

**COMPREHENSIVE
ANNUAL FINANCIAL REPORT**

of the

**TOWN OF VERNON,
CONNECTICUT**

FOR THE YEAR ENDED

JUNE 30, 2011

**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, 2011

TABLE OF CONTENTS

	<u>PAGE</u>
<u>INTRODUCTORY SECTION</u>	
LIST OF PRINCIPAL OFFICIALS	1
ORGANIZATIONAL CHART	2
LETTER OF TRANSMITTAL	3
CERTIFICATE OF ACHIEVEMENT FOR EXCELLENCE IN FINANCIAL REPORTING FOR THE YEAR ENDED JUNE 30, 2010.....	19
<u>FINANCIAL SECTION</u>	
REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS.....	20
MANAGEMENT DISCUSSION AND ANALYSIS	22
<u>BASIC FINANCIAL STATEMENTS</u>	
<u>GOVERNMENT-WIDE FINANCIAL STATEMENTS:</u>	
<u>EXHIBITS</u>	
A STATEMENT OF NET ASSETS	37
B STATEMENT OF ACTIVITIES	39
<u>FUND FINANCIAL STATEMENTS:</u>	
C BALANCE SHEET AND RECONCILIATION OF FUND BALANCE TO NET ASSETS OF GOVERNMENTAL ACTIVITIES - GOVERNMENTAL FUNDS	40
D STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS.....	42
E RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO STATEMENT OF ACTIVITIES.....	43
F STATEMENT OF NET ASSETS - PROPRIETARY FUNDS.....	45
G STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS - PROPRIETARY FUNDS	46

TOWN OF VERNON, CONNECTICUT
TABLE OF CONTENTS (CONTINUED)

<u>EXHIBITS</u>	<u>PAGE</u>
-----------------	-------------

FUND FINANCIAL STATEMENTS: (CONTINUED)

H	STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS.....	47
I	STATEMENT OF FIDUCIARY NET ASSETS.....	48
J	STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS.....	49

NOTES TO BASIC FINANCIAL STATEMENTS:

K	NOTES TO BASIC FINANCIAL STATEMENTS.....	50
---	--	----

REQUIRED SUPPLEMENTARY INFORMATION:

RSI 1	SCHEDULE OF REVENUES AND OTHER FINANCING SOURCES - BUDGET AND ACTUAL- GENERAL FUND.....	96
RSI 2	SCHEDULE OF EXPENDITURES AND OTHER FINANCING USES - BUDGET AND ACTUAL- GENERAL FUND.....	100
RSI 3	SCHEDULE OF FUNDING PROGRESS - VERNON RETIREMENT SYSTEM.....	106
RSI 4	SCHEDULE OF FUNDING PROGRESS - VERNON OTHER POST EMPLOYMENT BENEFIT PLANS	108
RSI 5	SCHEDULE OF EMPLOYER CONTRIBUTIONS - VERNON RETIREMENT SYSTEM AND OTHER POST EMPLOYMENT BENEFIT PLANS	109

SCHEDULES

SUPPLEMENTAL SCHEDULES

GENERAL FUND

1	COMPARATIVE BALANCE SHEET	110
2	REPORT OF THE TAX COLLECTOR.....	111

NONMAJOR GOVERNMENTAL FUNDS

3	COMBINING BALANCE SHEET.....	112
4	COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES	117

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	122
6	COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS.....	123
7	COMBINING STATEMENT OF CASH FLOWS	124
	<u>FIDUCIARY FUNDS</u>	
8	COMBINING STATEMENT OF NET ASSETS - AGENCY FUNDS	126
9	AGENCY FUNDS - COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES	126
	<u>CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS</u>	
10	SCHEDULE BY FUNCTION AND ACTIVITY	127
11	SCHEDULE OF CHANGES BY FUNCTION AND ACTIVITY	128
<u>TABLE</u>		
	<u>STATISTICAL SECTION</u>	
1	NET ASSETS BY COMPONENT	129
2	CHANGES IN NET ASSETS	130
3	FUND BALANCES, GOVERNMENTAL FUNDS.....	132
4	CHANGES IN FUND BALANCES, GOVERNMENTAL FUNDS.....	133
5	TAXABLE ASSESSED VALUE AND ESTIMATED ACTUAL VALUE OF TAXABLE PROPERTY	135
6	PRINCIPAL PROPERTY TAXPAYERS.....	136
7	PROPERTY TAX LEVIES AND COLLECTIONS	137
8	RATIO OF OUTSTANDING DEBT BY TYPE	138
9	RATIO OF NET GENERAL BONDED DEBT OUTSTANDING.....	139
10	SCHEDULE OF DEBT LIMITATION.....	140
11	SCHEDULE OF LEGAL DEBT LIMITATION.....	141

TOWN OF VERNON, CONNECTICUT
TABLE OF CONTENTS (CONTINUED)

TABLE

STATISTICAL SECTION (CONTINUED)

12	DEMOGRAPHIC AND ECONOMIC DATA.....	142
13	MAJOR EMPLOYERS	143
14	MUNICIPAL EMPLOYMENT BY BARGINING UNIT	144
15	MUNICIPAL FULL-TIME EMPLOYMENT BY FUNCTION/PROGRAM.....	145
16	OPERATING INDICATORS BY FUNCTION/PROGRAM.....	146
17	CAPITAL ASSET STATISTICS BY FUNCTION/PROGRAM.....	147

TREND INFORMATION

18	BALANCE SHEETS - GENERAL FUND	148
19	REVENUES BY SOURCE AND OTHER FINANCING SOURCES - GENERAL FUND.....	149
20	EXPENDITURES BY FUNCTION AND OTHER FINANCING USES - GENERAL FUND.....	150
21	SEWER ASSESSMENTS BILLING AND COLLECTIONS	151
22	CHANGES IN NET ASSETS - PENSION TRUST FUND	152
23	RATIO OF ANNUAL DEBT SERVICE EXPENDITURES FOR GENERAL DEBT TO GENERAL FUND EXPENDITURES	153
24	NET TAXABLE GRAND LIST AND PERCENTAGE CHANGE.....	154
25	U.S. BUREAU OF CENSUS STATISTICS	155
26	PROPERTY VALUES, CONSTRUCTION AND BANK DEPOSITS	156
27	LAND USE STATISTICS.....	157
28	SCHOOL FACILITIES AND ENROLLMENT DATA.....	158

Introductory Section

TOWN OF VERNON, CONNECTICUT

PRINCIPAL OFFICIALS

JUNE 30, 2011

MAYOR

Jason L. McCoy

TOWN COUNCIL

Daniel E. Anderson
Bill F. Campbell
Daniel A. Champagne
Mark S. Etre
Judy M. Hany
Marie A. Herbst

James E. Krupinski
Brian R. Motola
Sean O'Shea
Pauline A. Schaefer
Harry D. Thomas
Michael A. Winkler

TOWN OFFICIALS

Town Administrator
Finance Officer / Treasurer
Town Clerk
Chief, Police
Captain, Police
Chief, Fire / Ambulance
Director, Data Processing
Director, Emergency Management
Director, Human Resources / Assistant Town Administrator
Director, Public Works
Director, Recreation
Director, Senior Center
Director, Social Services
Director, Waste Treatment
Director, Youth Services
Ambulance Coordinator
Animal Control Officer
Assessor
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
Arthur Beirn
Michael J. Purcaro
Peter Graczykowski
Robert Kleinhans
Bruce W. Dinnie
Paula Claydon
Marina Rodriguez
David R. Ignatowicz
Alan M. Slobodien
Jean Gauthier
Craig P. Segar
David A. Wheeler
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

George F. Apel
Laura B. Bush
Anne H. Fisher, Chairperson
Terri J. Goldrich
Dean A. Houle

David G. Kemp
Kyle W. Percy
Vicky A. Rispoli
Paul M. Stansel

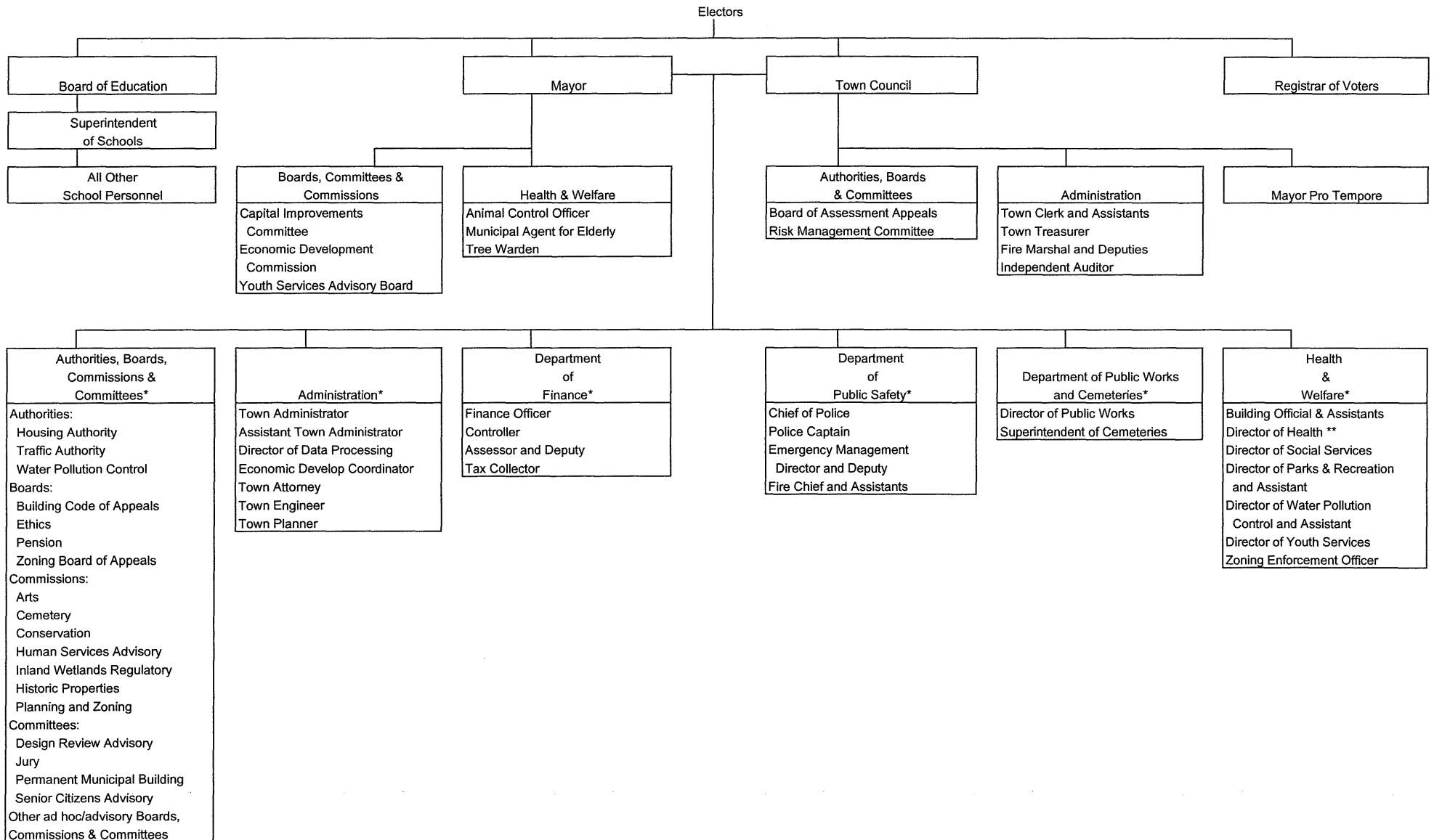
EDUCATION OFFICIALS

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

Mary P. Conway
Deborah Murasso
Stanley Karasinski

TOWN OF VERNON, CT

ORGANIZATION CHART



* Mayor recommended, Town Council approved.

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



OFFICE OF THE
FINANCE DEPARTMENT

TOWN OF VERNON

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February 1, 2012

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, 2011. 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 J. H. Cohn, 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, 2011, 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, 2011, 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, was 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, offers and supports a variety of human services, and 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, 92.0% are employed in services while only 8.0% are employed in manufacturing and printing. Approximately 44.0% of this employment is with non-profit and public organizations. The largest Vernon employer is the Town of Vernon, which has 842 employees. The second largest employer is Rockville General Hospital with 521 employees, followed by Visiting Nurse and Health Services with 458 employees, Stop and Shop with 320, 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 171 and Rein's Delicatessen with 160 employees.

In Vernon, the number of individuals employed by the top ten companies decreased by 59 or 1.8% during the past year. Some of the decreases in employment include (260) at Ticket Network, which relocated, (38) at Rockville General Hospital, (29) at Price Chopper, (23) at the State of Connecticut, (9) at Fox Hill and (3) for Vernon Manor. Increases in employment include 136 at Stop and Shop and 7 for the Town of Vernon. Employment at Visiting Nurse and Health Services, New England Mechanical and Rein's Delicatessen remained level from the prior year.

Vernon's population for the year ended June 30, 2011, was 29,205 compared with 30,182 on June 30, 2010, a decrease of 977 or 3.24%. This decrease follows an increase in population of 343 or 1.15% 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, 2011 was 8.4%, the same rate as last June 30th. In recent history, the unemployment rate was 7.3% in 2009, 5.5% in 2008, 4.3% in 2007, 4.2% in 2006, and 4.9% in 2005. The increase in the unemployment rate is 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, 9.1%, and for the nation, 9.3%. 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 a slowdown in the financial and insurance sector; and business investment in new construction. Looking forward, a continuation of policies directed to enhance only the financial area, generally are not labor driven. In addition, the removal of federal stimulus funding to the state and municipalities raises concern about the future employment trend, a national trend that currently reports a decrease in public sector employment to a corresponding increase in the private sector. Locally, the composure of our community's resources indicates that any unemployment increase in the near future will be modest.

Vernon completed a town wide revaluation of property as of October 1, 2006, which was effective for the 2007-08 fiscal year. Our tax base for the October 1, 2010 grand list grew by 1.05%, inclusive of a .53% increase in the real estate portion. This follows an increase in the October 1, 2009 grand list of .21%, inclusive of a .13% increase in real estate.

Property taxes have been supported by strong collection rates, averaging 98.27 % over the past ten years. The number of building permits decreased from 1,850 to 1,794, and the value of those permits decreased from \$23,378,948 to \$20,416,187.

The 2011-2012 operating budget was approved by the Town Council and sent to the annual Town Meeting for adoption on April 26, 2011. The budget was adopted by voice vote of qualified voters at the annual Town Meeting. The mil rate decreased by .12 of a mil, or -.40%, from 30.02 mills to 29.90 mills. 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 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.

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 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 7 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. In August 2009, a special permit was issued to convert an existing vacant residential property to a professional medical office at 94 Union St. This work was completed and has made a significant visual improvement to this property. 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 has been approved and is anticipated to occur in the near future.

A long-time vacant building at 176 Union Street was sold and has undergone major renovations. A new restaurant will be opening in early 2012. Another vacant structure is being converted into a convenience store / deli at 60 Prospect Street, which will further cultivate the village feel of 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.

Vernon Circle / Route 30 – Hartford Turnpike / Route 83 – 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 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 and McDonald's, all on Talcottville Road, as well as Johnnie's Mobil on West Street, have all been renovated.

In the Talcottville section of Vernon, 167 Hartford Turnpike, is the location of the newly constructed Volkswagen dealership. The Colony Banquet Hall and Restaurant closed in December 2007. Presently, plans have been approved for a 120-room Marriot Spring Hill Suite Hotel in place of the Colony Restaurant. Completion of this development 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. 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.

The former Talcottville Mill is 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 a 98-unit residential complex. The estimated start date of this project is in the spring of 2012.

The State of Connecticut completed the reconstruction and safety improvements along a section of Route 83 (Talcottville Road). 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 Santini Villas apartment complex, also added 66 high-end residential units and a club house to their 1031 Hartford Turnpike development.

Also on Route 83, three vacant parcels at 360 Talcottville Road were combined into two parcels to construct the 16,000 square foot Aldi's Supermarket. Additional development on the site was approved including an 8,400 square foot day care facility and a 4,000 square foot retail building, to establish the "The Shoppes at Vernon Valley". A 35-acre parcel located at 243 Talcottville Road sold for \$3,400,000. Zoned for commercial use, this parcel will be developed by Boston / Manchester II, LLC; however, for the present, the parcel has been classified, for assessment purposes, as open space land in the 2010 grand list. Additional development was also approved along Hockanum Boulevard including a new 12,000 square foot industrial building and support structures.

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 is undergoing a vibrant and aesthetically pleasing overhaul. The site has received its Certificate of Occupancy and will soon be a lively commercial destination along Route 83.

A new gas station / convenience store is currently under construction at 229 Talcottville Road, the site of an existing gas station, with attached repair areas. This new facility will include new underground gas storage tanks that will provide improved environmental protections.

The new owners of the former Gottier Furniture Store at 48 Windsor Avenue received approval in May 2009 for an outdoor lawn and garden merchandise display for their newly opened "Lots & More" store. A new 8,372 square foot Liquor Store was constructed at 482 Talcottville Road and was opened in the spring of 2011. Previous pavement was utilized within the parking areas, consistent with Low Impact Design (LID) principles.

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.

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. The bridge and road provides access to the approximately 275-acre Gerber Farm area for development. The PZC adopted the area as a Mixed Use Development (MUD) district. This allows for mixed-use development based upon a comprehensive plan and an economic fiscal impact analysis that demonstrates net positive tax revenue for the Town. 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. The rental project's total assessment is estimated at \$42,130,000.

Mill Properties:

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 is pursuing the availability of merging parcels of land for industrial development while facing the additional task of addressing the redevelopment of older mill properties.

With the impending national election, there is little prospect of a major fiscal or monetary stimulus, most notably in the areas of public infrastructure and local and state aid. With the absence of a comprehensive economic recovery package, the overall economy will need to benefit from actions already in place, such as financial regulatory controls, and proposals to extend the payroll tax reduction; taxing multi-nationals, while rewarding companies that maintain jobs here rather than abroad; stabilizing energy prices, food and health care costs, in conjunction with the Federal Reserve Quantitative Easing policy, such as investing into longer term bonds to lower or steady interest rates. Improvements were achieved during 2011 in the Gross Domestic Product, employment and business spending, but the growth did not accelerate as it normally has during past recoveries. If the federal government responds with a unified approach, there is cautious optimism of a strengthened economy at the end of the next twelve months, realizing continued improvements in those same areas. 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, particularly in clean energy, infrastructure investment, small business capital, technology and nanotechnology.

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 tax base strengthened by those objectives.

Major Initiatives**General Government:**

The town completed extensive 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. The Town was awarded a \$50,000 Community Investment Act state grant to fund renovations to its second floor finance office and mezzanine. A \$90,000 designation of available Town Capital Nonrecurring funds for these renovations was also approved. During the fiscal year \$16,165 of State LOCIP grant funds were expended to replace the roof at the Town Hall Annex building.

Americans with Disabilities Act (ADA) improvements to town facilities continued, and will proceed with available funds of \$102,272. 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.

A \$60,000 appropriation to provide for the acquisition and development of a Geographical Information System (GIS) was completed in the prior year and was complemented by a \$23,000 recent appropriation to purchase compatible equipment. During the current fiscal year, an optical fiber infrastructure project was completed at a cost of \$186,576. The Town Council also authorized \$55,000 for building renovations to 55 West Main Street to house the planning, engineering and economic development coordinator offices. These renovations are currently underway.

Community Development:

In a continued effort to support and initiate interest in economic development in town, \$20,382 was appropriated to the Economic Development special revenue fund during the year to finance targeted advertising. 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. The appropriation for fiscal year 2011/12 was increased to \$49,382 to support the Downtown Association and enhance marketing 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.

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. To facilitate this project, the Town established the RMRP Corporation, a separate non-profit entity, to which property liens were assigned, and in turn, Loom City Lofts, a developer secured the liens and obtained title to the property. This work was initiated in January of 2010 and was completed September 2011.

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 was completed.

The Town is in the eighth 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 \$3,248 was expended this past fiscal year, with \$328,445 as the available balance. On June 1, 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 will be utilized in fiscal year 2010/11.

During the current and past fiscal year, 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 158 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 2008	\$803,997
December 31, 2009	\$120,129
December 31, 2010	\$44,341

The Town recently and utilized several federal grants totaling \$156,309 for two police department vehicles, digital video equipment and in-car laptops and cameras; as well as partial grant funding for a hybrid vehicle purchased in the prior year. A \$2,826 federal grant was received in the current year to fund DUI enforcement equipment during the fiscal year. The Town was also recently awarded a \$300,000 COPS Tech grant to fund a digital Police radio system. The Town Council approved \$13,500 for a license plate recognition system; and \$44,000 for remediation of the police firing range. Recent prior year completed projects at the police department include town funding for an evidence room and photo lab, replacement of its emergency generator and installation of digital time clocks.

