$ 206,744

(Continued on next page)

TOWN OF VERNON, CONNECTICUT

**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2012**

	Special Revenue Funds						
	Special Education Grants	Adult Basic Education Tuition	CDGB Small Cities	Housing and Community Development	Downstream	Roosevelt Mill Cleanup Project	Sidewalk Development
Revenues:							
Intergovernmental:							
Federal	\$ 2,700,664	\$	\$ 109,900	\$	\$	\$	\$
State	679,747	260,419				2,457	
Local		696,089					
Assessments							
Sales							
Charges for services							
Licenses and permits							
Gifts and contributions							
Investment income					90		4
Other		20,210	4,794				
Total revenues	3,380,411	976,718	114,694	-	90	2,457	4
Expenditures:							
Current:							
General government							
Community development			360,873				
Public safety							
Maintenance and development					7,040	2,457	
Human services							
Parks, recreation and culture							
Education	3,383,315	1,007,669					
Capital outlay							
Total expenditures	3,383,315	1,007,669	360,873	-	7,040	2,457	-
Excess (Deficiency) of Revenues over Expenditures	(2,904)	(30,951)	(246,179)	-	(6,950)	-	4
Other Financing Sources (Uses):							
Transfers in							
Transfers out			(21,094)			(1,200)	
Net other financing sources (uses)	-	-	(21,094)	-	-	(1,200)	-
Net Change in Fund Balances	(2,904)	(30,951)	(267,273)	-	(6,950)	(1,200)	4
Fund Balances at July 1, 2011	54,766	115,279	331,223	29,450	70,407	1,200	2,696
Fund Balances at June 30, 2012	\$ 51,862	\$ 84,328	\$ 63,950	\$ 29,450	\$ 63,457	\$ -	\$ 2,700

(Continued on next page)

TOWN OF VERNON, CONNECTICUT

**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2012**

	Special Revenue Funds							
	Sewer Assessment	Sewer Connections	Medical Savings Reserve	Parks and Recreation Programs	Talcottville Enhancements TCSP 010	Miscellaneous Grants	Miscellaneous Special Revenue	Total
Revenues:								
Intergovernmental:								
Federal	\$	\$	\$	\$	\$ 22,509	\$ 349,436	\$	\$ 3,966,371
State						311,808		1,541,148
Local								696,089
Assessments	11,527							11,527
Sales								31,412
Charges for services				684,853			4,519	2,269,725
Licenses and permits		188,000					13,405	223,761
Gifts and contributions							45,189	52,697
Investment income	48	194	23				131	1,170
Other			387,736			164,301	24,913	634,461
Total revenues	11,575	188,194	387,759	684,853	22,509	825,545	88,157	9,428,361
Expenditures:								
Current:								
General government								7,346
Community development					13,120	7,100		381,093
Public safety						131,210	11,370	1,085,385
Maintenance and development		112,140					24,698	493,445
Human services						45,752	54,864	100,616
Parks, recreation and culture				596,640			7,643	604,283
Education						604,322		6,393,173
Capital outlay								4,487
Total expenditures	-	112,140	-	596,640	13,120	788,384	98,575	9,069,828
Excess (Deficiency) of Revenues over Expenditures	11,575	76,054	387,759	88,213	9,389	37,161	(10,418)	358,533
Other Financing Sources (Uses):								
Transfers in							59,382	75,002
Transfers out	(66,021)			(71,400)				(296,494)
Net other financing sources (uses)	(66,021)	-	-	(71,400)	-	-	59,382	(221,492)
Net Change in Fund Balances	(54,446)	76,054	387,759	16,813	9,389	37,161	48,964	137,041
Fund Balances at July 1, 2011	219,115	1,510,020	185,866	(17,495)	(9,389)	182,113	338,849	2,924,243
Fund Balances at June 30, 2012	\$ 164,669	\$ 1,586,074	\$ 573,625	\$ (682)	\$ -	\$ 219,274	\$ 387,813	\$ 3,061,284

(Continued on next page)

TOWN OF VERNON, CONNECTICUT

**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2012**

	Capital Projects Funds						
	WTP Upgrade and Expansion Ordinance #199	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	\$	\$ 5,853	\$ 3,038	\$ 1,013,214	\$ 354,084	\$	\$ 1,376,189
State		1,463	759	261,841	1,800,543		2,064,606
Local							
Assessments							-
Sales							-
Charges for services					12,495		12,495
Licenses and permits							-
Gifts and contributions				34,700			34,700
Investment income					52	68	120
Other					26,383		26,383
Total revenues	-	7,316	3,797	1,309,755	2,193,557	68	3,514,493
Expenditures:							
Current:							
General government							-
Community development							-
Public safety							-
Maintenance and development							-
Human services							-
Parks, recreation and culture							-
Education							-
Capital outlay		7,316	3,797	1,301,223	2,809,881	96,016	4,218,233
Total expenditures	-	7,316	3,797	1,301,223	2,809,881	96,016	4,218,233
Excess (Deficiency) of Revenues over Expenditures	-	-	-	8,532	(616,324)	(95,948)	(703,740)
Other Financing Sources (Uses):							
Transfers in					197,881	68,501	266,382
Transfers out	(78,531)						(78,531)
Net other financing sources (uses)	(78,531)	-	-	-	197,881	68,501	187,851
Net Change in Fund Balances	(78,531)	-	-	8,532	(418,443)	(27,447)	(515,889)
Fund Balances at July 1, 2011	78,531	7,000	5,901		1,149,256	523,154	1,763,842
Fund Balances at June 30, 2012	\$ -	\$ 7,000	\$ 5,901	\$ 8,532	\$ 730,813	\$ 495,707	\$ 1,247,953

(Continued on next page)

TOWN OF VERNON, CONNECTICUT

**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES (CONCLUDED)
FOR THE YEAR ENDED JUNE 30, 2012**

	<u>Permanent Funds</u>				Total Nonmajor Governmental Funds
	Cemetery Trust	Memorial Trust	Total	Interfund Eliminations	
Revenues:					
Intergovernmental:					
Federal	\$	\$	\$ -	\$	\$ 5,342,560
State			-		3,605,754
Local			-		696,089
Assessments			-		11,527
Sales			-		31,412
Charges for services			-		2,282,220
Licenses and permits			-		223,761
Gifts and contributions	185,330		185,330		272,727
Investment income	30,761	44	30,805		32,095
Other			-		660,844
Total revenues	216,091	44	216,135	-	13,158,989
Expenditures:					
Current:					
General government			-		7,346
Community development			-		381,093
Public safety			-		1,085,385
Maintenance and development	18,633		18,633		512,078
Human services			-		100,616
Parks, recreation and culture			-		604,283
Education			-		6,393,173
Capital outlay			-		4,222,720
Total expenditures	18,633	-	18,633	-	13,306,694
Excess (Deficiency) of Revenues over Expenditures	197,458	44	197,502	-	(147,705)
Other Financing Sources (Uses):					
Transfers in			-	(40,371)	301,013
Transfers out	(15,620)		(15,620)	40,371	(350,274)
Net other financing sources (uses)	(15,620)	-	(15,620)	-	(49,261)
Net Change in Fund Balances	181,838	44	181,882	-	(196,966)
Fund Balances at July 1, 2011	1,876,871	32,505	1,909,376	-	6,597,461
Fund Balances at June 30, 2012	\$ 2,058,709	\$ 32,549	\$ 2,091,258	\$ -	\$ 6,400,495