Roof replacement and bathroom renovations at the Hartford Turnpike company #1 fire station were recently completed at a cost of \$36,241. The fire department also utilized a recent additional appropriation of \$45,000 for "jaws of life" and related equipment. This equipment has already proven invaluable in recent emergency rescues. The town received two federal grant awards of \$89,568 and \$195,435 to fund the purchase of an emergency generator at Vernon Center Middle School (recently used during the October 29, 2011 snow storm, which resulted in an area power outage of 10 days) and to purchase firefighting and protective equipment. In addition, Emergency Management recently expended two federally funded equipment grants totaling \$16,716. Prior year grants have funded other firefighter, ambulance and emergency management equipment and fire station improvements. From February, 2011 to November, 2011, a period of nine months, a combination of snow storms and natural disasters, which included, February storms that burdened school and town roofs with over fifty-four inches of snow and ice; Hurricane Irene and the October Storm Alfred, commenced Emergency Operations Center response for each incident. In total, approximately \$4,698,000 of costs were incurred, including debris removal costs due to Storm Alfred of an estimated \$3,419,000. The Town is diligently pursuing funding support from insurance claims and FEMA, to help offset those costs.

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 since then the Town has 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 a final issuance of \$3,755,000 on April 12, 2011. The authorizations / expenditures are as follows:

Project	Amount Authorized	Expended Current Year	Expended Cumulative
Roads; sidewalks; and bridge reconstruction	\$ 19,103,000	\$ 195,459	\$ 16,131,817
Improvements to waste treatment plant	1,295,000	-	-
Improvements to sewer system	1,211,000	-	1,055,536
Issuance costs		27,599	181,800
Accrued note interest		7,835	712,745
Total:	\$ 21,609,000	\$ 230,893	\$ 18,081,898

The roadway improvements include the reconstruction / repaving of 22 town roads, replacement of sidewalks, and the renovation of two (2) bridges, 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 2011, the roadway improvement program is 97% complete. To address the rising pavement costs, the Town applied for offsetting grants, and was been awarded a \$500,000 DECD CDBG grant to upgrade High Street and two DECD CDBG grants totaling \$750,000 to upgrade Prospect Street. The efforts from the Vernon Department of Public Works to complete several road projects, has saved the Town considerable costs.

In addition to the roadway improvement expenditures incurred by the Public Bond Improvements Fund above, the town's Town Aid Road special revenue fund expended \$157,094 during the year, including \$82,574 for paving and crack sealing of various town roads. In the Town's Capital Nonrecurring Fund, \$941,000 was authorized in the prior-year end for roadway repairs and improvements. Of this authorized amount, \$141,000 was funded by a state LOCIP grant and \$800,000 was funded by an additional appropriation. Roadway expenditures of \$856,541 were incurred during the fiscal 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 \$1,944,150 replacement cost of the Spring Street Bridge and an 80% federal / 20% state grant provided funding for the \$1,573,953 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** will be provided by an 80 % federal / 10% state grant amounting to \$1,251,000. The 10% local match will be 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 \$41,255 for this bridge were incurred during the fiscal year with available Town Capital and Non-Recurring Funds, and reconstruction costs, commencing late in the fiscal year totaled \$12,612. Replacement construction is expected to be completed in the spring of 2012.

The Vernon Avenue Bridge was completed during 2010, with final design costs of \$144,227 and construction costs of \$1,270,211. The project was funded by two 80% reimbursable federal grants, with local funds required for the 20% match.

Design costs, estimated at \$240,000, for the **West Main Street Bridge** are 80% federally funded and 20% locally funded through the Public Bond Improvements Fund. \$121,570 has been expended to date. The reconstruction costs are estimated at \$2,160,000; there is an 80% federal grant award anticipated and an \$845,000 authorization is included in the Public Bond Improvements Fund for design and reconstruction costs, which may be used to cover the local portion. Construction is anticipated for 2012.

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 and current 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. In the current year, an additional authorization of \$285,000 was approved to purchase additional refuse and recycling totes. These costs are to be reimbursed to the Fund from the General Fund in ensuing 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. An additional re-designation of \$60,000 was used to construct a new transfer station compactor to handle the additional recyclable collections. In addition, 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 2010-2011, 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. In the current year, the town purchased a new hybrid vehicle from a \$32,985 Town Capital Non-Recurring Fund authorization. Grant funds from the State Clean Fuel Program are being sought to partially fund the hybrid purchase price of \$30,965. Also, in the current year, a master lease is being considered for the purchase of several town vehicles, including two fire pumper trucks, a heavy duty fire rescue truck, and an automated side loader truck for the refuse/recycling program. In the prior fiscal year, the town purchased an Animal Control vehicle (\$19,898), a used backhoe for Parks and Recreation (\$44,725), three police cruisers (\$67,500), a used fire department vehicle (\$2,495), a fire department trailer (\$3,633), a trailer for park and recreation (\$3,789) and eleven GPS chemical control units for use in snow / ice removal (\$90,036). Other recent acquisitions include three (3) new dump trucks, one (1) refuse packer, a sweeper, vac-all and a recycling truck. These items were incorporated into lease purchases agreements that were prepaid entirely last fiscal year.

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. The current reserve balance in the Fund is \$80,000.

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 \$21,959,000, with 29% or \$6,368,110 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 \$2,725,839, 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 are now complete. 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 continued during the current year. Project work is not anticipated to commence in Vernon until 2012.

Parks and Recreation:

Recreation programs remain very popular with our residents as demand and participation increases. The town has 579 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 were nearly completed at fiscal year-end with \$542,324 expended to date. Park improvements at the Valley Falls Nature Center, funded by state LoCIP grants, continued and are nearing completion.

A \$300,000 State of Connecticut Contingency Needs grant to fund design and renovations at the Community Arts Center commenced in a prior year and has been fully utilized. An additional \$1,500,000 state Urban Act grant was also awarded for construction renovations to the Arts Center. The project is scheduled for completion in the Spring of 2012. Work continued and was completed on the Rockville Downtown and Train Depot and Mill rails-to-trails projects, which are funded by two federal grants totaling \$51,870. Three tree grants totaling \$7,167 have been expended to fund replacement of historic trees at Talcott and Henry Parks and at Center 375. In the 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, \$3,030 was expended during the current year. Also in the current year, the Parks Department expended \$11,400 for new refuse and recycling receptacles.

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 and \$715,112 of improvements at Rockville Central Park, funded by federal and state grants. In the prior year, a \$283,000 state grant funded restorations at the Vernon Historical Society Grange.

Education:

On March 29, 2005, voters approved three referenda questions for the renovations to school buildings and facilities and since then the Town has 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. Bond anticipation notes of \$4,220,000 were issued on April 12, 2011 and mature on April 11, 2012. It is intended that the outstanding notes will be permanently financed in April 2012 and/or retired by State of Connecticut school construction payments.. The authorizations and expenditures are as follows:

Project	Amount Authorized	Expended Current Year	Expended Cumulative
Rockville High School - Additions & renovations	\$ 34,657,000	\$ 2,363,724	\$ 30,611,581
Vernon Center Middle School - Renovations	11,519,000	54,650	10,781,703
Center Road School	4,420,600	34,665	4,280,467
Lake Street School	5,828,800	3,061	4,956,649
Maple Street School	3,743,200	16,030	2,642,266
Northeast School	3,556,000	10,746	2,932,058
Skinner Road School	4,597,400	2,972	4,010,659
Total Elementary Schools - Additions and renovations	22,146,000	67,474	18,822,099
Issuance costs		73,487	329,916
Accrued note interest		57,996	1,070,063
Total:	\$ 68,322,000	\$ 2,617,331	\$ 61,615,362

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, 2011, is \$25,766,961.

In addition to the school bond improvement authorization, a \$337,186 appropriation in the Education Capital Non-recurring Expenditure Fund to repair and repoint the Board of Education administration building was completed during the year. Prior year-end and current year-end transfers of \$394,000 and \$53,306, respectively, from the fiscal year 2009/10 and 2010/11 education operating budgets to the Education Capital Non-recurring Fund provide current available resources for future education projects totaling \$447,434. Of the \$394,000, \$125,000 has been designated by the Town Council for three school projects as follows: \$25,000 for Center Road School gym wall repointing; \$50,000 for the Center Road School bridge roofs replacement; and \$50,000 for Rockville High School bathroom repairs. In addition, \$76,350 of available funds in the Education Capital Non-recurring Fund were authorized and expended to repave the Board of Education parking lot.

Long-Term Financial Planning

The Town issued a \$3,755,000 general obligation bond in April, 2011 to permanently finance \$2,155,000 of public improvements and \$1,600,000 of school facility improvements. In April, 2012, it is planned that the \$4,220,000 of outstanding short-term bond anticipation notes for school facilities will be permanently funded by a final general obligation bond and/or retired by State of Connecticut school construction payments. Also during the fiscal year, a capital lease was prepaid and capital leases totaling \$106,412 were issued to acquire two police vehicles and an asphalt reclaimer box.

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 with the exception of the implementation of GASB 54 and the new fund balance policy and related financial statement presentation. 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, 2010. 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 sixteen 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

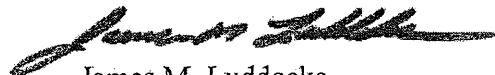
The preparation of this report on a timely basis could not have been accomplished without the professional, efficient services of the dedicated members of the Finance Department. The preparation of a Comprehensive Annual Financial Report requires a major effort and I would like to extend special recognition 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 J. H. Cohn, 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, 2010

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.



Linda C. Davidson

President

Jeffrey R. Emer

Executive Director

Financial Section

REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

Town Council
Town of Vernon, Connecticut

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, 2011, 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, 2011, and the respective changes in financial position and cash flows, where applicable, 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 February 1, 2012, 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 and Other Post Employment Benefit Plans, Schedule of Funding Progress, and Schedule of Employer Contributions on Pages 22 through 36 and Pages 96 through 109, 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 basic financial statements. The combining and individual nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual nonmajor fund financial statements 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 basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the 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 basic financial statements as a whole.

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

J H Cohn LLP

Farmington, Connecticut
February 1, 2012



OFFICE OF THE
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TOWN OF VERNON

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MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED JUNE 30, 2011

This discussion and analysis of the Town of Vernon, Connecticut's (Town) financial performance is provided by management to provide an overview of the Town's financial activities for the fiscal year ended June 30, 2011. 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 \$1.212 million, or 7.84%; while net assets of our governmental activities increased by \$2.08 million, or 1.97%.
- During the year, the Town generated taxes and revenues that were \$2.08 million more than the \$95.359 million in expenses and transfers for governmental activities.
- In the Town's business-type activities, revenues increased to \$7.04 million (increase of 12.8%) while expenses increased to \$5.83 million (increase of 2.52%).
- Total combined cost of Town governmental and business activities increased by \$4.01 million from \$97.18 million to \$101.19 million.
- The General Fund reported a fund balance this year of \$11.08 million, inclusive of unassigned fund balance in the amount of \$8.96 million.
- On April 12, 2011, bond anticipation notes of \$4.220 million were issued for improvements to school facilities; and a fifteen-year bond issue of \$3.755 million, maturing April 1, 2026, allocated as follows: \$2.155 million for public improvements and \$1.600 million for improvements to school facilities.
- The resources available were \$651 thousand more than expenditures for the General Fund. This was accomplished by effectively managing appropriations by means of spending and hiring controls, increased collection in building permits and the collection of current and prior taxes.
- The tax collection rate against the original levy was 98.7%.

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 are presented in Exhibits C to J. 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 \$120.9 million to \$124.1 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.

JUNE 30, 2011 AND 2010 In Thousands						
	Governmental Activities		Business-Type Activities		Total	
	2011	2010	2011	2010	2011	2010
Current and other assets	\$ 27,644	\$ 27,439	\$ 6,644	\$ 5,312	\$ 34,288	\$ 32,751
Capital assets, net of accumulated						
depreciation, as restated	153,443	152,221	11,053	11,344	164,496	163,565
Total assets	181,087	179,660	17,697	16,656	198,784	196,316
Non-current liabilities						
outstanding	58,656	59,189	405	765	59,061	59,954
Other liabilities	14,954	15,074	626	437	15,580	15,511
Total liabilities	73,610	74,263	1,031	1,202	74,641	75,465
Net assets:						
Invested in capital assets,						
net of related debt	95,834	93,272	11,053	11,344	106,887	104,616
Restricted	4,910	7,961	-	-	4,910	7,961
Unrestricted	6,733	4,164	5,613	4,110	12,346	8,274
Total Net Assets	\$ 107,477	\$ 105,397	\$ 16,666	\$ 15,454	\$ 124,143	\$ 120,851

Governmental Activities

Net assets of the Town's *governmental activities* increased by \$2.08 million or 1.97%, (\$107.477 million compared to \$105.397 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 \$4.164 million, at June 30, 2010, to \$6.733 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) The increase of \$205 thousand in current and other assets is primarily due to the \$211 increase in restricted assets of the town's permanent funds.
- 2) Capital assets, net of accumulated depreciation, increased by \$1.222 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 \$533 thousand, including reductions of \$690 thousand in long-term debt, \$178 thousand in compensated absences and retirement obligations, \$73 thousand in claims payables, offset by an increase to the Net Other Post Employment Benefit Obligation of \$408.
- 4) Current liabilities decreased by \$120 thousand, due to an approximate \$1.3 million increase in the current portion of long-term debt, offset by a reduction to accounts, retirement and other payables of approximately \$1.2 million and further offset by an approximate \$204 thousand decrease in unearned revenue.

The largest portion of the Town's net assets, \$95.834 million or 89.17%, 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, \$4.910 million or 4.57%, represents resources that are subject to restrictions on how they may be used.

Business-Type Activities

In 2011, the net assets of *business-type activities* increased by \$1.212 million or 7.84%, (\$16.666 million compared to \$15.454 million). The majority of this change includes an increase in sewer use charges of \$459 thousand, due primarily to a significant increase in treated flow, the result of a very hot summer, receipt of an energy rebate of \$380 thousand, net of an increase in expenses from the prior year of \$120 thousand. Center 375 expenses increased by \$23 thousand from the prior year, contributing to the Fund's \$50 thousand decrease in net assets.

Although there are unrestricted net assets of \$5.613 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 \$104.479 million. The total cost of all programs and services was \$101.187 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	
	2011	2010	2011	2010	2011	2010
Revenues:						
Program revenues:						
Charges for services	\$ 4,447	\$ 4,562	\$ 6,654	\$ 6,195	\$ 11,101	\$ 10,757
Operating grants and contributions	30,020	30,313			30,020	30,313
Capital grants and contributions	2,770	3,850			2,770	3,850
General revenues:						
Property taxes	57,509	54,100			57,509	54,100
Grants and contributions not restricted to specific programs	1,223	1,259			1,223	1,259
Investment income	282	192	6	10	288	202
Miscellaneous	1,188	900	380		1,568	900
Transfers				36	-	36
Total revenues	97,439	95,176	7,040	6,241	104,479	101,417
Program expenses:						
General government	5,633	6,003			5,633	6,003
Community and development	2,058	1,632			2,058	1,632
Public safety	12,481	12,144			12,481	12,144
Maintenance and development	10,406	9,435			10,406	9,435
Human services	1,404	1,446			1,404	1,446
Park, recreation, and culture	2,611	2,487			2,611	2,487
Education	58,846	56,255			58,846	56,255
Interest on long-term debt	1,920	2,056			1,920	2,056
Sewer			5,608	5,488	5,608	5,488
Rental			220	197	220	197
Transfers		36			-	36
Total program expenses	95,359	91,494	5,828	5,685	101,187	97,179
Increase (decrease) in net assets	\$ 2,080	\$ 3,682	\$ 1,212	\$ 556	\$ 3,292	\$ 4,238

Governmental Activities

As noted earlier, net assets from governmental activities increased \$2.08 million. Since the Town began preparing a statement of net assets as of June 30, 2003, this is the sixth increase in the nine-year period.

On the revenue side, key factors to the overall increase were as follows:

- Property tax revenues, which comprises 59.0% of the Town's governmental activities revenues, increased as a result of the increase in the adopted budget and related levy to fund the increased appropriations.
- Charges for services decreased by \$115 thousand, due to decreases in town clerk receipts of \$89 thousand, ambulance emergency medical service fees of \$27 thousand, education tuition receipts of \$75 thousand, offset partially by increases of \$63 thousand in building permits and \$20 thousand in parks program charges.
- Operating grants and contributions decreased by \$293 thousand, a result of a decrease in grant funded costs of improvements paid by the town on behalf of non-town owned properties, although there were increases to special education grants of \$217 thousand and to cafeteria grants of \$66 thousand.
- Capital grants and contributions decreased by \$1.08 million due primarily to a reduction in bridge and road reconstruction and school construction, offset by grant funded park improvements.
- Unrestricted investment earnings increased by \$90 thousand, reflecting an increase in the market value of invested assets.

For governmental activities, expenses increased \$3.865 million, or 4.22%, from the previous year. Of the total expenses of \$95.359 million, 61.7% are for educational services; 13.1% for public safety; 10.9% for maintenance and development; and 5.9% for general government.

Major expense factors include:

- The cost of educational services increased by \$2.591 million due primarily to increased instructional costs of \$928 thousand, special education costs of \$822 thousand and benefit costs of \$790 thousand.
- General government costs decreased by \$370 thousand, due primarily to the transfer, disposal and depreciation of general government capital assets.
- Public safety costs increased by \$337 thousand for police and traffic authority operating costs, increased police pension and other post employment benefit costs, offset partially by reduced fire and ambulance benefit costs.
- Maintenance and development costs increased by \$971 thousand due to a significant increase in snow removal costs of \$456 thousand, offset partially by decreased refuse and recycling collection expenses of \$169 thousand.
- Interest on long-term debt decreased by \$136 thousand.

Table 3 presents the cost of each of the Town's five largest programs — education, public safety, town wide, (which includes items such as benefits and property insurance), maintenance and development of streets and buildings, general government administration, 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.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

TABLE 3
GOVERNMENTAL ACTIVITIES
In Thousands

	Total Cost of Services		Net Cost of Services	
	2011	2010	2011	2010
Education	\$ 58,846	\$ 56,255	\$ 28,579	\$ 25,552
Public safety	12,481	12,144	11,177	10,832
Maintenance and development	10,406	9,435	8,315	6,274
General government	5,633	6,003	4,415	4,661
Interest on long-term debt	1,920	2,056	1,562	1,698
All others	6,073	5,601	4,074	3,716
Totals	\$ 95,359	\$ 91,494	\$ 58,122	\$ 52,733

Business-type Activities

Revenues of the Town's business-type activities (see Table 2) increased by 12.80 percent, or \$799 thousand, (\$7.04 million in 2011 compared to \$6.24 million in 2010) and expenses increased by 2.52 percent or \$143 thousand. The factors influencing these results: There was an increase in sewer use charges of \$459 thousand, the result of increased flows due to a very hot summer, an energy rebate receipt of \$380 thousand, which nets to \$344 thousand as compared to miscellaneous revenue and transfers in 2010; offset by a decrease of \$4 thousand in investment income.

An increase in expenses of \$143 thousand is comprised of a decrease in utility costs of \$244 thousand, offset by increases in depreciation expense of \$48 thousand, wage and benefit costs of \$143 thousand and of \$206 thousand in other operating costs including repair and maintenance, supplies and materials and general and administrative. The Fund also experienced a loss of disposal of capital assets of \$9 thousand.

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 \$15.57 million, which is an increase of \$1.05 million from last year's total. Of total fund balance, \$8.98 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 \$651 thousand in the Town's General Fund. The unassigned fund balance, which assigned \$33 thousand for encumbrances less than the prior year, reflects an overall increase of \$684 thousand. The unassigned fund balance of the General Fund at June 30, 2011 is \$8.955 million, which represents 11.29% 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 Public Bond Improvement and School Bond Improvement Funds, totaled \$1,924,275 for the fiscal year due to project bond and other proceeds exceeding expenditures. The resulting fund balance deficit totaling \$4,042,668 (School Bond Improvement Fund) will be funded by future bonding and intergovernmental revenues. 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 a decrease of \$261 thousand, with net increase in fund balance of \$32 thousand in the Ambulance Medical Services, \$94 thousand in the Sewer Connection, \$50 thousand in the Town Aid Road and \$53 thousand in the Cafeteria and decreases in fund balances of \$14 thousand in the Parks and Recreation and \$486 thousand in the Sewer Assessments Funds. The Nonmajor Capital Projects Fund had a decrease of \$1.470 million including a decrease in fund balance in the Education Capital Non-Recurring Fund of \$199 thousand and a decrease in fund balance in the Town Capital Non-Recurring Fund of \$1.271 million. Design and construction costs of the other Nonmajor capital projects funds were fully funded by federal and state grants; and the Permanent Trust Fund increased by \$212 thousand due primarily to investment performance in the cemetery and school memorial trusts.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

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 that amounted to a \$1.176 million 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 \$1.226 million. This increase is a result of increased fees of \$459 thousand and an energy rebate of \$380 thousand, net of an increase in expenses of \$139 thousand, including increased wages and benefits of \$154 thousand. The October 1, 2010 sewer user rate was not increased from the October 1, 2009 rate of \$5.69 per 1,000 gallons of metered water, however, a significant increase in treated flow resulted in additional revenue. The October 1, 2011 sewer user rate was not increased. The plant is in the fourteenth 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 \$50 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 increased by \$181 thousand primarily as a result of a \$187 capital contribution. 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, 2011, revenues exceeded expenses by \$160 thousand, decreasing the prior year net assets deficit from \$1.066 million to a deficit of \$906 thousand. Sustaining the revenue was a one-time transfer in of \$429 thousand from the Sewer Assessment Fund. Claims incurred for fiscal year 2010/11 increased from the prior year from \$431 thousand to \$687 thousand. 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, 2011, net assets were \$235 thousand, an increase of \$204 thousand from the prior year, primarily due to a 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 \$3.902 million. Included in that amount is \$1.759 million of encumbrances carried forward from the previous fiscal year, of which \$1.553 million were expended and \$206 thousand liquidated and re-appropriated; and \$2.143 million of current year budget amendments that can be classified as follows:

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

Pass-through additional appropriations are those supported by revenue and other sources, amounting to \$1.287 million during the year, with the majority of that amount, \$982 thousand related to excess special education grants and school use activities; \$153 thousand for collections remitted to the state of Connecticut by the Town Clerk for the farmland and historic preservation act; \$14 thousand for youth service part-time wages; \$124 thousand in police special services pay; and \$14 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 \$856 thousand were taken from net assets for items such as emergency management equipment, \$26 thousand; other capital improvements, \$89 thousand (including \$12.5 thousand for demolition), legal fees, \$136 thousand; firefighting vehicle repairs, \$15 thousand; park maintenance costs, \$20 thousand; and miscellaneous costs, \$31 thousand. There were also additional appropriations for snow removal and related equipment maintenance amounting to \$539 thousand, of which subsequent funding of \$342 thousand from insurance proceeds and federal relief offset those costs.