(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 ASSETS
JUNE 30, 2012**

	Data Processing	Workers' Compensation	Medical Self-Insurance	Total
Assets:				
Current assets:				
Cash	\$ 118,089	\$ 5,899	\$ 101,724	\$ 225,712
Investments	1,268	82,054	338,513	421,835
Accounts receivable	119,000	1,656	20,150	140,806
Prepaid expense	44,390			44,390
Total current assets	282,747	89,609	460,387	832,743
Capital assets:				
Machinery and equipment	243,605			243,605
Infrastructure	211,961			211,961
Computer software	387,278			387,278
Less accumulated depreciation	(414,074)			(414,074)
Capital assets (net)	428,770	-	-	428,770
Total assets	711,517	89,609	460,387	1,261,513
Liabilities:				
Current:				
Accounts payable	20,667	14,570		35,237
Claims payable		563,989	105,060	669,049
Due to other funds	383	100,000	74,392	174,775
Accrued compensated absences	11,551			11,551
Total current liabilities	32,601	678,559	179,452	890,612
Noncurrent:				
Claims payable		905,416		905,416
Accrued compensated absences	3,107			3,107
Total noncurrent liabilities	3,107	905,416	-	908,523
Total liabilities	35,708	1,583,975	179,452	1,799,135
Net Assets:				
Invested in capital assets	428,770			428,770
Unrestricted	247,039	(1,494,366)	280,935	(966,392)
Total Net Assets	\$ 675,809	\$ (1,494,366)	\$ 280,935	\$ (537,622)

TOWN OF VERNON, CONNECTICUT

INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2012

	Data Processing	Workers' Compensation	Medical Self-Insurance	Total
Operating Revenues:				
Charges for services	\$ 874,537	\$ 505,000	\$ 167,326	\$ 1,546,863
Gifts and contributions			1,908,217	1,908,217
Other:				
Miscellaneous	218	1,656	58,762	60,636
Total operating revenues	874,755	506,656	2,134,305	3,515,716
Operating Expenses:				
Wages and benefits	458,546			458,546
Repairs, maintenance and rentals	221,159			221,159
Utilities	10,082			10,082
Supplies and materials	2,240			2,240
General and administrative	94,737	70,699	29,621	195,057
Claims paid and incurred		1,024,052	2,058,564	3,082,616
Depreciation	110,000			110,000
Total operating expenses	896,764	1,094,751	2,088,185	4,079,700
Operating Income (Loss)	(22,009)	(588,095)	46,120	(563,984)
Nonoperating Revenues (Expenses):				
Investment income		30	66	96
Income (loss) before capital contribution	(22,009)	(588,065)	46,186	(563,888)
Capital contributed from government	2,470			2,470
Change in net assets	(19,539)	(588,065)	46,186	(561,418)
Total Net Assets at July 1, 2011	695,348	(906,301)	234,749	23,796
Total Net Assets at June 30, 2012	\$ 675,809	\$ (1,494,366)	\$ 280,935	\$ (537,622)

TOWN OF VERNON, CONNECTICUT
INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2012

	Data	Workers'	Medical	
	Processing	Compensation	Self-Insurance	Total
Cash Flows from Operating Activities:				
Service charges collected	\$ 755,755	\$ 506,274	\$ 170,125	\$ 1,432,154
Contributions collected			1,908,245	1,908,245
Other operating revenues collected			50,023	50,023
Cash payments for employee wages and benefits	(442,356)			(442,356)
Cash payments for goods and services	(500,683)			(500,683)
Cash payments for other operating expenses		(818,388)	(2,022,905)	(2,841,293)
Cash receipts (disbursements) of advances (reimbursements) to other funds		(475,000)	(316,000)	(791,000)
Net cash provided by (used in) operating activities	(187,284)	(787,114)	(210,512)	(1,184,910)
Cash Flows from Capital and Related Financing Activities:				
Purchase of capital assets	(52,682)			(52,682)
Cash Flows from Investing Activities:				
Investment income		30	66	96
Net Increase (Decrease) in Cash and Cash Equivalents	(239,966)	(787,084)	(210,446)	(1,237,496)
Cash and Cash Equivalents - July 1, 2011	359,323	875,037	650,683	1,885,043
Cash and Cash Equivalents - June 30, 2012	119,357	87,953	440,237	647,547
Reconciliation to cash on Schedule 5:				
Cash equivalents reported as investments	(1,268)	(82,054)	(338,513)	(421,835)
Cash - June 30, 2012	\$ 118,089	\$ 5,899	\$ 101,724	\$ 225,712
Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used in) Operating Activities:				
Operating income (loss)	\$ (22,009)	\$ (588,095)	\$ 46,120	\$ (563,984)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:				
Add:				
Depreciation expense	110,000			110,000
Decrease in prepaid expense	14,480			14,480
Increase in accounts payable		6,886		6,886
Increase in claims payable		269,477		269,477
Deduct:				
Increase in accounts receivable	(119,000)	(382)	(5,912)	(125,294)
Decrease in accounts payable	(8,264)			(8,264)
Decrease in claims payable			(9,112)	(9,112)
Decrease in due to other funds	(151,519)	(475,000)	(241,608)	(868,127)
Decrease in accrued compensated absences	(10,972)			(10,972)
Net adjustments to operating income (loss)	(165,275)	(199,019)	(256,632)	(620,926)
Net Cash Provided by (Used in) Operating Activities	\$ (187,284)	\$ (787,114)	\$ (210,512)	\$ (1,184,910)

Schedule of noncash investing, capital and financing activities:

The Town contributed \$2,470 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 Benefits 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 NET ASSETS
JUNE 30, 2012**

	School Activity	Miscellaneous Activity	Bid Bond Deposit	Total
Assets:				
Cash	\$ 405,109	\$ 85,088	\$ 900	\$ 491,097
Investments			164,294	164,294
Due from other funds		66		66
Total	<u>\$ 405,109</u>	<u>\$ 85,154</u>	<u>\$ 165,194</u>	<u>\$ 655,457</u>
Liabilities:				
Accounts payable	<u>\$ 405,109</u>	<u>\$ 85,154</u>	<u>\$ 165,194</u>	<u>\$ 655,457</u>