Actual final expenditures totaled \$80.38 million and can be summarized as follows. The budgetary unexpended, unencumbered resulted in a favorable amount of \$441 thousand. Contained within this amount are favorable variances of \$79 thousand in general government; \$40 thousand for police; \$66 thousand for public works; \$15 thousand for parks and recreation maintenance; \$20 thousand for FICA and \$92 thousand for group insurance, the result of applicable wages and employment, due primarily to not replacing vacancies; firefighting had a \$59 favorable variance, primarily due to a \$46 thousand favorable variance in the required employer LOSAP contribution; other favorable variances include \$15 thousand for municipal insurance; and \$9 thousand for youth and senior services. The Town's General Government implemented a conditional hiring freeze to address the significant snow removal costs; and wages for compensated absences and four days of a fifty-third pay week combined for \$344 thousand that required additional funding over the original budget. 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 \$2.312 million due to favorable (unfavorable) variances in the following categories: special education excess expenditure grants of \$975 thousand; with all other intergovernmental revenue above original estimates by \$105 thousand, comprised mostly of \$80 thousand from FEMA for snow removal relief. Other revenues in excess of estimates include \$479 thousand in tax collections due to effective pursuit of current and prior taxes; charges for services were above estimates by \$368 thousand due in most part to the farmland preservation surcharge, \$153 thousand, police special services, \$187 thousand, and school use fees, \$37 thousand, which in turn are appropriated to cover the respective costs. Town Clerk recording fees were below projections by \$36 thousand. Licenses and permits were above projections by \$76 thousand due to increased building permits. The decrease in interest rates produced a shortfall of (\$25) thousand in investment income and transfers in from other funds were above original estimates by \$42 thousand, due to accumulated bond interest from capital projects. Other revenue, which includes items such as insurance reimbursements and proceeds from the sale of property, exceeded estimates by \$291 thousand due primarily to snowstorm damage insurance receipts.

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 \$3.865 million. This amount represents the on-behalf payments of the State of Connecticut contributions to the Teachers' Retirement System.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2011, the Town had \$164.5 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 \$932 thousand, or .57%, over last year.

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

	Governmental Activities		Business-Type Activities		Total	
	2011	2010	2011	2010	2011	2010
Land	\$ 8,382	\$ 8,382	\$ 1,268	\$ 1,268	\$ 9,650	\$ 9,650
Construction in progress	83,864	81,200		611	83,864	81,811
Intangible - computer software	171	329	41	45	212	374
Buildings and improvements	23,444	24,331	1,626	1,755	25,070	26,086
Improvements other than building	1,774	1,946	52	58	1,826	2,004
Machinery and Equipment	7,979	9,222	2,322	1,660	10,301	10,882
Infrastructure	27,829	26,810	5,744	5,947	33,573	32,757
Total	\$ 153,443	\$ 152,220	\$ 11,053	\$ 11,344	\$ 164,496	\$ 163,564

Additions to total capital assets for the 2010-11 year were \$5.508 million net of construction-in-progress reductions. Deductions to capital assets include \$4.566 million in depreciation expense and \$10 thousand in the disposal of capital assets. Construction-in-progress of \$83.864 million is for the following (in thousands):

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

Capital Assets (continued)

Road & bridge reconstruction projects	\$	20,958
Animal control facility expansion		46
School additions & renovations		60,901
Park improvements		917
Town office improvements		61
Sewer system improvements		981
		<u>981</u>
Total Construction-in-Progress		<u><u>\$83,864</u></u>

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

Long-term debt

At June 30, 2011 the Town had \$55.326 million in bonds, notes, and lease purchase obligations outstanding versus \$55.238 million last year, an increase of \$88 thousand or .16% - as shown in Table 5.

TABLE 5 OUTSTANDING DEBT, AT YEAR-END In Thousands						
	Governmental Activities		Business-Type Activities		Total	
	2011	2010	2011	2010	2011	2010
General obligation bonds (backed by the Town)	\$ 46,555	\$ 44,840	\$ -	\$ -	\$ 46,555	\$ 44,840
Promissory notes	8,696	10,210	-	-	8,696	10,210
Lease purchases	75	188	-	-	75	188
Totals	<u>\$ 55,326</u>	<u>\$ 55,238</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 55,326</u>	<u>\$ 55,238</u>
Bond anticipation notes	<u>\$ 4,220</u>	<u>\$ 3,710</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,220</u>	<u>\$ 3,710</u>

Long-term debt principal payments of \$3.77 million were made during the year.

The Town's Aa2 general obligation bond rating was reviewed and reaffirmed by Moody's Investors on March 23, 2011, as part of a recalibration to a global rating scale. The Town's rating prior to May 1, 2010 was A-1. The Aa2 rating is not an upgrade, according to Moody's, but in essence an equivalent rating which has been assigned and re-affirmed to the Town's debt since 1994.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

Long-term debt (continued)

The State limits the amount of general obligation debt that towns 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 \$401.8 million state-imposed limit.

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

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The Town's elected and appointed officials considered many factors when setting the fiscal-year 2011-2012 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 8.4%, unchanged from a year ago. This compares with the State's unemployment rate of 9.1% and the national rate of 9.3 %.

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 3.36% for fiscal year 2011 compared with the average U.S. town rate of 3.56%.

These indicators were taken into account when adopting the General Fund budget for fiscal year 2012. Total appropriations in the General Fund budget are \$79.294 million, an increase of \$572 thousand over the original 2011 budget. Property taxes, supported by the growth of 1.05% in the net taxable assessed valuation, total \$57.103 million, a revenue increase of \$195 thousand from 2011 levels. In the next fiscal year, the estimated aid from the State of Connecticut is expected to increase by \$195 thousand to \$19.826 million, representing 25.0% 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 capital improvements and debt service constitute the major increases in the 2011-12 budget, as the General Government and Education sections of the budget combined for a \$195 thousand decrease. Within those sections is increased aid for technology and community development. 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 sharing of employees between several general government offices; and the implementation of automated refuse and recycling services. 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 2010-11 through prudent, conservative fiscal management without a serious interruption of services. The 2011-12 Town budget experienced an overall 0.73% increase in appropriations with a decrease of .12 mils in the tax rate from 30.02 to 29.90.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

Understanding the economic conditions; the anticipation of a new bond issue and master lease for rolling stock; and a modest increase in revenue other than taxes, a decrease in the operational budget was accomplished. 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.

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, 2011

	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL
<u>ASSETS</u>			
Current assets:			
Cash.....	\$ 12,325,128	\$ 65,570	\$ 12,390,698
Investments.....	7,915,066	4,936,444	12,851,510
Receivables (net):			
Property taxes.....	837,138		837,138
Intergovernmental.....	2,341,263		2,341,263
Other.....	1,962,282	1,242,823	3,205,105
Internal balances.....	(398,871)	398,871	-
Other assets.....	91,015		91,015
Total current assets.....	25,073,021	6,643,708	31,716,729
Noncurrent assets:			
Restricted assets (permanent):			
Cash.....	100,818		100,818
Investments.....	1,808,558		1,808,558
Total restricted assets.....	1,909,376	-	1,909,376
Receivables (net):			
Property taxes.....	546,517		546,517
Intergovernmental.....	115,843		115,843
Total receivables (net).....	662,360	-	662,360
Capital assets (net of accumulated depreciation):			
Land.....	8,381,925	1,267,840	9,649,765
Construction in progress.....	83,863,666		83,863,666
Intangible assets (net of accumulated amortization).....	170,827	40,672	211,499
Buildings and improvements.....	23,444,384	1,626,542	25,070,926
Improvements other than buildings.....	1,773,451	51,732	1,825,183
Machinery and equipment.....	7,978,886	2,321,958	10,300,844
Infrastructure.....	27,829,481	5,743,887	33,573,368
Total capital assets (net of accumulated depreciation).....	153,442,620	11,052,631	164,495,251
Total noncurrent assets.....	156,014,356	11,052,631	167,066,987
TOTAL ASSETS.....	181,087,377	17,696,339	198,783,716

(Continued)

TOWN OF VERNON, CONNECTICUT

STATEMENT OF NET ASSETS
JUNE 30, 2011

	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL
<u>LIABILITIES</u>			
LIABILITIES:			
Current liabilities:			
Accounts payable.....	\$ 2,445,139	\$ 515,527	\$ 2,960,666
Accrued payroll and related liabilities.....	748,115		748,115
Accrued interest payable.....	711,323		711,323
Unearned revenue.....	7,613		7,613
Bond anticipation notes.....	4,220,000		4,220,000
Bond and notes payable.....	4,395,261		4,395,261
Capital lease payable.....	29,286		29,286
Compensated absences.....	1,035,779	110,231	1,146,010
Retirement obligations.....	784,611		784,611
Claims payable and other.....	577,178		577,178
Total current liabilities.....	14,954,305	625,758	15,580,063
Noncurrent liabilities:			
Bonds and notes payable and related liabilities.....	50,855,338		50,855,338
Capital lease payable.....	46,109		46,109
Compensated absences.....	3,164,264	370,252	3,534,516
Retirement obligations.....	2,464,152		2,464,152
Claims payable and other.....	736,922		736,922
Net OPEB obligation.....	1,389,331	34,707	1,424,038
Total noncurrent liabilities.....	58,656,116	404,959	59,061,075
TOTAL LIABILITIES.....	73,610,421	1,030,717	74,641,138
<u>NET ASSETS</u>			
Invested in capital assets, net of related debt.....	95,834,210	11,052,631	106,886,841
Restricted for:			
Endowments:			
Nonexpendable.....	1,909,376		1,909,376
Community development.....	361,873		361,873
Maintenance and development.....	2,103,563		2,103,563
Education.....	534,712		534,712
Unrestricted.....	6,733,222	5,612,991	12,346,213
TOTAL NET ASSETS.....	\$ 107,476,956	\$ 16,665,622	\$ 124,142,578

(Concluded)

TOWN OF VERNON, CONNECTICUT

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2011

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.....	\$ 5,633,603	\$ 821,502	\$ 4,683	\$ 392,435	\$ (4,414,983)	\$	\$ (4,414,983)
Community development.....	2,057,937	9,434	633,009		(1,415,494)		(1,415,494)
Public safety.....	12,480,725	1,254,690	49,276		(11,176,759)		(11,176,759)
Maintenance and development.....	10,405,706	569,932	117,469	1,403,023	(8,315,282)		(8,315,282)
Human services.....	1,403,991				(1,403,991)		(1,403,991)
Parks, recreation and culture.....	2,610,713	712,592	643,841		(1,254,280)		(1,254,280)
Education.....	58,846,481	1,078,802	28,213,875	975,040	(28,578,764)		(28,578,764)
Interest on long-term debt.....	1,920,229		357,752		(1,562,477)		(1,562,477)
Total governmental activities.....	95,359,385	4,446,952	30,019,905	2,770,498	(58,122,030)	-	(58,122,030)
Business-type activities:							
Sewer user.....	5,607,772	6,484,860				877,088	877,088
Center 375 (building rental).....	220,378	169,113				(51,265)	(51,265)
Total business-type activities.....	5,828,150	6,653,973	-	-	-	825,823	825,823
Total.....	\$ 101,187,535	\$ 11,100,925	\$ 30,019,905	\$ 2,770,498	\$ (58,122,030)	\$ 825,823	\$ (57,296,207)
General revenues:							
Property taxes.....					\$ 57,508,605	\$	\$ 57,508,605
Grants and contributions not restricted to specific programs.....					1,223,183		1,223,183
Investment income.....					281,909	5,869	287,778
Miscellaneous.....					1,188,309	379,659	1,567,968
Total general revenues.....					60,202,006	385,528	60,587,534
Change in Net Assets.....					2,079,976	1,211,351	3,291,327
Net Assets at July 1, 2010.....					105,396,980	15,454,271	120,851,251
Net Assets at June 30, 2011.....					\$ 107,476,956	\$ 16,665,622	\$ 124,142,578

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

TOWN OF VERNON, CONNECTICUT

GOVERNMENTAL FUNDS
BALANCE SHEET
JUNE 30, 2011

	General	Debt Service	Public Bond Improvements	School Bond Improvements	Nonmajor Governmental Funds	Total Governmental Funds
ASSETS						
Cash	\$ 8,870,779	\$	\$ 1,306,796	\$ 37,583	\$ 1,742,944	\$ 11,958,102
Investments	2,436,623	1,229		6,191	5,862,382	8,306,425
Receivables (net):						
Taxes	1,370,094					1,370,094
Grants and other receivables	632,077			285,509	1,539,520	2,457,106
Other		1,861,809			9,479	1,871,288
Due from other funds	2,255,427		661,000		144,767	3,061,194
Inventory					32,145	32,145
Total Assets	\$ 15,565,000	\$ 1,863,038	\$ 1,967,796	\$ 329,283	\$ 9,331,237	\$ 29,056,354
LIABILITIES AND FUND BALANCES						
Liabilities:						
Accounts and other payables	\$ 1,327,943	\$	\$ 28,664	\$ 58,102	\$ 993,815	\$ 2,408,524
Accrued wages and benefits	748,115					748,115
Accrued interest payable				17,583		17,583
Due to other funds	804,219	1,229	1,548	76,266	1,090,010	1,973,272
Bond anticipation note payable				4,220,000		4,220,000
Deferred revenue	1,600,781	1,861,809			648,215	4,110,805
Unearned revenue	5,877				1,736	7,613
Total liabilities	4,486,935	1,863,038	30,212	4,371,951	2,733,776	13,485,912
Fund balances:						
Nonspendable					1,941,521	1,941,521
Restricted					3,000,148	3,000,148
Committed			1,937,584		2,099,885	4,037,469
Assigned	2,122,970				443,291	2,566,261
Unassigned	8,955,095			(4,042,668)	(887,384)	4,025,043
Total fund balances	11,078,065	-	1,937,584	(4,042,668)	6,597,461	15,570,442
Total Liabilities and Fund Balances	\$ 15,565,000	\$ 1,863,038	\$ 1,967,796	\$ 329,283	\$ 9,331,237	\$ 29,056,354

(Continued)

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

TOWN OF VERNON, CONNECTICUT

**RECONCILIATION OF FUND BALANCE
TO NET ASSETS OF GOVERNMENTAL ACTIVITIES
JUNE 30, 2011**

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).....	\$ 15,570,442
CAPITAL ASSETS USED IN GOVERNMENTAL ACTIVITIES ARE NOT FINANCIAL RESOURCES AND, THEREFORE, ARE NOT REPORTED IN THE FUNDS:	
Beginning capital assets.....	151,828,191
Current capital asset additions.....	5,077,078
Depreciation expense.....	(3,943,380)
Disposal and sale of capital assets.....	(2,887)
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.....	588,561
Property tax, sewer assessment, and community development block grant receivable - accrual basis change.....	4,110,805
Allowance for doubtful accounts.....	(575,000)
INTERNAL SERVICE FUNDS ARE USED BY MANAGEMENT TO CHARGE THE COST OF MEDICAL INSURANCE PREMIUMS TO INDIVIDUAL DEPARTMENTS:	
The assets and liabilities of the internal service funds are included in governmental activities in the statement of net assets.....	(344,613)
SOME LIABILITIES, INCLUDING BONDS PAYABLE, ARE NOT DUE AND PAYABLE IN THE CURRENT PERIOD AND, THEREFORE, ARE NOT REPORTED IN THE FUNDS:	
Bonds and notes payable.....	(46,555,000)
Accrued interest payable.....	(693,740)
State of Connecticut clean water notes.....	(8,695,599)
Compensated absences.....	(4,174,413)
Capital leases.....	(75,395)
Net OPEB liability.....	(1,389,331)
Retirement obligations.....	(3,248,763)
NET ASSETS OF GOVERNMENTAL ACTIVITIES.....	<u>\$ 107,476,956</u>

(Concluded)

TOWN OF VERNON, CONNECTICUT

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2011

	General	Debt Service	Public Bond Improvements	School Bond Improvements	Nonmajor Governmental Funds	Total Governmental Funds
Revenues:						
Property taxes	\$ 57,387,268	\$	\$	\$	\$	\$ 57,387,268
Intergovernmental	24,575,878			975,040	8,187,018	33,737,936
Assessments					51,769	51,769
Charges for services	1,888,071				2,561,414	4,449,485
Gifts and contributions		357,752			76,728	434,480
Income on investments	27,708	1,229	63	626	251,331	280,957
Other	739,529		1,000	60	395,951	1,136,540
Total revenues	84,618,454	358,981	1,063	975,726	11,524,211	97,478,435
Expenditures:						
Current:						
General government	3,047,360				6,131	3,053,491
Community development	210,671				1,743,089	1,953,760
Public safety	7,774,406				993,497	8,767,903
Maintenance and development	5,757,991				344,709	6,102,700
Human services	958,938				85,111	1,044,049
Parks, recreation and culture	1,343,872				714,203	2,058,075
Townwide	7,321,967					7,321,967
Education	52,089,429				6,001,245	58,090,674
Debt service	4,053,738	1,662,040	4,853	17,583		5,738,214
Capital outlay	109,587		223,059	2,559,335	2,873,063	5,765,044
Total expenditures	82,667,959	1,662,040	227,912	2,576,918	12,761,048	99,895,877
Excess (Deficiency) of Revenues over Expenditures	1,950,495	(1,303,059)	(226,849)	(1,601,192)	(1,236,837)	(2,417,442)
Other Financing Sources (Uses):						
Issuance of debt			2,155,000	1,600,000		3,755,000
Premium				39,712		39,712
Lease purchase of equipment					106,412	106,412
Transfers in	279,614	1,304,288		42,000	274,485	1,900,387
Transfers out	(1,578,773)	(1,229)	(50,050)	(34,346)	(664,518)	(2,328,916)
Total other financing sources (uses)	(1,299,159)	1,303,059	2,104,950	1,647,366	(283,621)	3,472,595
Net Change in Fund Balances	651,336	-	1,878,101	46,174	(1,520,458)	1,055,153
Fund Balances at July 1, 2010	10,426,729		59,483	(4,088,842)	8,117,919	14,515,289
Fund Balances at June 30, 2011	\$ 11,078,065	\$ -	\$ 1,937,584	\$ (4,042,668)	\$ 6,597,461	\$ 15,570,442

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, 2011**

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).....	\$ 1,055,153
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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.....	5,077,078
Depreciation expense.....	(3,943,380)
Total.....	1,133,698

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.....