TOWN OF VERNON, CONNECTICUT

AGENCY FUNDS
 COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
 FOR THE YEAR ENDED JUNE 30, 2012

	Balance July 1, 2011	Additions	Deductions	Balance June 30, 2012
<u>School Activity Fund</u>				
Assets:				
Cash	\$ 473,126	\$ 673,189	\$ 741,206	\$ 405,109
Liabilities:				
Accounts payable	\$ 473,126	\$ 673,189	\$ 741,206	\$ 405,109
<u>Miscellaneous Activity Fund</u>				
Assets:				
Cash	\$ 54,862	\$ 229,249	\$ 199,023	\$ 85,088
Due from other Funds		66		66
Total Assets	\$ 54,862	\$ 229,315	\$ 199,023	\$ 85,154
Liabilities:				
Accounts payable	\$ 54,862	\$ 229,315	\$ 199,023	\$ 85,154
<u>Bid Bond Deposit</u>				
Assets:				
Cash	\$	\$ 900	\$	\$ 900
Investments	205,758	8,226	49,690	164,294
Total Assets	\$ 205,758	\$ 9,126	\$ 49,690	\$ 165,194
Liabilities:				
Accounts payable	\$ 205,758	\$ 9,126	\$ 49,690	\$ 165,194
<u>Total All Funds</u>				
Assets:				
Cash	\$ 527,988	\$ 903,338	\$ 940,229	\$ 491,097
Investments	205,758	8,226	49,690	164,294
Due from other funds		66		66
Total	\$ 733,746	\$ 911,630	\$ 989,919	\$ 655,457
Liabilities:				
Accounts payable	\$ 733,746	\$ 911,630	\$ 989,919	\$ 655,457

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, 2012**

	Land and Improvements	Construction In Progress	Buildings and Improvements	Machinery, Equipment and Intangibles	Infrastructure	Total
General government	\$ 179,513	\$ 113,193	\$ 3,273,556	\$ 478,753	\$	\$ 4,045,015
Community development				26,099		26,099
Public safety	343,716	45,653	4,217,061	7,448,539		12,054,969
Maintenance and development	529,230	21,546,358	853,353	6,152,138	57,588,526	86,669,605
Human services				51,111		51,111
Parks, recreation and culture	5,822,715	2,347,758	3,582,008	1,226,948	26,800	13,006,229
Townwide	1,353,722		11,521,920	19,114,862		31,990,504
Education	5,889,255	9,500	85,805,643	4,653,382		96,357,780
Total	\$ 14,118,151	\$ 24,062,462	\$ 109,253,541	\$ 39,151,832	\$ 57,615,326	\$ 244,201,312

This schedule presents only the capital asset balances related to governmental funds. Accordingly, the capital assets reported in internal service funds of \$842,844 are excluded from the above amounts. Generally, the capital assets of internal service funds are included as governmental activities in the statement of net assets.

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, 2012**

	Governmental Funds Capital Assets July 1, 2011	Additions	Deletions	Governmental Funds Capital Assets June 30, 2012
General government	\$ 3,988,927	\$ 56,088	\$	\$ 4,045,015
Community development	25,449	650		26,099
Public safety	11,920,045	333,021	198,097	12,054,969
Maintenance and development	82,707,472	4,605,769	643,636	86,669,605
Human services	50,546	565		51,111
Parks, recreation and culture	11,479,873	1,526,356		13,006,229
Townwide	31,987,709	2,795		31,990,504
Education	98,305,923	3,504,965	5,453,108	96,357,780
Total	<u>\$ 240,465,944</u>	<u>\$ 10,030,209</u>	<u>\$ 5,651,204</u>	<u>\$ 244,201,312</u>

This schedule presents only the capital asset balances related to governmental funds. Accordingly, the capital assets reported in internal service funds of \$842,844 are excluded from the above amounts. Generally, the capital assets of internal service funds are included as governmental activities in the statement of net assets.

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 ASSETS BY COMPONENT

LAST TEN FISCAL YEARS
(UNAUDITED)

	FISCAL YEAR									
	2003	2004	2005	2006	2007	2008	2009	(1) 2010	2011	2012
Governmental Activities:										
Invested in capital assets, net of related debt	\$ 35,707,261	\$ 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
Restricted for:										
Endowments:										
Nonexpendable	1,832,212	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
Expendable									409,284	394,323
Community development								351,960	361,873	93,400
Maintenance and development								2,462,824	2,103,563	512,639
Education								461,740	534,712	559,169
Unrestricted	9,778,088	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
Total Net Assets - Governmental Activities	47,317,561	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
Business-Type Activities:										
Invested in capital assets, net of related debt	4,387,251	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
Unrestricted	5,001,806	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
Total Net Assets - Business-Type Activities	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
Primary Government:										
Invested in capital assets, net of related debt	40,094,512	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
Restricted for:										
Endowments:										
Nonexpendable	1,832,212	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
Expendable										394,323
Community development								351,960	361,873	93,400
Maintenance and development						-	731,241	2,462,824	2,103,563	512,639
Education						-	8,503,748	461,740	534,712	559,169
Unrestricted	14,779,894	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
Total Net Assets - Primary Government	\$ 56,706,618	\$ 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

* 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 assets from Governmental Activities to Business-Type Activities, effective July 1, 2009.

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

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

TABLE 2

TOWN OF VERNON, CONNECTICUT

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

	FISCAL YEAR									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Governmental Activities:										
Expenses:										
General government	\$ 2,780,651	\$ 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
Community development	276,390	427,475	418,771	430,016	335,054	512,822	874,382	1,500,051	2,057,937	638,976
Public safety	7,290,356	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
Maintenance and development	5,652,580	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
Human services	912,865	833,007	887,584	879,525	966,674	986,024	1,462,640	1,117,125	1,403,991	1,384,782
Parks, recreation and culture	1,453,466	1,474,924	1,585,830	1,728,770	1,983,538	2,051,661	2,332,424	2,045,589	2,610,713	2,391,015
Townwide	6,022,861	6,773,748	7,247,290	7,559,168	7,527,820	7,841,285				
Education	46,166,977	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
Interest on long-term debt	1,235,357	802,777	628,621	743,513	1,314,382	1,998,887	2,098,304	5,486,864	1,920,229	1,502,045
Total governmental activities expenses	71,791,503	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
Program Revenues:										
Charges for services:										
General government	979,409	1,197,508	1,160,407	1,273,048	1,447,763	1,211,305	725,190	828,275	821,502	958,550
Community development	8,952	142,815	33,937	19,906	58,142	30,034	7,489	13,956	9,434	8,973
Public safety	463,546	1,651,377	999,599	924,368	1,125,437	959,756	1,181,165	1,258,051	1,254,690	1,137,357
Maintenance and development	492,408	387,948	672,068	565,980	714,631	657,618	561,824	564,608	569,932	617,746
Human services	1,761	7,333	20,873	13,475	20,075	19,018				
Parks, recreation and culture	347,688	379,172	394,946	437,496	576,551	658,490	631,474	685,562	712,592	718,122
Townwide	465,743	570,272	523,029	564,362	526,665	168,062				
Education	2,243,407	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
Operating grants and contributions	22,755,377	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
Capital grants and contributions	822,792	347,929	982,825	862,817	3,907,694	20,433,504	3,770,739	3,850,322	2,770,498	8,082,486
Total governmental activities program revenues	28,581,083	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
Net Program Expense	(43,210,420)	(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)
General revenues:										
Property taxes	40,239,986	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
Grants and contributions not restricted to specific programs	2,083,257	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
Unrestricted investment earnings	310,651	284,543	479,359	1,091,724	2,009,214	1,503,005	212,312	192,081	281,909	35,105
Miscellaneous		104,777	22,092	145,131	110,570	227,674	966,540	900,553	1,188,309	1,079,316
Gain on sale of assets										172,501
Transfers								(3,179,674)		
Total general revenues	42,633,894	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
Total Change in Net Assets	(576,526)	(437,220)	54,379	525,706	4,684,531	20,860,374	(2,217,995)	9,222,827	2,079,976	10,115,800
Net Assets July 1 (as restated)	47,894,087	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
Net Assets June 30	\$ 47,317,561	\$ 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