	(2,887)
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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:

School building grant receipts.....	231,686
Change in property tax, sewer assessment, and community development block grant receivable - accrual basis change.....	(499,113)
Change in property tax and sewer assessment interest and lien revenue.....	40,425
Total	(227,002)

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.....	(3,755,000)
Capital lease.....	(106,412)
Net OPEB obligation.....	(407,677)
Principal repayments:	
General obligation bonds and notes payable.....	3,554,678
Capital lease payable.....	219,111
Total	(495,300)

(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, 2011**

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.....	\$ (79,839)
Retirement obligations.....	112,172
Accrued interest payable.....	<u>4,484</u>
Total	<u>36,817</u>
Internal Service Funds are used by management to charge costs of various self-insured risk premiums and Data Processing operation to individual departments.....	<u>578,545</u>
The net revenue of the activities of the Internal Service Fund is reported with governmental activities.....	<u>952</u>
CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES (EXHIBIT B)	<u>\$ 2,079,976</u>

(Concluded)

EXHIBIT F**TOWN OF VERNON, CONNECTICUT****STATEMENT OF NET ASSETS - PROPRIETARY FUNDS
JUNE 30, 2011**

	Business-Type Activities			Governmental Activities
	Sewer User	Center 375	Total	Internal Service Funds
Assets:				
Current assets:				
Cash	\$ 51,706	\$ 13,864	\$ 65,570	\$ 467,844
Investments	3,813,084	1,123,360	4,936,444	1,417,199
Receivables (net)	1,242,823		1,242,823	15,512
Prepaid Expense			-	58,870
Total current assets	5,107,613	1,137,224	6,244,837	1,959,425
Capital assets (net):				
Land and land improvements	838,180	645,711	1,483,891	
Buildings and plant	4,172,081	1,870,657	6,042,738	
Machinery and equipment	8,631,143	24,644	8,655,787	213,838
Infrastructure	10,519,700		10,519,700	186,576
Intangible - computer software	49,000		49,000	387,278
Accumulated depreciation	(14,391,031)	(1,307,454)	(15,698,485)	(304,074)
Capital assets (net)	9,819,073	1,233,558	11,052,631	483,618
Total assets	14,926,686	2,370,782	17,297,468	2,443,043
Liabilities:				
Current liabilities:				
Accounts and other payables	450,893	64,634	515,527	36,615
Claims payable			-	577,178
Due to other funds	39,734		39,734	1,042,902
Accrued compensated absences	110,231		110,231	13,116
Total current liabilities	600,858	64,634	665,492	1,669,811
Noncurrent liabilities:				
Claims payable			-	736,922
Accrued compensated absences	370,252		370,252	12,514
Net OPEB obligation	34,707		34,707	
Total noncurrent liabilities	404,959	-	404,959	749,436
Total liabilities	1,005,817	64,634	1,070,451	2,419,247
Net Assets:				
Invested in capital assets	9,819,073	1,233,558	11,052,631	483,618
Unrestricted	4,101,796	1,072,590	5,174,386	(459,822)
Total Net Assets	\$ 13,920,869	\$ 2,306,148	16,227,017	\$ 23,796
Adjustment to reflect the consolidation of internal service fund activities related to proprietary funds.....			438,605	
Net assets of Business-type activities (Exhibit A).....			\$ 16,665,622	

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

EXHIBIT G**TOWN OF VERNON, CONNECTICUT**

**STATEMENT OF REVENUES, EXPENSES AND CHANGES
IN FUND NET ASSETS - PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2011**

	Business-Type Activities			Governmental Activities
	Sewer User	Center 375	Total	Internal Service Funds
Operating Revenues:				
Charges for services	\$ 5,853,462	\$ 169,113	\$ 6,022,575	\$ 1,370,101
Gifts and contributions			-	2,310,949
Other:				
Septic fees	631,398		631,398	
Insurance reimbursements and other fees			-	69,330
Total operating revenues	6,484,860	169,113	6,653,973	3,750,380
Operating Expenses:				
Wages and benefits	2,229,121		2,229,121	362,423
Repairs, maintenance and rentals	297,633	22,191	319,824	148,969
Utilities	1,847,254	36,667	1,883,921	12,148
Supplies and materials	470,653	45,429	516,082	980
General and administrative	319,365	64,104	383,469	152,785
Claims incurred			-	3,045,126
Depreciation	478,844	43,303	522,147	100,007
Total operating expenses	5,642,870	211,694	5,854,564	3,822,438
Operating Income (Loss)	841,990	(42,581)	799,409	(72,058)
Nonoperating Revenues (Expenses):				
Transfers In			-	428,529
Investment income	4,330	1,539	5,869	952
Insurance and Other Reimbursements	379,659		379,659	
Loss on disposal of capital assets		(8,684)	(8,684)	
Net Nonoperating Revenues (Expenses)	383,989	(7,145)	376,844	429,481
Income (loss) before capital contribution	1,225,979	(49,726)	1,176,253	357,423
Capital contributed from government			-	186,976
Change in Net Assets	1,225,979	(49,726)	1,176,253	544,399
Net Assets at July 1, 2010	12,694,890	2,355,874		(520,603)
Net Assets at June 30, 2011	\$ 13,920,869	\$ 2,306,148		\$ 23,796
Adjustment to reflect the consolidation of internal service fund activities related to proprietary funds.....			35,098	
Net assets of Business-type activities (Exhibit B).....			\$ 1,211,351	

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, 2011

	Business-Type Activities			Governmental Activities
	Sewer User	Center 375	Total	Internal Service Funds
Cash Flows from Operating Activities:				
Service charges collected	\$ 5,653,263	\$ 169,113	\$ 5,822,376	\$ 1,379,580
Contributions collected			-	2,311,076
Other operating revenues collected	571,547		571,547	27,276
Cash payments for employee wages and benefits	(2,345,570)		(2,345,570)	(357,975)
Cash payments for goods and services	(3,089,151)	(113,904)	(3,203,055)	(229,702)
Cash payments for other operating expenses			-	(3,215,195)
Cash payments of due to balance			-	807,260
Net cash provided by operating activities	790,089	55,209	845,298	722,320
Cash Flows from Capital and Related Financing Activities:				
Purchase of capital assets	(222,993)	(16,455)	(239,448)	(4,370)
Cash Flows from Investing Activities:				
Investment income	4,330	1,539	5,869	952
Cash Flows from Noncapital Financing Activities:				
Transfer from other funds			-	428,529
Insurance and Other Reimbursements	379,659		379,659	
Net cash provided by noncapital activities	379,659	-	379,659	428,529
Net Increase (Decrease) in Cash and Cash Equivalents	951,085	40,293	991,378	1,147,431
Cash and Cash Equivalents at July 1, 2010	2,913,705	1,096,931	4,010,636	737,612
Cash and Cash Equivalents at June 30, 2011	3,864,790	1,137,224	5,002,014	1,885,043
Cash Equivalents Reported as Investments	(3,813,084)	(1,123,360)	(4,936,444)	(1,417,199)
Cash and Cash Equivalents, June 30, 2011	\$ 51,706	\$ 13,864	\$ 65,570	\$ 467,844
Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used) in Operating Activities:				
Operating income (loss)	\$ 841,990	\$ (42,581)	\$ 799,409	\$ (72,058)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:				
Add:				
Depreciation expense	478,844	43,303	522,147	100,007
Decrease in due from other funds			-	12,260
Decrease in prepaid expense			-	25,358
Increase in accounts payable		55,219	55,219	4,225
Increase in claims payable			-	24,154
Increase in accrued absences			-	4,631
Increase in due to other funds			-	924,773
Increase in OPEB obligation	18,361		18,361	
Deduct:				
Increase in accounts receivable	(260,050)		(260,050)	(15,512)
Decrease in accounts / claims payable	(178,612)		(178,612)	(285,518)
Decrease in accrued absences	(65,777)		(65,777)	
Decrease in due to other funds	(44,667)	(732)	(45,399)	
Net adjustments to operating income (loss)	(51,901)	97,790	45,889	794,378
Net Cash Provided by (Used in) Operating Activities	\$ 790,089	\$ 55,209	\$ 845,298	\$ 722,320

Schedule of noncash investing, capital and financing activities:

\$46,641 of Center 375 capital assets, with \$37,957 of accumulated depreciation, were disposed of during the year.

The Town also contributed \$186,976 of capital assets to the Data Processing Fund during the year.

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

TOWN OF VERNON, CONNECTICUTSTATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
DECEMBER 31, 2010 AND JUNE 30, 2011

	Pension Trust Funds December 31, 2010	Other Post Employment Benefits Trust Fund June 30, 2011	Private Purpose Trust Fund June 30, 2011	Agency Fund June 30, 2011
Assets:				
Cash	\$	\$ 18,663	\$ 231,664	\$ 527,988
Investments, at fair value (pooled):				
Certificates of deposit			120,422	
Pooled fixed income		216,225	8,345	205,758
Mutual funds:				
Domestic equity	19,308,164			
International equity	4,420,931			
Corporate bond	6,234,951		115,351	
International bond	106,861			
Money market	16,871			
Guaranteed investment account	14,485,228			
Total investments	44,573,006	216,225	244,118	205,758
Accounts receivable		3,689	33,548	
Total assets	44,573,006	238,577	509,330	733,746
Liabilities:				
Accounts and other payables	31,903		12	733,746
Due to other Funds		5,286		
Unearned Revenue	704,066	173,291		
Total Liabilities	735,969	178,577	12	733,746
Net Assets:				
Held in trust for pension and OPEB benefits and other purposes	\$ 43,837,037	\$ 60,000	509,318	\$

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, 2010 AND JUNE 30, 2011**

	Pension Trust Funds December 31, 2010	Other Post Employment Benefits Trust Fund June 30, 2011	Private Purpose Trust Fund June 30, 2011
Additions:			
Contributions:			
Employer	\$ 2,604,841	\$ 60,000	\$
Employee	1,232,063		
Retirees		1,353,705	
State		165,700	
Private			23,293
Other		263	
Total contributions	3,836,904	1,579,668	23,293
Net investment income	4,054,823	1	11,452
Total additions	7,891,727	1,579,669	34,745
Deductions:			
Benefit payments/annuity purchases	3,678,415	1,519,669	
Refund of contributions	71,754		
Administrative expense	156,607		
Awards			32,347
Total deductions	3,906,776	1,519,669	32,347
Change in Net Assets	3,984,951	60,000	2,398
Net Assets at January 1 and July 1, 2010	39,852,086		506,920
Net Assets at December 31, 2010 and June 30, 2011	\$ 43,837,037	\$ 60,000	\$ 509,318

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, 2011****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 changes in net assets) report information on all of the nonfiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. *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.

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.

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

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

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Town considers revenues to be available if they are collected within 60 days 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.

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.

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)

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. 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.

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.

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)

1. Deposits and Investments (continued)

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 64 percent 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.

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.

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)

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 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.

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, 2011 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.

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)

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, as well as issuance costs, 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. Significant bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

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.

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 highest level of decision-making authority for the Town. Commitments may be established, modified, or rescinded only through ordinances or 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 can be expressed by the governing body (Town Council) or by an official (Finance Director).

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. 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 \$2,143,414 were authorized during the fiscal year along with reappropriations of \$1,759,038. 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 \$409,284 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, 2011:

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	666,121	243,041	423,080
<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 Reconstruction	17,398,471	16,581,543	816,928
Storm Drainage	204,000		204,000
Bridges	13,489,721	6,198,233	7,291,488
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	61,310	20,690
Talcottville Enhancements	578,838	542,324	36,514
Fox Hill Tower Renovation	9,754	9,754	-
Community Arts Center	1,800,000	303,521	1,496,479

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, 2011:

Education

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 / Rero	337,186	337,186	-
RHS Additions & Renovations	34,657,000	30,610,565	4,046,435
VCMS Renovations	11,519,000	10,781,703	737,297
Elementary School Additions & Renovations:			
Center Road School	4,420,600	4,280,467	140,133
Lake Street School	5,828,800	4,956,649	872,151
Maple Street School	3,743,200	2,642,266	1,100,934
Northeast School	3,556,000	2,932,058	623,942
Skinner Road School	4,597,400	4,010,659	586,741
Total	\$ 106,046,023	\$ 86,158,103	\$ 19,887,920

* Project completed during the fiscal year.

D. Deficit Equity Balances

The following funds had a deficit equity balance at June 30, 2011:

Nonmajor Funds:

Special Revenue Funds:

Public Safety Complex Grant-in-Aid Fund	\$ 860,500
Parks and Recreation Programs Fund	17,495
Talcottville Enhancements Fund	9,389

Internal Service Fund:

Workers' Compensation	906,301
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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 revenues. The deficit in the Talcottville Enhancements Fund will be funded by future grant receipts. 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, 2011, \$-0- of the Town's bank balance of \$15,077,910 (including certificates of deposit and money market accounts) was exposed to custodial credit risk.

On July 21, 2010, the Dodd-Frank Wall Street Reform and Consumer Protection Act permanently increased the insurance coverage offered by the Federal Deposit Insurance Corporation (FDIC) to \$250,000 per depositor. Additionally, amounts held in non-interest bearing transaction accounts are fully guaranteed by the FDIC from December 31, 2010 through December 31, 2012. The Town had amounts in excess of \$250,000 in a single bank during the year. Amounts over \$250,000 are not insured by the FDIC. These balances fluctuate during the year and can exceed this \$250,000 limit. Management regularly monitors the financial institution, together with its cash balances, and tries to keep this potential risk to a minimum.

At June 30, 2011, 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	\$19,981,264	\$19,981,264	\$	\$	\$	\$
International Equity	4,565,645	4,565,645				
International Corporate Bond Fund	106,861				106,861	
Corporate Bond.....	6,933,497			877,661	5,737,897	317,939
Money Market.....	61,962		61,962			
Certificates of Deposit	149,639		149,639			
Pooled Fixed Income.....	13,615,079		13,615,079			
Guaranteed Income Account	14,485,228				14,485,228	
TOTAL.....	\$59,899,175	\$24,546,909	\$13,826,680	\$ 877,661	\$20,329,986	\$ 317,939

Subsequent to year end, the financial markets have experienced volatility that caused a decline in the value of investments held at year end. While such declines may be temporary, investment values are subject to market fluctuations, and the timing of any such recovery is unknown at the present time.

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 FUND	MONEY MARKET MUTUAL FUNDS	CORPORATE BOND MUTUAL FUNDS	GUARANTEED INCOME ACCOUNT
AAA	\$ 13,615,079	\$ 49,904	\$	\$ 4,142,393	\$
AA		26,918		1,134,044	14,485,228
A		13,197		491,258	
B		673		315,838	
BB		1,400		526,793	
BBB		9,169		237,752	
CCC				71,231	
Unrated		5,600	61,962	14,188	
TOTAL	\$ 13,615,079	\$ 106,861	\$ 61,962	\$ 6,933,497	\$ 14,485,228

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, 2011, 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, 2011, including the applicable allowances for uncollectible accounts, are presented below.

	PROPERTY TAXES INTEREST AND TAXES		
	TAXES	LIEN FEES	TOTAL
Current portion	\$ 753,552	\$ 83,586	\$ 837,138
Long-term portion	\$ 616,542	\$ 504,975	\$ 1,121,517
Less allowance for uncollectibles	(225,000)	(350,000)	(575,000)
Net long-term portion	\$ 391,542	\$ 154,975	\$ 546,517

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

III. DETAILED NOTES (CONTINUED)

B. Receivables (Continued)

	SEWER USER	AMBULANCE MEDICAL SERVICES
Receivable amount.....	\$ 1,359,909	\$ 904,761
Less allowance for uncollectibles.....	(117,086)	(452,380)
Net receivable	<u>\$ 1,242,823</u>	<u>\$ 452,381</u>

There was no allowance applied to the sewer assessment receivable since the amounts are liened 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	\$ 1,183,556	\$
Loans.....	186,523	
Inter-municipal	1,951,109	
Special assessments and ambulance	461,692	1,707
Taxes collected in advance.....		5,877
Intergovernmental (grants)		29
School building grant.....	327,925	
Other		
TOTALS	<u>\$ 4,110,805</u>	<u>\$ 7,613</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, 2011, for Governmental Activities was as follows:

	BALANCE JULY 1, 2010	INCREASES	DECREASES	BALANCE JUNE 30, 2011
<u>Capital Assets, not being depreciated:</u>				
Land.....	\$ 8,381,925	\$	\$	\$ 8,381,925
Construction in progress.....	81,200,021	4,883,102	2,219,457	83,863,666
Total capital assets, not being depreciated.....	89,581,946	4,883,102	2,219,457	92,245,591
<u>Capital Assets, being depreciated:</u>				
Land improvements.....	5,276,714	13,449		5,290,163
Buildings and improvements.....	47,939,920	62,908		48,002,828
Machinery and equipment.....	41,112,708	354,852	53,820	41,413,740
Intangibles - computer software.....	387,278			387,278
Infrastructure.....	51,783,617	2,173,569	43,150	53,914,036
Total capital assets, being depreciated.....	146,500,237	2,604,778	96,970	149,008,045
Total capital assets.....	236,082,183	7,487,880	2,316,427	241,253,636
<u>Less accumulated depreciation for:</u>				
Land improvements.....	3,330,821	185,891		3,516,712
Buildings and improvements.....	23,609,027	949,417		24,558,444
Machinery and equipment.....	31,798,254	1,687,533	50,933	33,434,854
Intangibles - computer software.....	150,633	65,818		216,451
Infrastructure.....	24,972,977	1,154,728	43,150	26,084,555
Total accumulated depreciation.....	83,861,712	4,043,387	94,083	87,811,016
Total Capital Assets, being depreciated, net.....	62,638,525	(1,438,609)	2,887	61,197,029
Governmental Activities Capital Assets, net.....	\$ 152,220,471	\$ 3,444,493	\$ 2,222,344	\$ 153,442,620

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, 2011, for Business-Type Activities was as follows:

	BALANCE JULY 1, 2010	INCREASES	DECREASES	BALANCE JUNE 30, 2011
<u>Capital Assets, not being Depreciated:</u>				
Land.....	\$ 1,267,840	\$	\$	\$ 1,267,840
Construction-in-Progress.....	610,813	175,879	786,692	-
Total capital assets, not being depreciated.....	1,878,653	175,879	786,692	1,267,840
<u>Capital Assets, being depreciated:</u>				
Buildings and system.....	6,052,354	3,570	13,186	6,042,738
Improvements other than building.....	216,051			216,051
Machinery and equipment.....	7,842,551	846,691	33,455	8,655,787
Intangibles - computer software.....	49,000			49,000
Infrastructure.....	10,519,700			10,519,700
Total Capital Assets, being Depreciated.....	24,679,656	850,261	46,641	25,483,276
Total capital assets.....	26,558,309	1,026,140	833,333	26,751,116
<u>Less accumulated depreciation for:</u>				
Buildings and system.....	4,297,826	124,963	6,593	4,416,196
Improvements other than building.....	158,013	6,306		164,319
Machinery and equipment.....	6,182,021	183,172	31,364	6,333,829
Intangibles - computer software.....	3,500	4,828		8,328
Infrastructure.....	4,572,935	202,878		4,775,813
Total Accumulated Depreciation.....	15,214,295	522,147	37,957	15,698,485
Total Capital Assets, being Depreciated, net.....	9,465,361	328,114	8,684	9,784,791
Business-Type Activities Capital Assets, net.....	\$ 11,344,014	\$ 503,993	\$ 795,376	\$ 11,052,631

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	\$ 1,513,028
Community development	330
Public safety	425,147
Maintenance and development	1,343,182
Human services	1,320
Parks and recreation	193,559
Education	<u>566,821</u>
Total Depreciation Expense - Governmental Activities	<u>\$ 4,043,387</u>
Business-type activities:	
Sewer use	\$ 478,844
Rental of building	<u>43,303</u>
Total Depreciation Expense - Business-type Activities	<u>\$ 522,147</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>School Bond Improvements</u>	<u>Nonmajor Funds</u>	
Transfers out:					
General Fund	\$	\$ 1,304,288	\$	\$ 274,485	\$ 1,578,773
Debt Service	1,229				1,229
Public Bond Improvements	8,050		42,000		50,050
School Bond Improvements	34,346				34,346
Nonmajor Governmental	235,989				235,989
Internal Service Fund				428,529	428,529
Total Transfers In	<u>\$ 279,614</u>	<u>\$ 1,304,288</u>	<u>\$ 42,000</u>	<u>\$ 703,014</u>	<u>\$ 2,328,916</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, 2011, 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	\$ 2,255,427	\$ 804,219
Special Revenue Funds:		
Dog License Fund	1,008	608
Insurance Exchange		178
Town Clerk Special	31	
Town Aid Road		256
Ambulance Medical Services		21,727
Vernon Cemetery Commission	6,361	8,469
Sewer Assessment		278
Public Safety Complex		860,500
CDBG Small Cities		698
Parks and Recreation Programs		26,609
Talcottville Enhancements		25,965
Miscellaneous Grants	65,840	37,536
Miscellaneous Special Revenue		6,000
Debt Service Fund		1,229
Capital Projects Funds:		
Public Bond Improvements	661,000	1,548
School Bond Improvements		76,266
Town Capital & Non-Recurring	18,221	
Education Capital & Non-Recurring	53,306	85,300
River Street Bridge Renovations		4,023
Spring Street Bridge		2,363
Phoenix Street Bridge		9,500
Trust Fund:		
Other Post Employment Trust Fund		5,286
Proprietary Funds:		
Enterprise Funds:		
Sewer User Fund		39,734
Internal Service Funds:		
Workers' Compensation Fund		575,000
Medical Self-Insurance Fund		316,000
Data Processing Fund		151,902
Total	<u>\$ 3,061,194</u>	<u>\$ 3,061,194</u>

Interfund balances are the result of interfund transfers, reimbursements or loans outstanding at June 30, 2011.

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

III. DETAILED NOTES (CONTINUED)

E. Short-Term Obligations - Bond Anticipation Notes

Bond Anticipation Notes:

PROJECT	BALANCE JULY 1, 2010	ADDITIONS	REDUCTIONS	BALANCE JUNE 30, 2011
Public Bond Improvements Fund	\$ 740,000	\$ 1,800,000	\$ 2,540,000	\$ -
School Bond Improvements Fund	2,970,000	15,070,000	13,820,000	4,220,000
Total Bond Anticipation Notes.....	\$ 3,710,000	\$ 16,870,000	\$ 16,360,000	\$ 4,220,000

On September 15, 2010, the Town issued \$6,270,000 of bond anticipation notes (BANs) to retire \$3,710,000 of BANs maturing on September 15, 2010. These BANs matured on January 19, 2011, and were issued at an interest rate of 1.00%, a yield of .414%, and at premium of \$12,656. Of the \$6,270,000, \$900,000 were issued to fund short-term road, bridge, sidewalk and drainage improvements (general purposes) and \$5,370,000 were issued to fund short-term school renovation costs. The \$6,270,000 BANs maturing on January 19, 2011, were retired with the issuance of a \$6,380,000 BAN issuance maturing on April 12, 2011. This BAN was issued at an interest rate of 1.0%, a yield of .4389%, and at a premium of \$8,252 and was issued to fund \$900,000 of short-term road, bridge, sidewalk and drainage improvements (general purposes) and \$5,480,000 of short-term school renovation costs. On April 12, 2011, the Town issued permanent financing and temporary financing to retire the April 12, 2011 maturing BAN. Another BAN was issued on this date for \$4,220,000 to fund short-term school renovation costs at 2.00% interest, with a yield of .5220% and at a premium of \$62,198. This June 30, 2011, outstanding BAN matures April 12, 2012, and is expected to be permanently financed with school bond financing in April 2012. BAN premiums were and will be utilized to offset BAN interest expense.