(Continued)

TOWN OF VERNON, CONNECTICUT

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

	FISCAL YEAR									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Business-Type Activities:										
Expenses:										
Sewer	\$ 4,384,038	\$ 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
Building rental	141,551	158,805	165,955	175,594	215,209	216,560	245,220	197,075	220,378	181,037
Total expenses	4,525,589	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
Revenues:										
Charges for services:										
Sewer use	3,893,581	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
Building rentals	137,650	102,294	145,398	145,398	138,441	160,610	168,218	169,800	169,113	161,398
Total revenues	4,031,231	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
Net Program (Expenses) Revenues	(494,358)	(985,352)	(287,946)	(187,426)	(612,990)	(161,708)	(128,252)	510,063	825,823	562,509
General revenues:										
Grants and contributions not restricted to specific programs							75,000			
Investment income	51,620	32,546	82,719	153,339	187,249	133,132	38,771	9,879	5,869	641
Miscellaneous									379,659	262,732
Transfers								36,095		
Total general revenues	51,620	32,546	82,719	153,339	187,249	133,132	113,771	45,974	385,528	263,373
Total Change in Net Assets	(442,738)	(952,806)	(205,227)	(34,087)	(425,741)	(28,576)	(14,481)	556,037	1,211,351	825,882
Net Assets July 1 (as restated)	9,832,155	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
Net Assets, June 30	\$ 9,389,057	\$ 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
<u>Total</u>										
Total Change in Net Assets	\$ (1,019,624)	\$ (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
Net Assets, July 1 (as restated)	57,726,242	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
Net Assets, June 30	\$ 56,706,618	\$ 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

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

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

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

**** Net assets restated due to allocation of Internal Service Fund net assets from Governmental Activities to Business-Type Activities.

TABLE 3

TOWN OF VERNON, CONNECTICUT
FUND BALANCES, GOVERNMENTAL FUNDS

LAST TEN FISCAL YEARS
(UNAUDITED)

	FISCAL YEAR									
	2003	2004	2005	2006	2007	2008	2009	(1) 2010	2011	2012
General Fund:										
Assigned	\$ 481,867	\$ 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
Unassigned	5,127,713	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
Total General Fund	\$ 5,609,580	\$ 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
All Other Governmental Funds:										
Nonspendable	\$ 4,243,182	\$ 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
Restricted								3,234,537	3,000,148	1,559,531
Committed								3,728,800	4,037,469	4,063,022
Assigned								352,654	443,291	499,582
Unassigned	3,376,160	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)
Total Fund Balance - All Other Governmental Funds	\$ 7,619,342	\$ 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
Total Governmental Funds:										
Nonspendable	\$ 4,243,182	\$ 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
Restricted								3,234,537	3,000,148	1,559,531
Committed								3,728,800	4,037,469	4,063,022
Assigned	481,867	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
Unassigned	8,503,873	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
Total Fund Balances - Governmental Funds	\$ 13,228,922	\$ 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

* 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.

TABLE 4

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

LAST TEN FISCAL YEARS
(UNAUDITED)

	FISCAL YEAR									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Revenues:										
Property taxes	\$ 40,001,072	\$ 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
Intergovernmental	25,777,713	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
Assessments	154,054	103,152	138,692	115,312	96,624	74,423	72,351	64,462	51,769	11,527
Charges for services	3,790,479	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
Gifts and contributions	983,081	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
Income on investments	288,914	272,439	454,327	1,035,366	1,944,825	1,456,284	203,468	192,081	280,957	35,009
Other	839,694	1,368,179	897,574	1,164,396	1,209,801	1,576,511	894,189	836,091	1,136,540	1,067,789
Total revenues	71,835,007	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
Expenditures:										
General government	2,594,119	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
Community development	274,619	457,333	454,632	487,204	800,305	516,422	843,903	1,500,051	1,953,760	629,269
Public safety	7,046,445	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
Maintenance and development	5,552,344	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
Human services	888,111	790,029	838,084	904,345	921,763	973,537	986,846	1,117,125	1,044,049	1,035,291
Parks, recreation and culture	1,335,020	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
Townwide	4,534,270	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
Education	44,977,166	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
Capital outlay	1,180,386	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
Debt service:										
Principal	2,607,800	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
Interest	945,335	955,661	632,510	737,688	1,116,486	1,682,490	2,012,321	2,074,716	1,941,450	1,959,138
Total expenditures	71,935,615	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
Excess of Revenues Over (Under) Expenditures	(100,608)	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

(Continued)

TABLE 4

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

LAST TEN FISCAL YEARS
(UNAUDITED)

	FISCAL YEAR									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
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	301,739			476,280		470,000			106,412	
Sale of assets										172,501
Transfers in	2,978,845	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
Transfers out	(2,978,845)	(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)
Total other financing sources (uses)	301,739	123,160	-	476,280	12,815,000	21,540,583	10,902,205	(36,095)	3,472,595	399,249
Net Change in Fund Balances	\$ 201,131	\$ 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
Debt Service as a Percentage of Noncapital Expenditures	5.02%	4.90%	4.19%	3.67%	4.48%	4.74%	5.81%	6.06%	6.05%	7.09%
Debt Service as a Percentage of Total Expenditures	4.94%	4.84%	4.08%	3.39%	3.91%	3.52%	4.66%	5.31%	6.00%	6.40%

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 **			(2) Total	(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	(1) Commercial Industrial	Vacant/ Use Assessment										
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%
2003	2001	734,572	277,683	15,595	1,027,850	65,277	140,966	1,234,093	15,512		1,218,581	32.23	1,951,887	63.23%

* 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					
	2012			2003		
	Taxable Assessed Value (10/01/09 Grand List)*	Rank	% of Taxable Assessed Value (Grand List)	Taxable Assessed Value (10/01/00 Grand List)*	Rank	% of Taxable Assessed Value (Grand List)
Chapman and Mansions, LLC	\$ 47,754,460	1	2.49%	\$ \$ 8,820,412	6	0.72%
Tri City Improvements, LLC	30,295,590	2	1.58%			
Evandro Santini & Woodbridge LLC	21,516,740	3	1.12%	15,221,584	3	1.25%
Connecticut Water Company	20,011,880	4	1.05%	17,758,700	2	1.46%
Connecticut Light & Power/Yankee Gas Co.	19,421,229	5	1.01%	10,122,382	4	0.83%
CE Vernon II, LLC	15,571,120	6	0.81%			
Chapman Acres. LLC	9,004,930	7	0.47%	7,014,000	8	0.58%
Boston Rockville / Boston Vernon	8,662,150	8	0.45%			
Parkwest Residents Association	7,684,030	9	0.40%			
Kerensky, Schneider...(Risley Trust)	6,855,180	10	0.36%	10,111,171	5	0.83%
Javit Asset Partnership				18,350,050	1	1.51%
Talcotville Development				7,879,850	7	0.65%
Lee and Lamont				6,449,600	9	0.53%
Nina/Ark Realty Co., Inc.				6,276,500	10	0.52%
Total Top 10 Taxpayers	\$ <u>186,777,309</u>		<u>9.76%</u>	\$ <u>108,004,249</u>		<u>8.86%</u>
*Based on 10/1 Net Taxable Grand List of:	\$ <u>1,914,573,272</u>			\$ <u>1,218,580,572</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, 2012
		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	
2012	2010	\$ 57,542,153	\$ (135,137)	\$ 57,407,016	\$ 56,603,238	98.4%	\$	\$ 56,603,238	98.4%	98.6%	\$ 803,778
2011	2009	57,205,162	(65,563)	57,139,599	56,484,922	98.7%	337,528	56,822,450	99.3%	99.4%	317,149
2010	2008	53,957,129	(116,976)	53,840,153	53,268,067	98.7%	406,091	53,674,158	99.4%	99.5%	165,995
2009	2007	51,964,949	(192,797)	51,772,152	51,114,202	98.4%	558,022	51,672,224	99.4%	99.8%	99,928
2008	2006	49,690,219	(142,594)	49,547,625	48,770,952	98.2%	710,700	49,481,652	99.6%	99.9%	65,973
2007	2005	48,761,915	(329,038)	48,432,877	47,704,186	97.8%	696,933	48,401,119	99.3%	99.9%	31,758
2006	2004	46,757,803	(370,522)	46,387,281	45,837,742	98.0%	530,939	46,368,681	99.2%	100.0%	18,600
2005	2003	45,007,299	(245,209)	44,762,090	44,228,933	98.3%	518,193	44,747,126	99.4%	100.0%	14,964
2004	2002	42,271,955	(210,147)	42,061,808	41,586,384	98.4%	463,776	42,050,160	99.5%	100.0%	11,648
2003	2001	39,914,055	(348,926)	39,565,129	39,127,150	98.0%	426,786	39,553,936	99.1%	100.0%	11,193

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

Source of Data: Town of Vernon, Tax Collector.
Town of Vernon, Finance Department.

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)					
	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										
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	n/a	n/a	n/a
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	n/a	n/a	n/a
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%
2003		5,398,000	2,542,000	7,940,000	20,034,312	1,013,087	28,987,399	1,951,887	1.49%	28,718	1,009	33,624	3.00%	0.12%

Source 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.

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)

Fiscal Year Ended June 30,	Total General Obligation Bonds (1)	Other General Bonded 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)
		Less Funds Provided by						
		Notes Payable	Surrounding Municipalities	Leases Payable	Net Other General Bonded Debt			
2012	\$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	8,695,599	(1,861,809)	75,395	6,909,185	53,464,185	2.16%	1,831
2010	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	11,696,643	(2,489,677)	963,877	10,170,843	56,160,843	2.25%	1,882
2008	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	14,584,236	(3,092,945)	996,364	12,487,655	29,362,655	1.03%	990
2006	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	17,362,025	(3,672,578)	819,413	14,508,860	20,233,860	0.85%	690
2004	6,785,000	18,711,094	(3,953,822)	918,256	15,675,528	22,460,528	1.02%	769
2003	7,940,000	20,034,312	(4,229,502)	1,013,087	16,817,897	24,757,897	1.27%	862

(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, 2012
(UNAUDITED)

Base for Debit Limitation:

Total tax collections for the current fiscal year, including interest and lien fees \$ 57,362,693

	General Purpose	Schools	Sewers	Urban Renewal	Pension Deficit	Total
Debt limitation:						
2-1/4 times the Base for Debt Limitation	\$ 129,066,059	\$	\$	\$	\$	\$
4-1/2 times the Base for Debt Limitation		258,132,119				
3-3/4 times the Base for Debt Limitation			215,110,099			
3-1/4 times the Base for Debt Limitation				186,428,752		
3 times the Base for Debt Limitation					172,088,079	
7 times the Base for Debt Limitation						401,538,851
Total Debt Limitation	129,066,059	258,132,119	215,110,099	186,428,752	172,088,079	401,538,851
Indebtedness:						
Bonds payable	14,182,000	27,003,000	1,005,000			42,190,000
Bond anticipation notes		3,730,000				3,730,000
Notes payable			7,160,338			7,160,338
Bonds authorized and unissued	3,159,000	34,282,000	162,000			37,603,000
Total Indebtedness	17,341,000	65,015,000	8,327,338	-	-	90,683,338
Less receivables:						
School Building Grant		(115,843)				(115,843)
Total Net Indebtedness	17,341,000	64,899,157	8,327,338	-	-	90,567,495
Debt Limitation in Excess of Net Indebtedness Legal Debt Margin	\$ 111,725,059	\$ 193,232,962	\$ 206,782,761	\$ 186,428,752	\$ 172,088,079	\$ 310,971,356

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: \$ 90,567,495In no event shall total indebtedness exceed seven time the base for debt limitation computation: \$ 401,538,851

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 \$1,538,339

TABLE 11

TOWN OF VERNON, CONNECTICUT
SCHEDULE OF LEGAL DEBT LIMITATION

LAST TEN FISCAL YEARS
(UNAUDITED)

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Total Debt Limitation	\$ 280,194,243	\$ 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
Total Net Indebtedness	(25,641,702)	(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)
Debt Limitation in Excess of Net Indebtedness (Legal Debt Margin)	\$ 254,552,541	\$ 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
Total Net Indebtedness as a Percentage of Debt Limitation	9.2%	8.0%	6.9%	11.9%	30.2%	29.5%	27.5%	25.9%	24.0%	22.6%

Source: Town of Vernon, Finance Department.