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, 2011, was as follows:

	Balance July 1, 2010	Additions	Reductions	Balance June 30, 2011	Due Within One Year
Governmental activities:					
Bonds:					
General purpose	\$ 13,927,000	\$ 2,155,000	\$ 574,000	\$ 15,508,000	\$ 720,000
Schools	29,300,000	1,600,000	1,177,000	29,723,000	1,872,000
Sewers	1,613,000		289,000	1,324,000	268,000
Total bonds payable and related liabilities	44,840,000	3,755,000	2,040,000	46,555,000	2,860,000
Notes:					
State of Connecticut					
Clean Water Fund	10,210,277		1,514,678	8,695,599	1,535,261
Lease purchases:					
Fire Truck:					
Aerial ladder	188,094		188,094	-	
Police Cruisers		67,500	22,903	44,597	21,974
Asphalt Reclaimer Box		38,912	8,114	30,798	7,312
Total lease purchases	188,094	106,412	219,111	75,395	29,286
Compensated absences:					
Town	3,026,247	279,671	293,217	3,012,701	691,977
Board of Education	1,068,327	169,910	76,525	1,161,712	330,686
Internal Service Fund	20,999	4,631		25,630	13,116
Total compensated absences	4,115,573	454,212	369,742	4,200,043	1,035,779

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.

* \$34,707 of the net OPEB obligation is recorded in the Sewer User Fund

	Balance July 1, 2010	Additions	Reductions	Balance June 30, 2011	Due Within One Year
Retirement obligations:					
Town:					
Net OPEB obligation*	\$ 435,654	\$ 475,899	\$ 326,000	\$ 585,553	\$
Board of Education:					
Net OPEB obligation	546,000	670,778	413,000	803,778	
Estimated retirement pay	1,908,058	346,636	424,941	1,829,753	280,000
Early retirement pay	1,429,215	377,908	423,602	1,383,521	469,122
Healthcare termination benefits	23,662	37,394	25,567	35,489	35,489
Total education retirement obligations	3,906,935	1,432,716	1,287,110	4,052,541	784,611
Total retirement obligations	4,342,589	1,908,615	1,613,110	4,638,094	784,611
Risk management:					
Claims payable	1,401,129	3,045,126	3,132,155	1,314,100	577,178
Total Governmental Activities Long-Term Liabilities	\$ 65,097,662	\$ 9,269,365	\$ 8,888,796	\$ 65,478,231	\$ 6,822,115

* \$16,346 of the net OPEB obligation is recorded in the Sewer User Fund at 7/1/10 and \$34,707 at 6/30/11.

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, 2011
<u>Bonded Debt</u>					
General Purpose Bonds:					
Public Improvements	02/15/07	02/15/27	3.875 - 5.75%	\$ 9,251,000	\$ 7,847,000
Public Improvements	02/01/08	02/01/28	3.50 - 5.50%	5,000,000	4,786,000
Public Improvements	02/01/09	02/01/24	2.50 - 4.50%	720,000	720,000
Public Improvements	04/12/11	04/01/26	2.00 - 3.75%	2,155,000	2,155,000
Total General Purpose Bonds					15,508,000
School Bonds:					
School Renovations	02/04/04	09/15/12	1.00 - 5.00%	3,125,000	483,000
School Improvements	02/15/07	02/15/27	3.875 - 5.75%	2,515,000	2,131,000
School Renovations	02/01/08	02/01/28	3.50 - 5.50%	16,040,000	15,354,000
School Renovations	02/14/08	02/01/28	3.50 - 5.50%	10,155,000	10,155,000
School Renovations	04/12/11	04/01/26	2.00 - 3.75%	1,600,000	1,600,000
Total School Bonds					29,723,000
Sewer Bonds:					
Sewer Ordinance #167	02/04/04	09/15/12	1.00 - 5.00%	2,085,000	437,000
Sewer System Improvements	02/15/07	02/15/27	3.875 - 5.75%	1,049,000	887,000
Total Sewer Bonds					1,324,000
Total Bonded Debt					\$ 46,555,000
<u>Notes Payable</u>					
State of Connecticut:					
Clean Water Fund 211-C	02/20/92	05/30/11	2.0%	199,611	\$ -
Clean Water Fund 244-C	05/28/93	11/30/12	2.0%	649,740	46,023
Clean Water Fund 200-C	12/31/97	12/31/16	2.0%	27,635,550	8,649,576
Total Notes Payable					\$ 8,695,599
<u>Lease Purchases</u>					
Aerial ladder	09/15/01	09/15/11	4.23%	802,330	\$ -
Police Cruisers	2/1/2011	3/1/2013	2.95%	67,500	44,597
Asphalt Reclaimer Box	2/1/2011	3/1/2015	3.45%	38,912	30,798
Total Lease Purchases					\$ 75,395

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			
2012	\$ 720,000	\$ 1,872,000	\$ 268,000	\$ 2,860,000	\$ 1,535,261	\$ 29,286	\$ 4,424,547
2013	788,000	1,664,000	258,000	2,710,000	1,546,643	30,188	4,286,831
2014	920,000	1,598,000	57,000	2,575,000	1,564,052	7,826	4,146,878
2015	942,500	1,630,500	57,000	2,630,000	1,595,621	8,095	4,233,716
2016	942,500	1,630,500	57,000	2,630,000	1,627,828		4,257,828
2017	981,000	1,817,000	57,000	2,855,000	826,194		3,681,194
2018	989,000	1,959,000	57,000	3,005,000			3,005,000
2019	1,014,000	2,109,000	57,000	3,180,000			3,180,000
2020	1,014,000	2,109,000	57,000	3,180,000			3,180,000
2021	1,014,000	2,109,000	57,000	3,180,000			3,180,000
2022	1,014,000	2,109,000	57,000	3,180,000			3,180,000
2023	1,037,000	2,186,000	57,000	3,280,000			3,280,000
2024	1,037,000	2,186,000	57,000	3,280,000			3,280,000
2025	974,000	1,274,000	57,000	2,305,000			2,305,000
2026	974,000	1,274,000	57,000	2,305,000			2,305,000
2027	827,000	1,166,000	57,000	2,050,000			2,050,000
2028	320,000	1,030,000		1,350,000			1,350,000
Total	\$ 15,508,000	\$ 29,723,000	\$ 1,324,000	\$ 46,555,000	\$ 8,695,599	\$ 75,395	\$ 55,325,994

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			
2012	\$ 594,563	\$ 1,109,406	\$ 46,291	\$ 1,750,260	\$ 159,889	\$ 2,379	\$ 1,912,528
2013	561,632	1,030,107	37,316	1,629,055	129,001	1,477	1,759,533
2014	529,757	956,653	32,134	1,518,544	97,988	549	1,617,081
2015	496,912	896,990	29,854	1,423,756	66,419	279	1,490,454
2016	464,093	847,115	27,574	1,338,782	34,213		1,372,995
2017	430,908	796,966	25,294	1,253,168	4,826		1,257,994
2018	396,396	741,021	23,014	1,160,431			1,160,431
2019	361,283	676,956	20,805	1,059,044			1,059,044
2020	324,784	605,451	18,596	948,831			948,831
2021	287,123	530,305	16,316	833,744			833,744
2022	248,564	451,418	14,036	714,018			714,018
2023	208,740	367,598	11,756	588,094			588,094
2024	167,361	280,528	9,405	457,294			457,294
2025	125,982	193,458	7,054	326,494			326,494
2026	86,941	142,733	4,703	234,377			234,377
2027	47,314	90,585	2,351	140,250			140,250
2028	13,200	42,488		55,688			55,688
Total	\$ 5,345,553	\$ 9,759,778	\$ 326,499	\$ 15,431,830	\$ 492,336	\$ 4,684	\$ 15,928,850

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 4 former school administrators receiving this benefit. The cost to the Town, net of participant contributions, for the 2010/11 fiscal year is \$25,567. A liability of \$35,489, 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 11.78% and an investment yield of .14%.

In addition to healthcare termination benefits, cash payments are available to school administrator early retirees. Also, there are 12 former school administrators receiving this benefit. The cost to the Town for the 2010/11 fiscal year is \$123,602. A liability of \$426,286, presented in government-wide financial statements, for this benefit is calculated based upon the discounted present value of expected future benefits and an .14% 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 80 former teachers receiving this benefit. The cost to the Town for the 2010/11 fiscal year is \$300,000. A liability of \$957,235, presented in government-wide financial statements, for this benefit is calculated based upon the discounted present value of expected future benefits and an .14% yield of investments that are expected to be used to finance such benefit payments.

3. Capital Leases

Capital lease for the purchase of an aerial ladder fire truck was prepaid in full during fiscal year 2010/11. The only leases outstanding at June 30, 2011 were for three police cruisers and an asphalt reclaimer box. The present value of future minimum lease payments amounts to \$75,395 at June 30, 2011.

The amount of assets capitalized under Capital Leases totaled \$106,412 at June 30, 2011.

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	\$ 129,145,610	\$ 17,485,000	\$ 111,660,610
Schools	258,291,221	67,407,075	190,884,146
Sewers	215,242,684	11,468,113	203,774,571
Urban renewal	186,543,659		186,543,659
Pension deficit	172,194,147		172,194,147

The total overall statutory debt limit for the Town is equal to seven times annual receipts from taxation, \$401,786,343.

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 \$327,925 for bond principal are reflected as deductions in the computation of net indebtedness, as are \$8,486 of sewer assessment receivable.

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 has 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, 2011.

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 \$4,220,000 of BANs remain issued and outstanding. The remaining unissued School Bond Improvements authorization is \$33,792,000 as of June 30, 2011.

6. Prior Year Advanced Refunding

In prior years, the Town defeased General Obligation Bonds by creating a separate irrevocable trust. New debt has been issued and the proceeds have been used to purchase U.S. government securities that were placed in the trust. The investments and fixed earnings from the investments are sufficient to fully service the defeased debt until the debt is called or matures. For financial reporting purposes, the debt has been considered defeased and therefore is no longer counted in computing Town's debt for statutory debt limit purposes. As of June 30, 2011, the amount of defeased debt outstanding amounted to \$910,000.

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

III. DETAILED NOTES (CONTINUED)

G. Restricted Net Assets

The amount of restricted net assets, which were restricted by enabling legislation, totaled \$1,943,834 at June 30, 2011.

H. Fund Balance Classifications:

Fund balances components at June 30, 2011 were for the following purposes:

FUND BALANCE COMPONENT	GENERAL FUND	PUBLIC BOND IMPROVEMENTS	SCHOOL BOND IMPROVEMENTS	NONMAJOR FUNDS	TOTAL
<u>NONSPENDABLE:</u>					
Permanent fund principal.....	\$	\$	\$	\$ 1,909,376	\$ 1,909,376
Inventory/prepaid items.....				32,145	32,145
TOTAL NONSPENDABLE.....	-	-	-	1,941,521	1,941,521
<u>RESTRICTED:</u>					
Community development.....				361,873	361,873
Maintenance and development.....				2,103,563	2,103,563
Education.....				534,712	534,712
TOTAL RESTRICTED.....	-	-	-	3,000,148	3,000,148
<u>COMMITTED:</u>					
General government.....				185,866	185,866
Public safety.....				27,431	27,431
Education.....				122,746	122,746
Construction contracts.....		1,768,138			1,768,138
Approved projects.....		169,446		1,763,842	1,933,288
TOTAL COMMITTED.....	-	1,937,584	-	2,099,885	4,037,469
<u>ASSIGNED:</u>					
Compensated absences.....	322,000				322,000
General government.....	690,362			338,849	1,029,211
Community development.....	14,371				14,371
Public safety.....	237,503			31,339	268,842
Maintenance and development.....	239,434			2,696	242,130
Human services.....	3,783				3,783
Parks, recreation and culture.....	14,560			70,407	84,967
Education.....	600,957				600,957
TOTAL ASSIGNED.....	2,122,970	-	-	443,291	2,566,261
UNASSIGNED.....	8,955,095		(4,042,668)	(887,384)	4,025,043
TOTAL.....	\$ 11,078,065	\$ 1,937,584	\$ (4,042,668)	\$ 6,597,461	\$ 15,570,442

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

IV. OTHER INFORMATION

A. Risk Management

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

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

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

	<u>Fiscal Year Ending June 30,</u>	
	<u>2011</u>	<u>2010</u>
Claims payable, July 1	\$ <u>1,311,111</u>	\$ <u>1,266,314</u>
Incurred claims, current year	648,760	630,246
Claims adjustments, prior years	<u>38,375</u>	<u>(199,544)</u>
Claims incurred for the fiscal year	<u>687,135</u>	<u>430,702</u>
Claims paid, current and prior years	<u>798,318</u>	<u>385,905</u>
Claims payable, June 30	\$ <u><u>1,199,928</u></u>	\$ <u><u>1,311,111</u></u>

Based on historical payment data, approximately 38.59% of claims payable at June 30, 2011, will be paid during the following fiscal year. Thus, \$463,006 of claims payable at June 30, 2011, is considered as a current liability and the remaining \$736,922 is considered as a long-term liability. Claims payable at June 30, 2011, includes \$116,353 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, 2011, 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	
	2010-11	2009-10
Claims payable, July 1	\$ 90,018	\$ 77,237
Incurred claims, current year	2,357,991	2,408,654
Claims adjustments, prior years	-	-
Claims incurred for the fiscal year	2,357,991	2,408,654
Claims paid, current and prior years	2,333,837	2,395,873
Claims payable, June 30	\$ 114,172	\$ 90,018

The entire portion of claims payable at June 30, 2011, 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 expenditures 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 \$8,649,576 due on the CWF loan as of June 30, 2011, the Towns of Ellington, Manchester, South Windsor and Tolland are obligated to provide payments totaling \$1,861,809 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 \$21,959,000, with Vernon's 29% share, or \$6,368,110, reduced to \$2,725,839 by potential federal and state grant funding and further reduced by special benefit assessments to \$1,242,913. Project work is not anticipated to commence in Vernon until 2012.

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, 2011 was as follows:

	<u>Police Plan</u>	<u>Town Plan</u>	<u>LOSAP</u>
Retirees, disabled and beneficiaries currently receiving benefits	42	152	9
Terminated employees entitled to benefits, but not yet receiving them	1	118	31
Active employees:			
Vested, partially vested and nonvested	<u>48</u>	<u>377</u>	<u>140</u>
Total participant membership	<u><u>91</u></u>	<u><u>647</u></u>	<u><u>180</u></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 anytime prior to the date of normal retirement.

v. Deferred Vested Benefit

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

2. Summary of Significant Accounting Policies

a. Basis of Accounting

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

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

IV. OTHER INFORMATION (CONTINUED)

C. Employee Retirement Systems and Pension Plans (Continued)

Defined Benefit Plans (Continued)

2. Summary of Significant Accounting Policies (Continued)

b. Valuation of Plan Investments

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

3. Funding Policy

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

a. Employee

Required employee contributions to their respective plans are noted below.

Police Pension Plan

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 \$1,057,949 Police, and \$1,502,551 Town were determined based on actuarial valuations as of January 1, 2010, 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 24.32% for the Police Plan and 10.68% 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 \$44,341 were determined based on an actuarial valuation as of January 1, 2010, 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 2010.

4. Annual Pension Cost and Net Pension Obligations

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

	<u>Police Plan</u>	<u>Town Plan</u>	<u>LOSAP</u>
Annual required contribution (ARC)	\$ 1,057,949	\$ 1,502,551	\$ 44,341
Interest on net pension obligation (NPO)	-	-	-
Adjustment to ARC	-	-	-
Annual pension cost (APC)	1,057,949	1,502,551	44,341
Employer contributions made	<u>(1,057,949)</u>	<u>(1,502,551)</u>	<u>(44,341)</u>
Change in the NPO for the year	-	-	-
Net pension obligation, January 1, 2010	-	-	-
Net Pension Obligation, December 31, 2010	<u>\$ -</u>	<u>\$ -</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, 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 Obligation
12/31/10	\$ 1,057,949	\$ 1,057,949	100%	\$ -
12/31/09	1,025,928	1,025,928	100%	-
12/31/08	1,107,688	1,107,688	100%	-
Town Plan				
Fiscal Year	Annual Pension Cost (APC)	Actual Employer Contribution	Percentage of APC Contributed	Net Pension Obligation
12/31/10	\$ 1,502,551	\$ 1,502,551	100%	\$ -
12/31/09	1,509,046	1,509,046	100%	-
12/31/08	1,750,784	1,750,784	100%	-
LOSAP				
Fiscal Year	Annual Pension Cost (APC)	Actual Employer Contribution	Percentage of APC Contributed	Net Pension Obligation
12/31/10	\$ 44,341	\$ 44,341	100%	\$ -
12/31/09	120,129	120,129	100%	-
12/31/08	83,206	83,206	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, 2011 was as follows:

<u>January 1, Actuarial Valuation Date</u>	<u>Actuarial Value of Assets (a)</u>	<u>Actuarial Accrued Liability(AAL) (b)</u>	<u>Over (Unfunded) AAL (UAAL) (a-b)</u>	<u>Funded Ratio (a/b)</u>	<u>Covered Payroll (c)</u>	<u>UAAL as a % of Covered Payroll ((a-b)/c)</u>
<u>POLICE PLAN</u>						
2011	\$ 16,862,650	\$ 29,969,970	\$ (13,107,320)	56.3%	\$ 4,352,823	(301.1%)
<u>TOWN PLAN</u>						
2011	\$ 28,199,302	\$ 49,873,997	\$ (21,674,695)	56.5%	\$ 14,247,198	(152.1%)
<u>LOSAP</u>						
2011	\$ 1,148,440	\$ 873,498	\$ 274,942	131.5%	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)

	Police Pension Plan	Town Pension Plan	LOSAP
Actuarial valuation date	01/01/11	01/01/11	01/01/11
Actuarial cost method, effective 1/1/09	Projected Unit Credit	Projected Unit Credit	Frozen Entry
Amortization method, effective 1/1/09	Level % of Payroll Closed	Level % of Payroll Closed	Level Dollar Closed
Remaining amortization period	30 years Refreshed	30 years Refreshed	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

The following assumption and plan changes increased the 2010 required employer contribution of the Police Pension Plan by \$53,683 from \$1,004,266 to \$1,057,949. The changes include a reduction to the assumed Investment Return from 8.0% to 7.5%; a change in the Asset Valuation Method to the Deferred Recognition Method; and a refreshment of the amortization balances to a 30-year recognition period.

The following assumption and plan changes increased the 2010 required employer contribution of the Town Pension Plan by \$29,747 from \$1,472,804 to \$1,502,551. The changes include the enhancement to the Public Works Supervisors union maximum retirement benefit from 2.00% of Average Monthly Earnings (AME) times 35 years of Credited Service (CS) to 2.20% of AME times 35 years of CS (capped at 70%); the enhancement of the Waste Treatment Plant Supervisors union maximum retirement benefit from 2.00% of AME times 30 years of CS to 2.20% of AME times 35 years of CS (capped at 70%); the enhancement to the BOE Supervisors union maximum retirement benefit from 2.0% of Average Monthly Earnings (AME) times 30 years of Credited Service (CS) to 2.0% of AME times 35 years of CS; the reduction of required Professional union employee contributions from 8.15% of wages to 7.5%; the increase in required P.W. Clerical employee contributions from 6.5% of wages to 7.5%; the increase in required employee contributions of the BOE and WPC Supervisors unions from 6.5% of wages to 7.0% of wages; the reduction to the assumed Investment Return from 8.0% to 7.5%; a change in the Asset Valuation Method to the Deferred Recognition Method; and a refreshment of the amortization balances to a 30-year recognition period.

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 January 1, 2011 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, 2010 or the January 1, 2011 AAL of the LOSAP.