TABLE 12**TOWN OF VERNON, CT****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,)
2012	29,179	40.2	n/a	n/a	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
2003	28,718	n/a	4,786,546	33,624	4,078	12	4.9%	16,925

*Tolland County, Connecticut of which Vernon is included for years 2003-2011.
n/a - Not Available.

Sources of data:

Population estimates are provided by the Connecticut Department of Public Health, except for the Fiscal Year 2011/12, which was provided by the U.S. Census Bureau.

Personal Income and Per Capita Personal Income are identified for Tolland County, Connecticut, of which Vernon is a part of. This information is provided by the Bureau of Economic Analysis, U.S. Department of Commerce.

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, CONNECTICUTMAJOR EMPLOYERSJUNE 30, 2012 AND JUNE 30, 2003
(UNAUDITED)

Major Employer	2012			2003		
	Number Employed	Rank	Percentage of Total Town Employment	Number Employed	Rank	Percentage of Total Town Employment
Town of Vernon	835	1	4.8%	891	1	5.3%
Rockville General Hospital	523	2	3.0%	692	2	4.1%
Visiting Nurse and Health Services	458	3	2.6%	290	3	1.7%
Stop & Shop	317	4	1.8%	252	4	1.5%
Price Chopper	221	5	1.3%			
State of Connecticut	204	6	1.2%			
New England Mechanical Services	200	7	1.1%	216	5	1.3%
Vernon Manor	175	8	1.0%	143	9	0.8%
Fox Hill Nursing and Rehabilitation	165	9	0.9%	170	6	1.0%
Rein's Delicatessen	155	10	0.9%	167	7	1.0%
Shaw's Supermarket				160	8	0.9%
Reminder Press				131	10	0.8%
Total	<u>3,253</u>		<u>18.6%</u>	<u>3,112</u>		<u>18.4%</u>
Source: Town of Vernon Economic Development Department Labor Force.			<u>17,444</u>			<u>16,925</u>

TABLE 14

TOWN OF VERNON, CONNECTICUT
MUNICIPAL EMPLOYMENT, BY BARGAINING UNIT

	JUNE 30, 2012 (UNAUDITED)									
Municipal Employment	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003
Board of Education	649	638	624	633	642	659	638	646	667	686
General Government	204	204	211	211	213	212	209	208	206	205
Total	853	842	835	844	855	871	847	854	873	891

<u>Board of Education</u>	<u>Bargaining Unit</u>	<u>Employees Covered at 6/30/2012</u>	<u>Current Contract Expiration Date</u>
Clerical / Custodial / Maintenance	Local 1303, AFSCME, AFL-CIO	70	6/30/13
Teachers	Vernon Education Association	327	6/30/14
School Administrators	Vernon School Administrators Association	21	6/30/15
School Nurses	Vernon School Nurses' Association	9	6/30/13
Cafeteria	United Food & Commercial Workers, Local 919, AFL-CIO	33	6/30/14
Plant Operation Supervisors	Local 818, Council #4, Supervisors	2	6/30/15
Service Aids & Teacher Assistants	Vernon Federation of Paraprofessionals	139	6/30/14
Librarians / Media Managers / Assistants	Local 1303-279, AFSCME, AFL-CIO	9	6/30/13
Non-Bargaining Employees	Not affiliated - salaried	21	n/a
Total Board of Education		631	

<u>General Government</u>	<u>Bargaining Unit</u>	<u>Employees Covered at 6/30/2012</u>	<u>Current Contract Expiration Date</u>
Police officers	Local 17, Connecticut Independent Police Union	50	6/30/11*
Public Works/ Parks / Water Pollution	Local 1471, AFSCME, AFL-CIO	56	6/30/13
Public Works Supervisors	Local 818, AFSCME, AFL-CIO	5	6/30/12*
Civilian Police Department Employees	Local 47, Connecticut Independent Laborers Union	14	6/30/11*
Professionals	Local 818 Professionals, AFSCME, AFL-CIO	28	6/30/12*
Public Works Administrative Clerical	Local 1471, AFSCME, AFL-CIO	3	6/30/12*
Waste Treatment Plant Supervisors	Local 818, AFSCME, AFL-CIO	3	6/30/12*
Non-Bargaining Employees	Not affiliated	45	n/a
Total General Government		204	

* In negotiation at June 30, 2012. Subsequent to June 30, 2012, the Police Officers and Civilian Police contracts were ratified through June 30, 2017.

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

TABLE 15

TOWN OF VERNON, CT

MUNICIPAL FULL-TIME EMPLOYMENT BY FUNCTION / PROGRAM

LAST TEN FISCAL YEARS
(UNAUDITED)

Full-time Employment Positions - Fiscal Year Ended June 30,										
Function / Program	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003
General Government:										
Administrative	7	7	8	8	8	7	8	8	7	6
Finance	13	13	14	13	14	14	14	14	14	14
Town Clerk	3	3	4	4	4	4	4	4	4	4
Data processing	4	4	4	4	4	3	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	0
Public Safety:										
Police	67	67	67	67	67	67	67	66	66	68
Fire / Ambulance	2	2	2	2	2	2	2	2	1	1
Building	5	5	5	5	5	6	5	5	5	5
Animal Control	2	2	2	2	2	2	2	2	2	2
Maintenance and development:										
Public Works	48	48	51	51	51	51	48	48	48	48
Engineering	4	4	4	4	4	4	4	4	4	4
Water Pollution Control	22	22	23	24	24	24	24	24	24	23
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	6	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	3	3	3	3	3	3
Subtotal Town Hall employees	204	204	211	211	213	212	209	208	206	205
Education	631	638	624	633	642	659	638	646	667	686
Total Full-Time Employees	835	842	835	844	855	871	847	854	873	891

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

TABLE 16

TOWN OF VERNON, CT

OPERATING INDICATORS BY FUNCTION/ PROGRAM

LAST TEN FISCAL YEARS
(UNAUDITED)

FUNCTION/PROGRAM	FISCAL YEAR ENDED JUNE 30									
	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003
<u>Community Development</u>										
Planning Administration:										
Number of Inland Wetland applications	8	7	12	13	13	24	31	17	5	n/a
Number of Planning/Zoning applications (both indicators based on calendar year)	19	26	29	20	27	38	42	32	30	n/a
<u>Public Safety</u>										
Police:										
Number of crimes	339	314	415	359	400	375	440	404	n/a	n/a
Number of motor vehicle infractions	1,108	1,126	1,567	1,678	1,383	1,720	1,351	1,919	n/a	n/a
Number of citations	4,814	6,157	6,674	5,823	6,917	9,002	6,382	8,158	n/a	n/a
Number of service calls (all indicators based on calendar year)	19,261	19,149	18,872	20,956	20,379	20,754	19,104	19,958	n/a	n/a
Building Inspection:										
Building permits issued	2,017	1,794	1,850	1,466	1,725	1,829	1,694	1,796	1,627	1,697
Building inspections conducted	7,669	6,350	6,343	2,886	2,073	1,817	1,731	1,401	n/a	n/a
<u>Maintenance and Development</u>										
General Maintenance:										
Miles of streets paved / reconstructed	1.11	6.02	0.98	1.16	4.16	4.41	3.43	0.60	0.43	2.26
Refuse Collection and Disposal:										
Tons of Municipal Solid Waste collected	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	n/a
Tons of Bulky Waste received	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	n/a
Recycling:										
Tons of Recyclables collected	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	n/a
Tons of Waste Motor Oil received	2.7	5.0	7.9	12.8	12.9	26.5	16.5	21.1	22.3	n/a
Tons of Metal received	168.00	185.00	275.00	289.00	365.00	476.00	551.00	669.00	592.00	n/a
Tons of Electronics received	78.00	19.09	21.00	20.30	5.00	n/a	n/a	n/a	n/a	n/a
Units of Lead Acid Batteries received	42	104	165	290	256	n/a	n/a	n/a	n/a	n/a
<u>Parks and Recreation</u>										
Recreation programs:										
Number of programs offered	94	97	89	65	82	75	68	60	57	62
Number of summer camp participants	2,301	2,042	1,971	1,830	2,619	2,395	2,640	1,325	n/a	n/a
<u>Townwide</u>										
Vernon Cemeteries:										
Number of cemetery lots sold	65	41	54	88	48	69	51	94	63	138
Number of burials / cremations	63	90	70	97	80	75	87	95	70	105
Water Pollution Control Facility:										
Average daily sewage treatment (thousands of gallons)	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	3,215.7

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, CTCAPITAL ASSET STATISTICS BY FUNCTION / PROGRAMLAST TEN FISCAL YEARS
(UNAUDITED)

FISCAL YEAR ENDED JUNE 30										
FUNCTION/PROGRAM	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003
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	5	5	5
Number of fire / ambulance volunteers	160	158	161	154	135	138	123	132	130	138
Maintenance and Development:										
Miles of improved roads	112.34	112.34	112.34	111.83	111.81	111.81	111.81	111.08	111.02	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	112	112	112	112	112	112	112	87.88
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	23	22	22	22	22	22	22	22
Acres of park land	582.52	579.52	570.42	568.3	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 Information

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, CONNECTICUT

GENERAL FUND - BALANCE SHEETS

LAST TEN FISCAL YEARS
(UNAUDITED)

	FISCAL YEARS									
	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003
Assets:										
Cash	\$ 7,856,162	\$ 8,870,779	40,340	\$ 697,928	\$ 240,097	\$ 323,970	\$ 689,248	\$ 737,153	\$ 141,383	\$ 228,825
Investments	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	5,236,288
Receivables:										
Property taxes	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	2,001,643
Grants and other	3,982,406	632,077	891,434	966,108	1,433,194	1,820,165	2,338,640	2,677,397	3,132,749	3,843,696
Due from other funds	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	1,708,043
Total Assets	\$ 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	\$ 13,018,495
Liabilities and Fund Equity										
Liabilities:										
Accounts payable	\$ 1,150,706	\$ 1,327,943	1,513,258	\$ 1,817,271	\$ 1,138,836	\$ 927,733	\$ 581,715	\$ 750,925	\$ 755,880	\$ 635,070
Accrued wages and benefits	392,237	748,115	559,911	277,649	175,219	221,947	119,046	391,319	407,325	295,847
Due to other funds	788,442	804,219	2,464,181	1,209,431	1,258,402	1,886,412	467,977	473,653	591,456	457,845
Deferred revenue	1,640,897	1,600,781	1,780,291	2,146,305	2,518,040	2,913,758	3,566,505	4,090,122	4,967,550	6,020,153
Unearned revenue	3,780,442	5,877	4,722							
Total liabilities	7,752,724	4,486,935	6,322,363	5,450,656	5,090,497	5,949,850	4,735,243	5,706,019	6,722,211	7,408,915
Fund Equity:										
Assigned	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	581,867
Unassigned	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	5,027,713
Total fund equity	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	5,609,580
Total Liabilities and Fund Equity	\$ 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	\$ 13,018,495

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
2012	\$ 57,327,038	\$ 22,856,032	\$ 1,341,318	\$ 563,598		\$ 20,251	\$ 2,810	\$ 5,389,624	\$ 501,771	\$ 88,002,442	3.7%
% of Total	65.1%	26.0%	1.5%	0.6%		0.0%	0.0%	6.1%	0.6%	100.0%	
2011	57,387,268	20,710,835	1,386,203	491,675		10,193	27,708	4,604,572	279,614	84,898,068	5.0%
% of Total	67.6%	24.4%	1.6%	0.6%		0.0%	0.0%	5.4%	0.3%	100.0%	
2010	54,241,727	20,352,445	1,561,369	441,648		13,008	42,113	3,963,079	241,856	80,857,245	1.6%
% of Total	67.1%	25.2%	1.9%	0.5%		0.0%	0.1%	4.9%	0.3%	100.0%	
2009	52,186,924	21,194,696	1,421,907	406,025		10,088	199,312	3,906,222	259,876	79,585,050	-12.8%
% of Total	65.6%	26.6%	1.8%	0.5%		0.0%	0.3%	4.9%	0.3%	100.0%	
2008	49,913,095	20,870,957	2,223,776	497,149		18,515	670,210	16,859,883	223,892	91,277,477	20.7%
% of Total	54.7%	22.9%	2.4%	0.5%		0.0%	0.7%	18.5%	0.2%	100.0%	
2007	48,717,250	19,559,484	2,279,748	478,589		19,711	871,920	3,416,995	250,827	75,594,524	3.7%
% of Total	64.4%	25.9%	3.0%	0.6%		0.0%	1.2%	4.5%	0.3%	100.0%	
2006	46,735,710	19,252,033	2,072,163	407,494		16,273	627,897	3,522,395	228,715	72,862,680	6.6%
% of Total	64.1%	26.4%	2.8%	0.6%		0.0%	0.9%	4.8%	0.3%	100.0%	
2005	45,044,605	18,538,035	1,880,649	468,028	1,704	26,598	300,156	1,907,981	195,115	68,362,871	2.3%
% of Total	65.9%	27.1%	2.8%	0.7%	0.0%	0.0%	0.4%	2.8%	0.3%	100.0%	
2004	42,462,509	18,493,182	1,851,104	468,199		11,959	138,292	2,408,603	1,003,288	66,837,136	4.6%
% of Total	63.5%	27.7%	2.8%	0.7%		0.0%	0.2%	3.6%	1.5%	100.0%	
2003	40,001,072	19,136,104	1,660,198	376,427	270	10,428	148,450	1,832,984	724,792	63,890,725	2.5%
% of Total	62.6%	30.0%	2.6%	0.6%	0.0%	0.0%	0.2%	2.9%	1.1%	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 made to the Teachers' Retirement System.