7. Plan Statements

**Statement of Fund Net Assets
Pension Trust Funds
December 31, 2010**

	Police Pension	Town Pension	Volunteer Firefighters Length of Award (LOSAP)	Total
Assets:				
Investments, at fair value:				
Mutual funds:				
Domestic equity	\$ 7,569,763	\$ 11,259,490	\$ 478,911	\$ 19,308,164
International equity	1,773,783	2,474,937	172,211	4,420,931
Corporate bond	1,141,312	4,703,182	390,457	6,234,951
International bond			106,861	106,861
Money market	5,632	11,239		16,871
Guarenteed investment account	5,271,870	9,213,358		14,485,228
Total assets	15,762,360	27,662,206	1,148,440	44,573,006
Liabilities:				
Accounts and other payables	12,680	19,223		31,903
Unearned revenue		704,066		704,066
Total Liabilities	12,680	723,289	-	735,969
Net Assets:				
Held in Trust for Pension Benefits	\$ 15,749,680	\$ 26,938,917	\$ 1,148,440	\$ 43,837,037

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 Plan Net Assets
Pension Trust Funds
For the year ended December 31, 2010**

	Police Pension	Town Pension	Volunteer Firefighters Length of Award (LOSAP)	Total
Additions:				
Contributions:				
Employer	\$ 1,057,949	\$ 1,502,551	\$ 44,341	\$ 2,604,841
Employee	286,536	945,527		1,232,063
Total contributions	1,344,485	2,448,078	44,341	3,836,904
Net investment income	1,561,817	2,371,114	121,892	4,054,823
Total additions	2,906,302	4,819,192	166,233	7,891,727
Deductions:				
Benefit payments/annuity purchases	1,724,978	1,930,131	23,306	3,678,415
Refund of contributions	2,240	69,514		71,754
Administrative expense	55,497	88,211	12,899	156,607
Total deductions	1,782,715	2,087,856	36,205	3,906,776
Change in net assets	1,123,587	2,731,336	130,028	3,984,951
Net assets - January 1, 2010	14,626,093	24,207,581	1,018,412	39,852,086
Net Assets - December 31, 2010	\$ 15,749,680	\$ 26,938,917	\$ 1,148,440	\$ 43,837,037

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

IV. OTHER INFORMATION (CONTINUED)

D. Defined Contribution Pension Plans

Establishment and Amendment

During the fiscal year, the Vernon Town Council has authorized the establishment of five 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 five 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

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>
D PW 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

Employee and Employer contributions made for 2010/11 fiscal year are as follows:

<u>Plan</u>	<u>Employee Contribution</u>	<u>Employer Contribution</u>
D PW Clerical	\$0	\$ 0
Professionals	\$0	\$184
DPW Supervisors	\$0	\$ 0
WPC Supervisors	\$0	\$ 0
Town non-union	\$0	\$173

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

IV. OTHER INFORMATION (CONTINUED)

D. Defined Contribution Pension Plans (continued)

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. 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 457(b) 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.

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.

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	50	164	575	789
Total participant membership	68	184	734	986

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

IV. OTHER INFORMATION (CONTINUED)

E. Other Post-Employment Benefits Plan (continued)

1. Plan Description (Continued)

c. Benefit Provisions

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

2. Summary of Significant Accounting Policies

a. Basis of Accounting

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

b. Valuation of Plan Investments

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

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 2010/11 was \$739,000.

b. Employee Contributions

There are no employee contributions to the plan.

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 2009):

ACTUARIAL VALUATION DATE	(A) ACTUARIAL VALUE OF ASSETS	(B) ACTUARIALLY 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)	2.64%	\$3,394,227	(65.08)%
<u>TOWN</u>						
July 1, 2010	\$ -	\$1,893,000	\$(1,893,000)	0.00%	\$8,240,567	(22.97)%
<u>BOARD OF EDUCATION</u>						
July 1, 2010	\$ -	\$6,193,000	\$(6,193,000)	0.00%	\$30,026,823	(20.62)%
<u>TOTAL</u>						
July 1, 2010	\$ 60,000	\$10,355,000	\$(10,295,000)	0.58%	\$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 actuarially 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
<u>ACTUARIAL ASSUMPTIONS:</u>	
Investment rate of return - Town and Police	7.0%
Investment rate of return - Board of Education	7.0%
Healthcare inflation rate:	
Initial	6.7%
Ultimate	4.7%

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.....	\$ 270,000	\$ 223,000	\$ 669,000	\$ 1,162,000
Interest on net OPEB obligation.....	8,258	9,821	21,849	39,928
Adjustment to annual required contribution..	(7,668)	(9,120)	(20,288)	(37,076)
Annual OPEB cost.....	270,590	223,701	670,561	1,164,852
Contributions made.....	209,000	117,000	413,000	739,000
Change in net OPEB obligation.....	61,590	106,701	257,561	425,852
Net OPEB obligation - July 1, 2010.....	206,443	245,526	546,217	998,186
Net OPEB obligation - June 30, 2011	<u>\$ 268,033</u>	<u>\$ 352,227</u>	<u>\$ 803,778</u>	<u>\$ 1,424,038</u>

7. Three Year Trend Information

YEAR ENDING JUNE 30	ANNUAL OPEB COST (AOC)	PERCENTAGE OF AOC CONTRIBUTED	NET OPEB OBLIGATION
<u>POLICE</u>			
2011	\$ 270,590	77.2%	\$ 268,033
2010	259,443	61.7%	206,443
2009	249,000	57.0%	107,000
<u>TOWN</u>			
2011	\$ 223,701	52.3%	\$ 352,227
2010	215,526	45.0%	245,526
2009	206,000	38.3%	127,000
<u>BOARD OF EDUCATION</u>			
2011	\$ 670,561	61.6%	\$ 803,778
2010	644,217	60.9%	546,217
2009	618,000	52.4%	294,000

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
TOTAL			
2011	\$ 1,164,852	63.4%	\$ 1,424,038
2010	1,119,186	58.0%	998,186
2009	1,073,000	50.8%	528,000

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 \$3,865,043.

G. Subsequent Events

In October 2011, the Town experienced a severe snowstorm, which resulted in tree damages 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. During fiscal year 2011-2012, the damage caused by Tropical Storm Irene and the October Storm Alfred necessitated additional appropriations of \$3,916,000. Both of these storms are federally declared disasters, and 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, 2011

	Budgeted Amounts			Variance with Final Budget
	Original	Final	Actual	
<u>Tax revenue</u>				
Current year taxes	\$ 55,625,175	\$ 55,625,175	\$ 55,953,098	\$ 327,923
Prior year taxes	507,000	507,000	550,568	43,568
Supplemental motor vehicle tax	435,000	435,000	531,823	96,823
Interest and lien fees	320,000	320,000	339,893	19,893
Warrant revenue	16,000	16,000	8,031	(7,969)
Liens	5,000	5,000	3,855	(1,145)
Total tax revenue	56,908,175	56,908,175	57,387,268	479,093
<u>Intergovernmental</u>				
Civil preparedness grant	7,100	7,100	6,724	(376)
FEMA Disaster Assistance program			80,080	80,080
Bullet Proof Vest grant	2,500	2,500	2,497	(3)
Community services block grant	22,177	22,177	21,209	(968)
ARRA Education SFSF			2,517,347	2,517,347
ARRA Government Service ECS				-
Education cost sharing	17,645,165	17,645,165	15,097,045	(2,548,120)
Public pupil transportation	330,273	330,273	224,899	(105,374)
Non-public pupil transportation	24,000	24,000	24,360	360
Vocational Agriculture	113,000	113,000	112,423	(577)
Student Based Supplement grant			128,580	128,580
Special ed. - State agency placement			255,734	255,734
Special ed. - Excess student based grant			627,888	627,888
Special ed. - State agency placement			91,684	91,684
School construction grants - Principal	228,121	228,121	228,122	1
School construction grants - Interest	12,598	12,598	12,598	-
Medicaid reimbursement	48,000	48,000	38,820	(9,180)
Pilot - Colleges and hospitals	340,677	340,677	341,964	1,287
Pilot - State owned property	198,542	198,542	199,681	1,139
Pilot- Boat tax reimbursement	5,405	5,405	8,537	3,132
Pilot - Shelter rent	28,000	28,000	20,544	(7,456)
Tax relief - Elderly circuit breaker	148,000	148,000	139,904	(8,096)
Tax relief - Disability exemption	3,300	3,300	3,237	(63)
Tax relief - Veterans exemption	24,000	24,000	23,656	(344)
Tax relief - New mfg. mach. and equipment	80,000	80,000	121,917	41,917
Mashantucket Pequot and Mohegan grant	240,169	240,169	245,131	4,962
Property Tax Relief grant			11,019	11,019
Telephone tax sharing	80,420	80,420	68,015	(12,405)
Judicial reimbursement - Parking	50	50	50	-
Judicial reimbursements	100	100	498	398.00
Special reimbursements - Permits	200	200	210	10
Driving Under the Influence grant	24,909	24,909	30,809	5,900
Motor Vehicle Violation surcharge	14,000	14,000	14,970	970
Historic Document Preservation Grant	8,000	8,000	6,000	(2,000)
Other - State grants	2,000	2,000	4,683	2,683
Total intergovernmental	19,630,706	19,630,706	20,710,835	1,080,129

(Continued)-1

TOWN OF VERNON, CONNECTICUT

GENERAL FUND
 SCHEDULE OF REVENUES AND OTHER FINANCING SOURCES
 BUDGET AND ACTUAL
 FOR THE YEAR ENDED JUNE 30, 2011

	<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	\$ 400,000	\$ 400,000	\$ 363,754	\$ (36,246)
Vital statistics	500	500		(500)
Historic document preservation	7,500	7,500	12,384	4,884
Farmland Preservation surcharge			152,799	152,799
Printing and copying fees	800	800	496	(304)
Finance administration fee	11,000	11,000	11,000	-
Planning and zoning fees	6,000	6,000	8,005	2,005
Conservation fees	1,600	1,600	731	(869)
Assessor fees	3,500	3,500	2,177	(1,323)
Tax Collection fees			18,229	18,229
Police - Special services	10,000	10,000	197,338	187,338
Fingerprint fees	2,500	2,500		(2,500)
Fire Marshal - services	750	750	401	(349)
Historic properties certification			100	100
Recycling	32,000	32,000	45,746	13,746
Recycling bin promotion			990	990
Bulky waste pickup	21,150	21,150	10,590	(10,560)
CRRRA reimbursement			9,629	9,629
Other maintenance and development	20,000	20,000	23,520	3,520
Client reimbursements			395	395
Yankee Gas - administrative allocation	1,800	1,800	1,154	(646)
Energy application administration	9,000	9,000	8,481	(519)
Housing Rehab Admininstration	3,000	3,000	698	(2,302)
Recreation - Other			4,115	4,115
Tuition - Special education			61,996	61,996
Tuition - Vo-ag	400,000	400,000	326,192	(73,808)
Tuition - Special education Vo-ag	73,000	73,000	29,630	(43,370)
Tuition - Individual	10,000	10,000		(10,000)
School use fee			37,000	37,000
Other - Education community	4,000	4,000	58,653	54,653
Total charges for services	1,018,100	1,018,100	1,386,203	368,103

(Continued)-2

TOWN OF VERNON, CONNECTICUT

GENERAL FUND
 SCHEDULE OF REVENUES AND OTHER FINANCING SOURCES
 BUDGET AND ACTUAL
 FOR THE YEAR ENDED JUNE 30, 2011

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
<u>Licenses and permits</u>				
Building permits	\$ 310,000	\$ 310,000	\$ 400,476	\$ 90,476
Zoning Review	300	300	425	125
ZBA Fees	3,000	3,000	3,220	220
Zoning Permits	6,000	6,000	5,525	(475)
Town Clerk - License surcharge	2,500	2,500	2,014	(486)
Refuse licensing	6,500	6,500	500	(6,000)
Transfer station permits	77,800	77,800	70,215	(7,585)
Driveway & road cut permits	9,200	9,200	9,300	100
Total licenses and permits	415,300	415,300	491,675	76,375
<u>Fines and penalties</u>				
Parking tags	11,000	11,000	9,698	(1,302)
Returned check charge	200	200		(200)
Zoning citations			495	495
Total fines and penalties	11,200	11,200	10,193	(1,007)
<u>Interest on investments</u>				
General Fund	52,000	52,000	27,119	(24,881)
Interest on investments-Post Employment	880	880	481	(399)
Teachers' Retirement Board	160	160	108	(52)
Total interest on investments	53,040	53,040	27,708	(25,332)
<u>Other revenue</u>				
Rental income - Annex	24,000	24,000	24,000	-
Rental income - Senior Center	125	125	108	(17)
Rental management fee	50,000	50,000	50,000	-
Proceeds from sale of property			11,010	11,010
Medical insurance reimbursement	244,052	244,052	273,683	29,631
Insurance reimbursements			262,541	262,541
Gasoline reimbursement	57,210	57,210	42,979	(14,231)
Refunds and reimbursements			15,000	15,000
Tolland - East /East Main St. Sewers	39,000	39,000	39,380	380.00
Lease - Ellington pump station	5,821	5,821	6,370	549
Miscellaneous	28,000	28,000	14,458	(13,542)
Total other revenue	448,208	448,208	739,529	291,321
Total revenues	78,484,729	78,484,729	80,753,411	2,268,682

(Continued)-3

TOWN OF VERNON, CONNECTICUT

GENERAL FUND
 SCHEDULE OF REVENUES AND OTHER FINANCING SOURCES
 BUDGET AND ACTUAL
 FOR THE YEAR ENDED JUNE 30, 2011

	<u>Budgeted Amounts</u>			Variance with Final Budget
	Original	Final	Actual	
<u>Other financing sources</u>				
Special Revenue Funds:				
Recreation programs	\$ 71,400	\$ 71,400	\$ 71,400	\$ -
Sewer assessments - Ord. 167	57,000	57,000	57,000	-
Sewer assessments - Ord. 201	23,000	23,000	23,000	-
Capital Projects			42,396	42,396
Ambulance services	82,000	82,000	82,000	-
Interest on investments-Insurance Exchange	300	300	178	(122)
Interest on investments-Town Aid roads	300	300	256	(44)
Interest on investments-School Readiness	30	30	1,874	1,844
Cultural arts program			3	3
Interest on investments-Sewer Assessments	600	600	278	(322)
Total Special Revenue Funds	234,630	234,630	278,385	43,755
Transfers in:				
Debt Service Fund:				
Interest on investments	2,100	2,100	1,229	(871)
Total other financing sources	236,730	236,730	279,614	42,884
Total revenues and other financing sources	\$ 78,721,459	\$ 78,721,459	81,033,025	\$ 2,311,566

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

3,865,043

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

\$ 84,898,068

(Concluded)-4

TOWN OF VERNON, CONNECTICUT

GENERAL FUND
SCHEDULE OF EXPENDITURES AND OTHER FINANCING USES
BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2011

	<u>Budgeted Amounts</u>		Expenditures	Outstanding Encumbrances	Total Expenditures and Encumbrances	Variance with Final Budget
	Original	Final				
<u>General government</u>						
Town Council	\$ 13,075	\$ 22,244	\$ 13,008	\$ 7,707	\$ 20,715	\$ 1,529
Probate court	16,172	27,992	17,093	10,310	27,403	589
Executive and administrative	694,078	755,552	667,693	47,461	715,154	40,398
Law	160,000	315,748	308,144	7,601	315,745	3
Registration	69,597	74,261	66,931	6,306	73,237	1,024
Elections - general	26,700	32,681	28,257	4,399	32,656	25
Elections - primary	20,300	20,425	20,278		20,278.00	147
Elections - referendum	6,600	9,100	2,573	2,827	5,400	3,700
Finance administration	409,780	493,654	458,569	34,262	492,831	823
Independent audit	45,375	53,980	53,680	300	53,980	-
Treasury	2,180	3,655	2,683	930	3,613	42
Purchasing	10,580	17,488	8,648	8,730	17,378	110
Assessment	254,486	246,953	222,105	19,120	241,225	5,728
Refunds - tax adjustments	25,000	45,200	43,389		43,389	1,811
Collector of Revenue	201,375	226,729	199,167	24,696	223,863	2,866
Revaluation	30,000	73,904	69,247	4,258	73,505	399
Town Clerk	250,004	434,885	381,530	43,899	425,429	9,456
Board of Assessment Appeals	2,700	2,700	2,681		2,681	19
Water Pollution Control Authority	13,641	13,641	13,641		13,641	-
Greater Hartford Transit District	3,647	3,647	3,647		3,647	-
Data processing	476,817	581,386	464,396	106,285	570,681	10,705
Total general government	2,732,107	3,455,825	3,047,360	329,091	3,376,451	79,374
<u>Community development</u>						
Town Planner - Administration	229,820	225,359	210,671	14,371	225,042	317

(Continued)-1

TOWN OF VERNON, CONNECTICUT

GENERAL FUND
SCHEDULE OF EXPENDITURES AND OTHER FINANCING USES
BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2011

	<u>Budgeted Amounts</u>		Expenditures	Outstanding Encumbrances	Total Expenditures and Encumbrances	Variance with Final Budget
	Original	Final				
<u>Public safety</u>						
Police	\$ 5,766,910	\$ 5,936,613	\$ 5,806,771	\$ 89,765	\$ 5,896,536	\$ 40,077
School crossing guards	64,820	64,820	59,540		59,540	5,280
Traffic authority	327,960	427,138	323,052	99,030	422,082	5,056
Fire fighting and administration	1,143,819	1,174,443	1,070,311	45,200	1,115,511	58,932
Fire Marshal	94,856	94,929	91,350	165	91,515	3,414
Building inspection	267,553	260,714	253,538	2,707	256,245	4,469
Emergency Management	44,660	44,660	35,680	636	36,316	8,344
Animal control	128,924	135,024	134,164		134,164	860
Total public safety	7,839,502	8,138,341	7,774,406	237,503	8,011,909	126,432
<u>Maintenance and development</u>						
Public Works administration	582,462	602,122	589,595	8,444	598,039	4,083
General maintenance	1,248,177	1,256,953	1,212,582	29,624	1,242,206	14,747
Equipment maintenance	740,820	771,341	737,868	31,921	769,789	1,552
Maintenance of gov't buildings	784,294	791,833	729,445	46,902	776,347	15,486
Snow removal	194,740	721,372	712,932	25	712,957	8,415
Refuse collection and disposal	1,180,739	1,185,292	1,094,702	89,336	1,184,038	1,254
Recycling	281,333	307,234	287,010	12,865	299,875	7,359
Condominium refuse	5,046	5,046	5,046		5,046	-
Tree Warden	11,650	11,650	6,588	4,305	10,893	757
Leaf collection program	117,324	107,324	94,895		94,895	12,429
Engineering admin. services	277,048	289,061	287,328	1,474	288,802	259
Total maintenance and development	5,423,633	6,049,228	5,757,991	224,896	5,982,887	66,341

(Continued)-2

TOWN OF VERNON, CONNECTICUT

GENERAL FUND
SCHEDULE OF EXPENDITURES AND OTHER FINANCING USES
BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2011

	Budgeted Amounts		Expenditures	Outstanding Encumbrances	Total Expenditures and Encumbrances	Variance with Final Budget
	Original	Final				
<u>Human services</u>						
North Central Health District	\$ 118,461	\$ 120,848	\$ 120,848		\$ 120,848	\$ -
Visiting Nurses and Health Services	12,249	15,221	14,338	883	15,221	-
Hockanum Valley Community Council	165,000	165,367	165,367		165,367	-
Child Guidance Clinic	11,000	11,000	11,000		11,000	-
Exchange Club-Prevent Child Abuse	8,000	8,000	8,000		8,000	-
Hockanum Industries	7,000	7,000	7,000		7,000	-
MARC, Inc. of Manchester	4,000	4,000	4,000		4,000	-
Shelter Services	9,000	9,000	7,516	1,484	9,000	-
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	237,988	259,988	259,331	204	259,535	453
Youth services	219,167	234,841	230,866	277	231,143	3,698
Senior center	126,543	124,747	118,172	935	119,107	5,640
Total human services	930,908	972,512	958,938	3,783	962,721	9,791
<u>Parks, recreation and culture</u>						
Recreation administration	410,606	418,700	416,176	1,524	417,700	1,000
Public celebration	15,600	19,812	19,670		19,670	142
Parks maintenance	576,697	614,061	589,018	9,961	598,979	15,082
Art commission	11,840	17,443	14,008	3,075	17,083	360
Historical Society	5,000	5,000	5,000		5,000	-
Rockville Public Library	300,000	300,000	300,000		300,000	-
Total parks, recreation and culture	1,319,743	1,375,016	1,343,872	14,560	1,358,432	16,584

(Continued)-3

TOWN OF VERNON, CONNECTICUT
GENERAL FUND
SCHEDULE OF EXPENDITURES AND OTHER FINANCING USES
BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2011

	<u>Budgeted Amounts</u>		Expenditures	Outstanding Encumbrances	Total Expenditures and Encumbrances	Variance with Final Budget
	Original	Final				
<u>Townwide</u>						
Social security and Medicare	\$ 912,600	\$ 915,100	\$ 895,476	\$	\$ 895,476	\$ 19,624
Pension	1,876,000	2,306,613	2,275,702	30,909	2,306,611	2
Group insurance	3,269,888	3,368,278	3,165,987	110,299	3,276,286	91,992
Unemployment compensation	22,000	33,021	28,509	4,512	33,021	-
Municipal insurance	749,829	751,829	724,718	12,000	736,718	15,111
Contingency	122,000	38,388	25,804		25,804	12,584
Housing Authority sewer subsidy	46,440	50,423	47,872	2,551	50,423	-
Vernon Cemetery Commission	157,899	157,899	157,899		157,899	-
Total townwide	7,156,656	7,621,551	7,321,967	160,271	7,482,238	139,313
Subtotal - General Government	25,632,369	27,837,832	26,415,205	984,475	27,399,680	438,152
<u>Debt service</u>						
Debt service - principal	2,109,736	2,301,370	2,301,286		2,301,286	84
Debt service - interest	1,951,802	1,956,404	1,752,452	201,000	1,953,452	2,952
Total debt service	4,061,538	4,257,774	4,053,738	201,000	4,254,738	3,036
<u>Capital improvements</u>						
Capital improvements - Town		124,125	109,587	14,538	124,125	-
Subtotal - Cap. improve. / Debt Service	4,061,538	4,381,899	4,163,325	215,538	4,378,863	3,036

(Continued)-4

TOWN OF VERNON, CONNECTICUT

GENERAL FUND
SCHEDULE OF EXPENDITURES AND OTHER FINANCING USES
BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2011

	Budgeted Amounts		Expenditures	Outstanding Encumbrances	Total Expenditures and Encumbrances	Variance with Final Budget
	Original	Final				
<u>Education</u>						
Regular instruction	\$ 19,096,615	\$ 19,199,571	\$ 19,490,660	\$ 142,232	\$ 19,632,892	\$ (433,321)
Special Education instruction	4,034,407	4,051,834	4,105,313	3,457	4,108,770	(56,936)
Continuing Education	256,339	209,132	209,132		209,132	-
Special Education program support	2,137,210	2,895,990	3,098,823	2,642	3,101,465	(205,475)
Social Work services	539,273	542,271	536,042		536,042	6,229
Guidance services	678,952	683,709	678,522		678,522	5,187
Health services	371,847	391,847	414,717	1,749	416,466	(24,619)
Psychological services	617,412	623,200	613,923		613,923	9,277
Speech pathology & audio services	494,550	507,596	491,805		491,805	15,791
Instructional program support	26,821	27,645	21,865	1,400	23,265	4,380
Library / Media services	378,439	399,927	374,722	28,255	402,977	(3,050)
Curriculum development	1,236,698	1,256,541	1,065,930	149,541	1,215,471	41,070
Superintendent's office	448,483	448,483	430,907	2,618	433,525	14,958
Board of Education - Elected	105,517	101,017	100,653		100,653	364
Principal office services	1,966,129	1,990,923	1,937,613	31,714	1,969,327	21,596
Business office	393,520	404,189	394,670	5,435	400,105	4,084
Capital Reserve						-
Building / Plant operations	3,888,211	3,991,500	3,685,224	221,625	3,906,849	84,651
Student transportation services	2,287,904	2,534,704	2,351,041		2,351,041	183,663
General control	182,413	187,480	175,116	7,188	182,304	5,176
Information systems	310,000	310,000	330,400		330,400	(20,400)
System-wide fringe benefits	7,546,035	7,556,962	7,237,262	2,800	7,240,062	316,900
Extra curricular student activities	505,337	507,343	480,046	301	480,347	26,996
Contingency	56,847	56,847				56,847
Total Education	47,558,959	48,878,711	48,224,386	600,957	48,825,343	53,368
Total Expenditures	77,252,866	81,098,442	78,802,916	1,800,970	80,603,886	494,556

(Continued)-5

TOWN OF VERNON, CONNECTICUT

GENERAL FUND
 SCHEDULE OF EXPENDITURES AND OTHER FINANCING USES
 BUDGET AND ACTUAL
 FOR THE YEAR ENDED JUNE 30, 2011

	<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	\$	\$ 4,128	\$ 4,128	\$	\$ 4,128	\$ -
Planning - Open space	10,000	10,000	10,000		10,000	-
Community & Economic development	20,382	20,382	20,382		20,382	-
Social services administration	7,500	7,500	7,500		7,500	-
Debt service - principal	89,000	86,000	86,000		86,000	-
Debt service - interest	37,422	40,422	40,422		40,422	-
Capital improvements - Town		52,747	52,747		52,747	-
Education - Capital Reserve			53,306		53,306	(53,306)
Debt Service Fund:						
Debt service - principal WTP	1,155,972	1,155,972	1,155,972		1,155,972	-
Debt service - interest WTP	148,317	148,317	148,316		148,316	1
Total other financing uses	1,468,593	1,525,468	1,578,773	-	1,578,773	(53,305)
Total expenditures and other financing uses	\$78,721,459	\$82,623,910	\$80,381,689	\$1,800,970	82,182,659	\$ 441,251

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

3,865,043

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

(1,800,970)

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

\$84,246,732

(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	ACTUARIALLY 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,						
2006	\$15,867,683	\$21,238,553	(\$5,370,870)	74.7%	\$3,512,784	(152.9%)
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%)
TOWN PLAN						
	A	B	(A-B)	(A/B)	C	[(A-B)/C]
ACTUARIAL VALUATION DATE	ACTUARIAL VALUE OF ASSETS	ACTUARIALLY 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,						
2006	\$19,178,993	\$32,510,899	(\$13,331,906)	59.0%	\$12,469,300	(106.9%)
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%)

(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	ACTUARIALLY ACCRUED LIABILITY (AAL) FROZEN ENTRY	OVER (UNDER) FUNDED AAL	FUNDED AAL RATIO	COVERED PAYROLL	OVER/UNDER FUNDED AAL AS A PERCENTAGE OF COVERED PAYROLL
JANUARY 1,						
2006	\$656,023	\$890,692	(\$234,669)	73.7%	N/A	N/A
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

(Concluded)

TOWN OF VERNON, CONNECTICUT

REQUIRED SUPPLEMENTARY INFORMATION

VERNON OTHER POST EMPLOYMENT BENEFIT PLANS
SCHEDULE OF FUNDING PROGRESS

POLICE OTHER POST EMPLOYMENT BENEFIT PLAN

	A	B	(A-B)	(A/B)	C	[(A-B)/C]
ACTUARIAL VALUATION DATE	ACTUARIAL VALUE OF ASSETS	ACTUARIALLY 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%)

TOWN OTHER POST EMPLOYMENT BENEFIT PLAN

	A	B	(A-B)	(A/B)	C	[(A-B)/C]
ACTUARIAL VALUATION DATE	ACTUARIAL VALUE OF ASSETS	ACTUARIALLY 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%)

BOARD OF EDUCATION OTHER POST EMPLOYMENT BENEFIT PLAN

	A	B	(A-B)	(A/B)	C	[(A-B)/C]
ACTUARIAL VALUATION DATE	ACTUARIAL VALUE OF ASSETS	ACTUARIALLY 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%)

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>			
2005	\$ 933,759	\$ 933,759	100.0%
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%
<u>TOWN</u>			
2005	1,190,512	1,190,512	100.0%
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%
<u>LOSAP</u>			
2005	86,265	86,265	100.0%
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%
<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%
<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%
<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%

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, 2011 AND 2010**

	2011	2010
ASSETS		
Cash	\$ 8,870,779	\$ 40,340
Investments	2,436,623	10,443,021
Receivables, net:		
Uncollected property taxes	1,370,094	1,281,734
Grants and other	632,077	891,434
Due from other funds	2,255,427	4,092,563
Total Assets	<u>\$ 15,565,000</u>	<u>\$ 16,749,092</u>
LIABILITIES AND FUND BALANCE		
Liabilities:		
Accounts payable	\$ 1,327,943	\$ 1,513,258
Accrued wages and benefits	748,115	559,911
Due to other funds	804,219	2,464,181
Deferred revenue	1,600,781	1,780,291
Unearned revenue	5,877	4,722
Total liabilities	<u>4,486,935</u>	<u>6,322,363</u>
Fund balance:		
Assigned	2,122,970	2,155,779
Unassigned	8,955,095	8,270,950
Total fund balance	<u>11,078,065</u>	<u>10,426,729</u>
Total Liabilities and Fund Balance	<u>\$ 15,565,000</u>	<u>\$ 16,749,092</u>

TOWN OF VERNON, CONNECTICUT

**REPORT OF THE TAX COLLECTOR
FOR THE YEAR ENDED JUNE 30, 2011**

Grand List October 1,	Uncollected Taxes July 1, 2010	Current Year Levy	Lawful Corrections		Transfers (From) to Suspense	Adjusted Taxes Collectible	Collections				Uncollected Taxes June 30, 2011
			Additions	Deductions			Taxes	Interest	Liens	Total	
2008	\$ 641,526	\$	\$ 5,544	\$ 1,140	\$ 43,169	\$ 602,761	\$ 345,676	\$ 68,439	\$ 16,932	\$ 431,047	\$ 257,085
2007	298,526		5,488		26,072	277,942	133,417	43,045	421	176,883	144,525
2006	123,019		782	201	6,773	116,827	35,584	21,675	545	57,804	81,243
2005	47,123		185	197	(5,542)	52,653	15,499	8,275	1,370	25,144	37,154
2004	20,494				(4,409)	24,903	5,757	4,864	1,148	11,769	19,146
2003	15,898				(685)	16,583	1,827	2,173	423	4,423	14,756
2002	12,604				(130)	12,734	1,086	1,409	276	2,771	11,648
2001	11,852				(77)	11,929	736	1,136	194	2,066	11,193
2000	11,308				(1,232)	12,540	1,861	1,866	232	3,959	10,679
1999	17,586			147	(685)	18,124	813	1,480	6	2,299	17,311
1998	16,683				(309)	16,992	309	638		947	16,683
1997	16,683				(53)	16,736	53	116		169	16,683
1996	16,594				(258)	16,852	258	637		895	16,594
1995	16,196				(244)	16,440	244	652		896	16,196
1994	15,642			15,642		-				-	-
Total prior years	1,281,734	-	11,999	17,327	62,390	1,214,016	543,120	156,405	21,547	721,072	670,896
2009		57,205,162	145,667	166,153	556	57,184,120	56,484,922	183,488	8,567	56,676,977	699,198
Total all years	\$ 1,281,734	\$ 57,205,162	\$ 157,666	\$ 183,480	\$ 62,946	\$ 58,398,136	\$ 57,028,042	\$ 339,893	\$ 30,114	\$ 57,398,049	\$ 1,370,094

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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
Amerbelle Mill Upgrades	Federal grant	Community development
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, 2011

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	\$ 15,399	\$ 883	\$ 162,053	\$ 345	\$ 22,913	\$ 15,584		\$ 205,657		
Investments	24,764		121,700	190,561	26,426	61,095				
Grants and other receivables, net	142,391					452,381		900		
Sewer assessment receivable										
Due from other funds		31			1,008			7,043		
Inventory	32,145									
Total Assets	\$ 214,699	\$ 914	\$ 283,753	\$ 190,906	\$ 50,347	\$ 529,060	\$ -	\$ 213,600		
Liabilities and Fund Balances										
Liabilities:										
Accounts payable	\$	\$ 914	\$ 160,829	\$ 21,203	\$ 18,400	\$ 27,521		\$ 150		
Other payables										
Due to other funds			178	256	608	21,727	860,500	8,469		
Deferred revenue						452,381				
Unearned revenue										
Total liabilities	-	914	161,007	21,459	19,008	501,629	860,500	8,619		
Fund Balances:										
Nonspendable	32,145									
Restricted	182,554			169,447				204,981		
Committed			122,746			27,431				
Assigned					31,339					
Unassigned							(860,500)			
Total fund balances	214,699	-	122,746	169,447	31,339	27,431	(860,500)	204,981		
Total Liabilities and Fund Balances	\$ 214,699	\$ 914	\$ 283,753	\$ 190,906	\$ 50,347	\$ 529,060	\$ -	\$ 213,600		

(Continued on next page)

TOWN OF VERNON, CONNECTICUT

**COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2011**

	Special Revenue Funds							
	Special Education Grants	Adult Basic Education Tuition	CDBG Small Cities	Housing and Community Development	Downstream	Roosevelt Mill Cleanup Project	Sidewalk Development	
Assets								
Cash	\$ 102,264	\$ 156,297	\$ 338,266	\$ 29,450	\$ 33,542	\$	\$ 2,696	
Investments					36,865			
Grants and other receivables, net	34,588		229,479	101,644		46,070		
Sewer assessment receivable								
Due from other funds								
Inventory								
Total Assets	\$ 136,852	\$ 156,297	\$ 567,745	\$ 131,094	\$ 70,407	\$ 46,070	\$ 2,696	
Liabilities and Fund Balances								
Liabilities:								
Accounts payable	\$ 82,086	\$ 36,170	\$ 123,498	\$	\$	\$ 11,660	\$	
Other payables		4,848	27,447			27,057		
Due to other funds			698			6,153		
Deferred revenue			84,879	101,644				
Unearned revenue								
Total liabilities	82,086	41,018	236,522	101,644	-	44,870	-	
Fund Balances:								
Nonspendable								
Restricted	54,766	115,279	331,223	29,450		1,200		
Committed								
Assigned					70,407		2,696	
Unassigned								
Total fund balances	54,766	115,279	331,223	29,450	70,407	1,200	2,696	
Total Liabilities and Fund Balances	\$ 136,852	\$ 156,297	\$ 567,745	\$ 131,094	\$ 70,407	\$ 46,070	\$ 2,696	

(Continued on next page)

TOWN OF VERNON, CONNECTICUT

COMBINING BALANCE SHEET (CONTINUED)

NONMAJOR GOVERNMENTAL FUNDS

JUNE 30, 2011

	Special Revenue Funds								
	Sewer Assessment	Sewer Connections	Medical Savings Reserve	Parks and Recreation Programs	Talcottville Enhancements TCSP 010	Miscellaneous Grants	Miscellaneous Special Revenue	Total	
Assets									
Cash	\$ 29,664	\$	\$	\$ 2,032	\$	\$ 99,476	\$ 275,801	\$	1,492,322
Investments	339,920	1,359,901	121,916			1,739	64,184		2,349,071
Grants and other receivables, net		1,707	63,950	13,943	45,581	71,817	6,000		1,210,451
Sewer assessment receivable	9,479								9,479
Due from other funds		150,359				65,840	23,105		247,386
Inventory									32,145
Total Assets	\$ 379,063	\$ 1,511,967	\$ 185,866	\$ 15,975	\$ 45,581	\$ 238,872	\$ 369,090	\$	5,340,854
Liabilities and Fund Balances									
Liabilities:									
Accounts payable	\$	\$ 240	\$	\$ 6,851	\$	\$ 16,556	\$ 24,241	\$	530,319
Other payables					12,063	2,667			74,082
Due to other funds	150,637			26,619	42,907	37,536	6,000		1,162,288
Deferred revenue	9,311								648,215
Unearned revenue		1,707							1,707
Total liabilities	159,948	1,947	-	33,470	54,970	56,759	30,241		2,416,611
Fund Balances:									
Nonspendable									32,145
Restricted	219,115	1,510,020				182,113			3,000,148
Committed			185,866						336,043
Assigned							338,849		443,291
Unassigned				(17,495)	(9,389)				(887,384)
Total fund balances	219,115	1,510,020	185,866	(17,495)	(9,389)	182,113	338,849		2,924,243
Total Liabilities and Fund Balances	\$ 379,063	\$ 1,511,967	\$ 185,866	\$ 15,975	\$ 45,581	\$ 238,872	\$ 369,090	\$	5,340,854

(Continued on next page)

TOWN OF VERNON, CONNECTICUT

COMBINING BALANCE SHEET (CONTINUED)

NONMAJOR GOVERNMENTAL FUNDS

JUNE 30, 2011

	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	\$	\$ 7,010	\$ 5,920	\$	\$ 135,080	\$ 1,112	\$ 149,122	
Investments	78,531				1,115,068	511,154	1,704,753	
Grants and other receivables, net		35,288	5,387	12,612	195,605	80,177	329,069	
Sewer assessment receivable							-	
Due from other funds					49,434	53,306	102,740	
Inventory							-	
Total Assets	\$ 78,531	\$ 42,298	\$ 11,307	\$ 12,612	\$ 1,495,187	\$ 645,749	\$ 2,285,684	
Liabilities and Fund Balances								
Liabilities:								
Accounts payable	\$	\$ 2,585	\$	\$ 3,112	\$ 331,701	\$ 6,082	\$ 343,480	
Other payables		28,680	3,024		14,230		45,934	
Due to other funds		4,023	2,363	9,500		116,513	132,399	
Deferred revenue							-	
Unearned revenue		10	19				29	
Total liabilities	-	35,298	5,406	12,612	345,931	122,595	521,842	
Fund Balances:								
Nonspendable							-	
Restricted							-	
Committed	78,531	7,000	5,901		1,149,256	523,154	1,763,842	
Assigned							-	
Unassigned							-	
Total fund balances	78,531	7,000	5,901	-	1,149,256	523,154	1,763,842	
Total Liabilities and Fund Balances	\$ 78,531	\$ 42,298	\$ 11,307	\$ 12,612	\$ 1,495,187	\$ 645,749	\$ 2,285,684	

(Continued on next page)

TOWN OF VERNON, CONNECTICUT

COMBINING BALANCE SHEET (CONCLUDED)

NONMAJOR GOVERNMENTAL FUNDS

JUNE 30, 2011

	Permanent Funds				Total Nonmajor Governmental Funds
	Cemetery Trust	Memorial Trust	Total	Interfund Eliminations	
Assets					
Cash	\$ 68,995	\$ 32,505	\$ 101,500	\$	\$ 1,742,944
Investments	1,808,558		1,808,558		5,862,382
Grants and other receivables, net			-		1,539,520
Sewer assessment receivable			-		9,479
Due from other funds			-	(205,359)	144,767
Inventory			-		32,145
Total Assets	\$ 1,877,553	\$ 32,505	\$ 1,910,058	\$ (205,359)	\$ 9,331,237
Liabilities and Fund Balances					
Liabilities:					
Accounts payable	\$	\$	\$ -	\$	\$ 873,799
Other payables			-		120,016
Due to other funds	682		682	(205,359)	1,090,010
Deferred revenue			-		648,215
Unearned revenue			-		1,736
Total liabilities	682	-	682	(205,359)	2,733,776
Fund Balances:					
Nonspendable	1,876,871	32,505	1,909,376		1,941,521
Restricted			-		3,000,148
Committed			-		2,099,885
Assigned			-		443,291
Unassigned			-		(887,384)
Total fund balances	1,876,871	32,505	1,909,376	-	6,597,461
Total Liabilities and Fund Balances	\$ 1,877,553	\$ 32,505	\$ 1,910,058	\$ (205,359)	\$ 9,331,237

(Concluded)

TOWN OF VERNON, CONNECTICUT

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2011

	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	\$ 722,211	\$	\$		\$		\$	
State	63,434			207,379				6,255
Local								
Assessments								
Sales								20,245
Charges for services	565,331				26,920	1,013,957		64,195
Licenses and permits		6,131			16,074			
Gifts and contributions					1,000			
Investment income	83		178	256	24	59		1,085
Other			178,708			388		4,256
Total revenues	1,351,059	6,131	178,886	207,635	44,018	1,014,404	-	96,036
Expenditures:								
Current:								
General government		6,131						
Community development								
Public safety					13,669	898,406		106,284
Maintenance and development			12,771	157,095				
Human services								
Parks, recreation and culture			4,382					
Education	1,298,471		174,107					
Capital outlay					10,267	2,218		24,050
Total expenditures	1,298,471	6,131	191,260	157,095	23,936	900,624	-	130,334
Excess (Deficiency) of Revenues over Expenditures	52,588	-	(12,374)	50,540	20,082	113,780	-	(34,298)
Other Financing Sources (Uses):								
Lease purchases of equipment								16,378
Transfers in								
Transfers out			(178)	(256)		(82,000)		
Net other financing sources (uses)	-	-	(178)	(256)	-	(82,000)	-	16,378
Net Change in Fund Balances	52,588	-	(12,552)	50,284	20,082	31,780	-	(17,920)
Fund Balances at July 1, 2010	162,111	-	135,298	119,163	11,257	(4,349)	(860,500)	222,901
Fund Balances at June 30, 2011	\$ 214,699	\$ -	\$ 122,746	\$ 169,447	\$ 31,339	\$ 27,431	\$ (860,500)	\$ 204,981

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TOWN OF VERNON, CONNECTICUT

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2011

	Special Revenue Funds							
	Special Education Grants	Adult Basic Education Tuition	CDGB Small Cities	Housing and Community Development	Downstream	Roosevelt Mill Cleanup Project	Amerbelle Mill Upgrades	Sidewalk Development
Revenues:								
Intergovernmental:								
Federal	\$ 2,666,962	\$	\$ 611,800	\$		\$	\$ 16,860	\$
State	96,885	253,754				569,663		
Local		1,258,746						
Assessments								
Sales								
Charges for services								
Licenses and permits								
Gifts and contributions								
Investment income					174			7
Other			24,222	1,144				
Total revenues	2,763,847	1,512,500	636,022	1,144	174	569,663	16,860	7
Expenditures:								
Current:								
General government								
Community development			615,585			569,663	16,860	
Public safety								
Maintenance and development					3,030			
Human services								
Parks, recreation and culture								
Education	2,751,739	1,534,870						
Capital outlay								
Total expenditures	2,751,739	1,534,870	615,585	-	3,030	569,663	16,860	-
Excess (Deficiency) of Revenues over Expenditures	12,108	(22,370)	20,437	1,144	(2,856)	-	-	7
Other Financing Sources (Uses):								
Lease purchases of equipment								
Transfers in								
Transfers out								
Net other financing sources (uses)	-	-	-	-	-	-	-	-
Net Change in Fund Balances	12,108	(22,370)	20,437	1,144	(2,856)	-	-	7
Fund Balances at July 1, 2010	42,658	137,649	310,786	28,306	73,263	1,200	-	2,689
Fund Balances at June 30, 2011	\$ 54,766	\$ 115,279	\$ 331,223	\$ 29,450	\$ 70,407	\$ 1,200	\$ -	\$ 2,696