Source: Town of Vernon, Finance Department.

TABLE 20

TOWN OF VERNON, CONNECTICUT

GENERAL FUND
EXPENDITURES BY FUNCTION AND OTHER FINANCING USES - GAAP BASISLAST TEN FISCAL YEARS
(UNAUDITED)

Fiscal Year Ended June 30,	Expenditures by Function										Other Financing Uses	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		Total	Annual % Increase
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%	
2003	2,503,716	129,002	6,580,207	4,592,022	799,148	1,299,148	4,416,280	39,720,337	184,132	1,791,039	2,119,068	64,134,099	2.4%
% of Total	3.9%	0.2%	10.3%	7.2%	1.2%	2.0%	6.9%	61.9%	0.3%	2.8%	3.3%	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,
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
2003	12,893	134,551	135,335	12,109

Source: Town of Vernon, Water Pollution Control Department
Town of Vernon, Finance Department.

TABLE 22

TOWN OF VERNON, CONNECTICUT

CHANGES IN NET ASSETS - PENSION TRUST FUND

LAST TEN FISCAL YEARS
(UNAUDITED)

	FISCAL YEAR									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Additions:										
Contributions:										
Employer	\$ 1,545,479	\$ 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
Employee	967,221	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
Net investment income (loss)	(1,241,285)	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
Total Additions to Net Assets	1,271,415	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
Deductions:										
Benefit payments/annuity purchases	1,469,615	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
Refunds of contributions	100,496	110,487	52,416	68,278	238,593	104,205	264,810	126,960	71,754	29,190
Administrative expense	112,699	117,044	128,962	136,388	145,491	145,588	156,405	140,276	156,607	174,509
Total Deductions to Net Assets	1,682,810	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
Change in Plan Net Assets	\$ (411,395)	\$ 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
Employer Contributions as a Percentage of Covered Payroll	9.98%	12.70%	12.40%	13.29%	15.29%	15.57%	15.85%	13.76%	13.77%	17.87%

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									
		2012	2011	2010	2009	2008	2007	2006	2005	2004	2003
General Fund expenditures	\$	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	\$ 62,015,031
Debt service expenditures:											
Principal	\$	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	\$ 1,252,333
Interest		1,753,261	1,752,452	1,810,545	1,522,982	723,048	212,011	234,809	277,071	451,211	538,706
Total debt service	\$	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	\$ 1,791,039
Percentage of debt service Expenditures to General Fund expenditures		5.41%	4.90%	3.99%	4.21%	2.69%	1.95%	1.55%	2.26%	2.80%	2.89%

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
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	0.76
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
2003	10/1/2001	1,021,328,508	1.16	57,972,292	(4.25)	139,279,772	2.43	1,218,580,572	1.03

* 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, CONNECTICUT

U.S. BUREAU OF CENSUS STATISTICS

JUNE 30, 2012

(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	1,178	8.8%
2000	28,063	1,509	5-19	5,027	4,597	-8.6%	\$15,000 to 24,999	1,015	7.6%
1990	29,841	1,604	20-34	6,023	6,456	7.2%	\$25,000 to 34,999	1,185	8.9%
1980	27,974	1,504	35-54	8,647	8,227	-4.9%	\$35,000 to 49,999	1,879	14.1%
1970	27,237	1,464	55-64	2,747	3,683	34.1%	\$50,000 to 74,999	2,779	20.8%
1960	16,961	912	Over 65	3,906	4,553	16.6%	\$75,000 to 99,999	2,257	16.9%
1950	10,115	544					\$100,00 or more	3,059	22.9%
			Total	28,063	29,179	4.0%			
			Median	37.7	40.2				
Years of School Completed, Persons Age 25 and Over (1)									
			All Persons 2000		All Persons 2010				
Educational Attainment			No.	%	No.	%			
Did not complete high school			2,782	14.3%	2,133	10.5%			
High school graduate			5,934	30.2%	6,063	30.0%			
Some college, no degree & Associate degree			5,660	28.8%	5,880	29.0%			
Bachelor, graduate of professional degree			5,253	26.8%	6,157	30.4%			
Total			19,629	100%	20,233	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%			
							Tolland County		
							2000	2010	
Median Income							47,816	80,333	
Mean Income							57,533	93,033	
Per Capita Income							25,150	33,929	
% below poverty leve							5.8%	6.7%	

TABLE 26

TOWN OF VERNON, CONNECTICUT

PROPERTY VALUES, CONSTRUCTION AND BANK DEPOSITS

LAST TEN FISCAL YEARS
(UNAUDITED)

(CROSSED)												
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			Residential	Industrial and Commercial	Nontaxable (4)
	#	Construction Value	#	Construction Value	#	Construction Value	#	Construction Value				
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
2003	77	9,111,045	91	6,398,806	1,529	9,050,273	1,697	24,560,124	715,746	1,274,932,592	367,267,176	200,514,260

* 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.

TOWN OF VERNON, CONNECTICUTLAND USE / ZONING STATISTICS

JUNE 30, 2012

<u>LAND USE</u>				<u>EXISTING ZONING</u>		
Category	# 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 / Institution:	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, 2012

School	Grades	Number of Classrooms	Total Floor Area (Sq. ft.)	School Capacity	School Enrollment as of 10/1/2011
Elementary Schools:					
Center Road	Pre-K to 5	33	75,122	825	497
Lake Street	Pre-K to 5	20	39,219	525	286
Maple Street	Pre-K to 5	23	39,920	525	307
Northeast	Pre-K to 5	19	41,500	525	292
Skinner Road	Pre-K to 5	21	45,350	525	375
Total Elementary Schools				2,925	1,757
Middle School	6 to 8	70	135,988	1,500	738
Rockville High and VO-AG	9 to 12	136	272,748	2,400	1,055
Rockville High	Special Ed	n/a		n/a	29
Total All Schools				6,825	3,579

ACTUAL
SCHOOL ENROLLMENTS
LAST TEN FISCAL YEARS

<u>School Year *</u>	<u>Pre-K</u>	<u>K-5</u>	<u>6-8</u>	<u>9-12</u>	<u>UNGRADED</u>	<u>TOTAL</u>	<u>ANNUAL % CHANGE</u>
2002/03	54	1,774	961	1,227	62	4,078	0.30%
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%

* As of October 1.

PROJECTED
SCHOOL ENROLLMENTS

2012/13	143	1,609	757	1,043	13	3,565	-0.39%
2013/14	143	1,630	729	1,054	13	3,569	0.11%
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%

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).