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TOWN OF VERNON, CONNECTICUT

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2011

	Special Revenue Funds							Total
	Sewer Assessment	Sewer Connections	Medical Savings Reserve	Parks and Recreation Programs	Talcottville Enhancements TCSP 010	Miscellaneous Grants	Miscellaneous Special Revenue	
Revenues:								
Intergovernmental:								
Federal	\$	\$	\$	\$	\$ 441,384	\$ 133,252	\$	\$ 4,592,469
State						178,714		1,376,084
Local								1,258,746
Assessments	51,769							51,769
Sales								20,245
Charges for services				666,027			16,434	2,352,864
Licenses and permits		140,184					13,532	175,921
Gifts and contributions						800	68,178	69,978
Investment income	475	1,882	245			21	325	4,814
Other						133,520	18,600	360,838
Total revenues	52,244	142,066	245	666,027	441,384	446,307	117,069	10,263,728
Expenditures:								
Current:								
General government								6,131
Community development					451,201	14,400	75,380	1,743,089
Public safety						67,137	14,285	993,497
Maintenance and development		47,812						326,992
Human services						53,308	31,803	85,111
Parks, recreation and culture				608,627		46,119	55,075	714,203
Education						237,083		5,996,270
Capital outlay						3,839		40,374
Total expenditures	-	47,812	-	608,627	451,201	421,886	176,543	9,905,667
Excess (Deficiency) of Revenues over Expenditures	52,244	94,254	245	57,400	(9,817)	24,421	(59,474)	358,061
Other Financing Sources (Uses):								
Lease purchases of equipment						40,247	27,882	84,507
Transfers in								
Transfers out	(538,123)			(71,400)		(1,877)	(10,000)	(703,834)
Net other financing sources (uses)	(538,123)	-	-	(71,400)	-	38,370	17,882	(619,327)
Net Change in Fund Balances	(485,879)	94,254	245	(14,000)	(9,817)	62,791	(41,592)	(261,266)
Fund Balances at July 1, 2010	704,994	1,415,766	185,621	(3,495)	428	119,322	380,441	3,185,509
Fund Balances at June 30, 2011	\$ 219,115	\$ 1,510,020	\$ 185,866	\$ (17,495)	\$ (9,389)	\$ 182,113	\$ 338,849	\$ 2,924,243

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TOWN OF VERNON, CONNECTICUT

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES (CONTINUED)

FOR THE YEAR ENDED JUNE 30, 2011

	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	\$	\$ 473,482	\$ 119,837	\$ 2,490	\$ 40,735	\$	\$ 636,544
State		118,370	29,959	10,122	164,724		323,175
Local							-
Assessments							-
Sales							-
Charges for services					12,384		12,384
Licenses and permits							-
Gifts and contributions							-
Investment income					2,126	786	2,912
Other					35,113		35,113
Total revenues	-	591,852	149,796	12,612	255,082	786	1,010,128
Expenditures:							
Current:							
General government							-
Community development							-
Public safety							-
Maintenance and development							-
Human services							-
Parks, recreation and culture							-
Education							-
Capital outlay		591,852	149,795	12,612	1,825,155	253,275	2,832,689
Total expenditures	-	591,852	149,795	12,612	1,825,155	253,275	2,832,689
Excess (Deficiency) of Revenues over Expenditures	-	-	1	-	(1,570,073)	(252,489)	(1,822,561)
Other Financing Sources (Uses):							
Lease purchases of equipment					106,412		106,412
Transfers in					192,366	53,306	245,672
Transfers out							-
Net other financing sources (uses)	-	-	-	-	298,778	53,306	352,084
Net Change in Fund Balances	-	-	1	-	(1,271,295)	(199,183)	(1,470,477)
Fund Balances at July 1, 2010	78,531	7,000	5,900		2,420,551	722,337	3,234,319
Fund Balances at June 30, 2011	\$ 78,531	\$ 7,000	\$ 5,901	\$ -	\$ 1,149,256	\$ 523,154	\$ 1,763,842

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TOWN OF VERNON, CONNECTICUT

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES (CONCLUDED)
FOR THE YEAR ENDED JUNE 30, 2011

	Permanent Funds			Interfund Eliminations	Total Nonmajor Governmental Funds
	Cemetery Trust	Memorial Trust	Total		
Revenues:					
Intergovernmental:					
Federal	\$	\$	\$ -	\$	5,229,013
State			-		1,699,259
Local					1,258,746
Assessments			-		51,769
Sales			-		20,245
Charges for services			-		2,365,248
Licenses and permits			-		175,921
Gifts and contributions	6,750		6,750		76,728
Investment income	243,512	93	243,605		251,331
Other			-		395,951
Total revenues	250,262	93	250,355	-	11,524,211
Expenditures:					
Current:					
General government			-		6,131
Community development			-		1,743,089
Public safety			-		993,497
Maintenance and development	17,717		17,717		344,709
Human services			-		85,111
Parks, recreation and culture			-		714,203
Education		4,975	4,975		6,001,245
Capital outlay			-		2,873,063
Total expenditures	17,717	4,975	22,692	-	12,761,048
Excess (Deficiency) of Revenues over Expenditures	232,545	(4,882)	227,663	-	(1,236,837)
Other Financing Sources (Uses):					
Lease purchases of equipment			-		106,412
Transfers in			-	(55,694)	274,485
Transfers out	(16,378)		(16,378)	55,694	(664,518)
Net other financing sources (uses)	(16,378)	-	(16,378)	-	(283,621)
Net Change in Fund Balances	216,167	(4,882)	211,285	-	(1,520,458)
Fund Balances at July 1, 2010	1,660,704	37,387	1,698,091	-	8,117,919
Fund Balances at June 30, 2011	\$ 1,876,871	\$ 32,505	\$ 1,909,376	\$ -	\$ 6,597,461

(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
FOR THE YEAR ENDED JUNE 30, 2011

	Data Processing	Workers' Compensation	Medical Self-Insurance	Total
Assets:				
Current assets:				
Cash and cash equivalents	\$ 358,055	\$ 25,438	\$ 84,351	\$ 467,844
Investments	1,268	849,599	566,332	1,417,199
Accounts receivable		1,274	14,238	15,512
Prepaid Expense	58,870			58,870
Total current assets	418,193	876,311	664,921	1,959,425
Capital assets:				
Machinery and equipment	213,838			213,838
Infrastructure	186,576			186,576
Computer software	387,278			387,278
Less accumulated depreciation	(304,074)			(304,074)
Capital assets (net)	483,618	-	-	483,618
Total assets	901,811	876,311	664,921	2,443,043
Liabilities:				
Current:				
Accounts payable	28,931	7,684		36,615
Claims payable		463,006	114,172	577,178
Due to other funds	151,902	575,000	316,000	1,042,902
Accrued compensated absences	13,116			13,116
Total current liabilities	193,949	1,045,690	430,172	1,669,811
Noncurrent:				
Claims payable		736,922		736,922
Accrued compensated absences	12,514			12,514
Total noncurrent liabilities	12,514	736,922	-	749,436
Total liabilities	206,463	1,782,612	430,172	2,419,247
Net Assets:				
Invested in capital assets	483,618			483,618
Unrestricted	211,730	(906,301)	234,749	(459,822)
Total Net Assets	\$ 695,348	\$ (906,301)	\$ 234,749	\$ 23,796

TOWN OF VERNON, CONNECTICUT

INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2011

	Data Processing	Workers' Compensation	Medical Self-Insurance	Total
Operating Revenues:				
Charges for services	\$ 660,000	\$ 465,000	\$ 245,101	\$ 1,370,101
Gifts and contributions			2,310,949	2,310,949
Other:				
Insurance reimbursements		16,074	43,764	59,838
Miscellaneous	6,772	2,720		9,492
Total operating revenues	666,772	483,794	2,599,814	3,750,380
Operating Expenses:				
Wages and benefits	362,423			362,423
Repairs, maintenance and rentals	148,969			148,969
Utilities	12,148			12,148
Supplies and materials	980			980
General and administrative	48,584	65,753	38,448	152,785
Claims paid and incurred		687,135	2,357,991	3,045,126
Depreciation	100,007			100,007
Total operating expenses	673,111	752,888	2,396,439	3,822,438
Operating Income (Loss)	(6,339)	(269,094)	203,375	(72,058)
Nonoperating Revenues (Expenses):				
Transfer in - other funds		428,529		428,529
Investment income	70	185	697	952
Net Nonoperating Revenues (Expenses)	70	428,714	697	429,481
Income (loss) before capital contribution	(6,269)	159,620	204,072	357,423
Capital contributed from government	186,976			186,976
Change in net assets	180,707	159,620	204,072	544,399
Total Net Assets July 1, 2010	514,641	(1,065,921)	30,677	(520,603)
Total Net Assets June 30, 2011	\$ 695,348	\$ (906,301)	\$ 234,749	\$ 23,796

TOWN OF VERNON, CONNECTICUT

INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2011

	Data Processing	Workers' Compensation	Medical Self-Insurance	Total
Cash Flows from Operating Activities:				
Service charges collected	\$ 666,772	\$ 465,000	\$ 247,808	\$ 1,379,580
Contributions collected			2,311,076	2,311,076
Other operating revenues collected		1,446	25,830	27,276
Cash payments for employee wages and benefits	(357,975)			(357,975)
Cash payments for goods and services	(229,702)			(229,702)
Cash payments for other operating expenses		(843,772)	(2,371,423)	(3,215,195)
Cash receipts (disbursements) of advances (reimbursements) to other funds	12,260	575,000	220,000	807,260
Net cash provided by (used in) operating activities	91,355	197,674	433,291	722,320
Cash Flows from capital and related financing activities:				
Purchase of capital assets	(4,370)			(4,370)
Cash Flows from Investing Activities:				
Investment income	70	185	697	952
Cash Flows from Noncapital Financing Activities:				
Transfer from other funds		428,529		428,529
Net Increase (Decrease) in Cash and Cash Equivalents	87,055	626,388	433,988	1,147,431
Cash and Cash Equivalents - July 1, 2010	272,268	248,649	216,695	737,612
Cash and Cash Equivalents - June 30, 2011	359,323	875,037	650,683	1,885,043
Reconciliation to cash on Schedule 5:				
Cash equivalents reported as investments	(1,268)	(849,599)	(566,332)	(1,417,199)
Cash and Cash Equivalents - June 30, 2011	\$ 358,055	\$ 25,438	\$ 84,351	\$ 467,844
Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used in) Operating Activities:				
Operating income (loss)	\$ (6,339)	\$ (269,094)	\$ 203,375	\$ (72,058)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:				
Add:				
Depreciation expense	100,007			100,007
Decrease in due from other funds	12,260			12,260
Decrease in prepaid expense	25,358			25,358
Increase in accounts payable		4,225		4,225
Increase in claims payable			24,154	24,154
Increase in accrued absences	4,631			4,631
Increase in due to other funds	129,773	575,000	220,000	924,773
Deduct:				
Increase in accounts receivable		(1,274)	(14,238)	(15,512)
Decrease in accounts payable	(174,335)			(174,335)
Decrease in claims payable		(111,183)		(111,183)
Net adjustments to operating income (loss)	97,694	466,768	229,916	794,378
Net Cash Provided by (Used in) Operating Activities	\$ 91,355	\$ 197,674	\$ 433,291	\$ 722,320

Schedule of noncash investing, capital and financing activities:

The Town contributed \$186,976 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, 2011**

	School Activity	Miscellaneous Activity	Bid Bond Deposit	Total
Assets:				
Cash and cash equivalents	\$ 473,126	\$ 54,862	\$	\$ 527,988
Investments			205,758	205,758
Total	\$ 473,126	\$ 54,862	\$ 205,758	\$ 733,746
Liabilities:				
Accounts payable	\$ 473,126	\$ 54,862	\$ 205,758	\$ 733,746

TOWN OF VERNON, CONNECTICUT

AGENCY FUNDS
 COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
 FOR THE YEAR ENDED JUNE 30, 2011

	Balance July 1, 2010	Additions	Deductions	Balance June 30, 2011
<u>School Activity Fund</u>				
Assets:				
Cash and cash equivalents	\$ 386,915	\$ 929,552	\$ 843,341	\$ 473,126
Liabilities:				
Accounts payable	\$ 386,915	\$ 929,552	\$ 843,341	\$ 473,126
<u>Miscellaneous Activity Fund</u>				
Assets:				
Cash and cash equivalents	\$ 85,737	\$ 211,900	\$ 242,775	\$ 54,862
Liabilities:				
Accounts payable	\$ 85,737	\$ 211,900	\$ 242,775	\$ 54,862
<u>Bid Bond Depositors</u>				
Assets:				
Investments	\$ 174,838	\$ 50,254	\$ 19,334	\$ 205,758
Liabilities:				
Accounts payable	\$ 174,838	\$ 50,254	\$ 19,334	\$ 205,758
<u>Total All Funds</u>				
Assets:				
Cash and cash equivalents	\$ 472,652	\$ 1,141,452	\$ 1,086,116	\$ 527,988
Investments	174,838	50,254	19,334	205,758
Total	\$ 647,490	\$ 1,191,706	\$ 1,105,450	\$ 733,746
Liabilities:				
Accounts payable	\$ 647,490	\$ 1,191,706	\$ 1,105,450	\$ 733,746

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.

SCHEDULE 10**TOWN OF VERNON, CONNECTICUT**

**CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS
SCHEDULE BY FUNCTION AND ACTIVITY
JUNE 30, 2011**

	Land and Improvements	Construction In Progress	Buildings and Improvements	Machinery, Equipment and Intangibles	Infrastructure	Total
General government	\$ 179,513	\$ 61,309	\$ 3,273,556	\$ 474,549	\$	\$ 3,988,927
Community development				25,449		25,449
Public safety	343,716	45,653	4,217,061	7,313,615		11,920,045
Maintenance and development	529,230	21,938,901	853,353	5,685,328	53,700,660	82,707,472
Human services				50,546		50,546
Parks, recreation and culture	5,819,715	916,909	3,512,968	1,203,481	26,800	11,479,873
Townwide	1,353,722		11,521,920	19,112,067		31,987,709
Education	5,446,192	60,900,894	24,623,970	7,334,867		98,305,923
Total	\$ 13,672,088	\$ 83,863,666	\$ 48,002,828	\$ 41,199,902	\$ 53,727,460	\$ 240,465,944

This schedule presents only the capital asset balances related to governmental funds. Accordingly, the capital assets reported in internal service funds of \$787,692 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, 2011**

	Governmental Funds Capital Assets July 1, 2010		Additions	Deletions	Governmental Funds Capital Assets June 30, 2011	
General government	\$	4,116,614	\$ (127,687)	\$	\$	3,988,927
Community development		24,572	877			25,449
Public safety		11,775,064	186,039	41,058		11,920,045
Maintenance and development		81,034,662	1,717,560	44,750		82,707,472
Human services		50,546				50,546
Parks, recreation and culture		10,770,139	720,896	11,162		11,479,873
Townwide		31,968,251	19,458			31,987,709
Education		95,745,988	2,559,935			98,305,923
Total	\$	235,485,836	\$ 5,077,078	\$ 96,970	\$	240,465,944

This schedule presents only the capital asset balances related to governmental funds. Accordingly, the capital assets reported in internal service funds of \$787,692 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 NINE FISCAL YEARS
(UNAUDITED)

	FISCAL YEAR									
	2003	2004	2005	2006	2007	2008	2009	(1) 2010	2011	
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	
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	
Community development								351,960	361,873	
Maintenance and development								2,462,824	2,103,563	
Education								461,740	534,712	
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	
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	
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	
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	
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	
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	
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	
Community development								351,960	361,873	
Maintenance and development						-	731,241	2,462,824	2,103,563	
Education						-	8,503,748	461,740	534,712	
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	
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	

Note: Reporting of government-wide statements did not commence until the effective date of GASB Statement No. 34

* 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 NINE FISCAL YEARS
(UNAUDITED)

	FISCAL YEAR								
	2003	2004	2005	2006	2007	2008	2009	2010	2011
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
Community development	276,390	427,475	418,771	430,016	335,054	512,822	874,382	1,500,051	2,057,937
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
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
Human services	912,865	833,007	887,584	879,525	966,674	986,024	1,462,640	1,117,125	1,403,991
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
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
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
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
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
Community development	8,952	142,815	33,937	19,906	58,142	30,034	7,489	13,956	9,434
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
Maintenance and development	492,408	387,948	672,068	565,980	714,631	657,618	561,824	564,608	569,932
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
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
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
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
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
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)
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
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
Unrestricted investment earnings	310,651	284,543	479,359	1,091,724	2,009,214	1,503,005	212,312	192,081	281,909
Miscellaneous		104,777	22,092	145,131	110,570	227,674	966,540	900,553	1,188,309
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
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
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
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

(Continued)

TABLE 2

TOWN OF VERNON, CONNECTICUT

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

	FISCAL YEAR								
	2003	2004	2005	2006	2007	2008	2009	2010	2011
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
Building rental	141,551	158,805	165,955	175,594	215,209	216,560	245,220	197,075	220,378
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
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
Building rentals	137,650	102,294	145,398	145,398	138,441	160,610	168,218	169,800	169,113
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
Net Program Expenses	(494,358)	(985,352)	(287,946)	(187,426)	(612,990)	(161,708)	(128,252)	510,063	825,823
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
Miscellaneous									379,659
Transfers								36,095	
Total general revenues	51,620	32,546	82,719	153,339	187,249	133,132	113,771	45,974	385,528
Total Change in Net Assets	(442,738)	(952,806)	(205,227)	(34,087)	(425,741)	(28,576)	(14,481)	556,037	1,211,351
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
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
Total									
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
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
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

Note: Reporting of government-wide statements did not commence until the effective date of GASB Statement No. 34

(Concluded)

* 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.

TOWN OF VERNON, CONNECTICUT

FUND BALANCES, GOVERNMENTAL FUNDS

LAST NINE FISCAL YEARS
(UNAUDITED)

	FISCAL YEAR								(1)	2011
	2003	2004	2005	2006	2007	2008	2009	2010		
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	
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	
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	
All Other Governmental Funds:										
Nonspendable	\$	\$	\$	\$	\$	\$ *	\$	\$ 1,728,555	\$ 1,941,521	
Restricted	4,243,182	4,281,153	7,423,302	16,664,678	21,333,178	23,038,929	15,339,913	3,234,537	3,000,148	
Committed								3,728,800	4,037,469	
Assigned								352,654	443,291	
Unassigned	3,376,160	2,720,908	(784,239)	(14,397,052)	(10,949,235)	(3,329,576)	(3,468,152)	(4,957,186)	(4,930,052)	
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	
Total Governmental Funds:										
Nonspendable	\$	\$	\$	\$	\$	\$ *	\$	\$ 1,728,555	\$ 1,941,521	
Restricted	4,243,182	4,281,153	7,423,302	16,664,678	21,333,178	23,038,929	15,339,913	3,234,537	3,000,148	
Committed								3,728,800	4,037,469	
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	
Unassigned	8,503,873	8,814,865	6,179,462	(6,412,032)	(2,725,003)	4,601,034	4,898,868	3,635,764	4,025,043	
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	

Note: Reporting of government-wide statements did not commence until the effective date of GASB Statement No. 34.

* 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 NINE FISCAL YEARS
(UNAUDITED)

	FISCAL YEAR								
	2003	2004	2005	2006	2007	2008	2009	2010	2011
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
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
Assessments	154,054	103,152	138,692	115,312	96,624	74,423	72,351	64,462	51,769
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
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
Income on investments	288,914	272,439	454,327	1,035,366	1,944,825	1,456,284	203,468	192,081	280,957
Other	839,694	1,368,179	897,574	1,164,396	1,209,801	1,576,511	894,189	836,091	1,136,540
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
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
Community development	274,619	457,333	454,632	487,204	800,305	516,422	843,903	1,500,051	1,953,760
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
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
Human services	888,111	790,029	838,084	904,345	921,763	973,537	986,846	1,117,125	1,044,049
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
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
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
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
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
Interest	945,335	955,661	632,510	737,688	1,116,486	1,682,490	2,012,321	2,074,716	1,941,450
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
Excess of Revenues Over (Under) Expenditures	(100,608)	761,759	669,902	(4,095,469)	(4,662,586)	(11,409,748)	(18,359,969)	(7,226,046)	(2,417,442)

(Continued)

TABLE 4

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

LAST NINE FISCAL YEARS
(UNAUDITED)

	FISCAL YEAR								
	2003	2004	2005	2006	2007	2008	2009	2010	2011
Other Financing Sources (Uses):									
Refunding bonds issued	\$	\$ 5,210,000	\$	\$	\$	\$	\$	\$	
Payment to refunding bond escrow agent		(5,245,377)							
Net original issue premium - refunding		158,537							
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
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
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)
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
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
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%
Debt Service as a Percentage of Total Expenditures	4.94%	4.84%	4.08%	3.39%	3.91%	3.52%	4.66%	5.31%	5.74%

NOTE: Reporting of government-wide statements did not commence until the effective date of GASB Statement No. 34.

(Concluded)

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

TABLE 5

TOWN OF VERNON, CONNECTICUT

TAXABLE ASSESSED VALUE AND ESTIMATED ACTUAL VALUE OF TAXABLE PROPERTY

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

Fiscal Year Ended June 30,	Grand List as of 10/1	Real Property **				(3) Personal Property	(3) Motor Vehicles*	Total Assessed Value of All Property	Less Exemptions	Less Phase in Adjustment	Net Assessed Value (Net Taxable Grand List)	(4) Total Direct Tax Rate (Mill Rate)	Estimated Actual Value All Property	Ratio of Assessed Value to Estimated Actual Value
		Residential	(1) Commercial Industrial	Vacant/ Use Assessment	(2) Total									
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%
2002	2000	727,051	272,806	16,587	1,016,444	68,880	137,267	1,222,591	16,442		1,206,149	30.75	1,740,564	70.24%

*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 effective 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					
	2011			2002		
	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	\$ 47,176,170	1	2.49%	\$		
Tri City Improvements, LLC	30,292,700	2	1.60%			
Connecticut Water Company	21,045,230	3	1.11%	17,639,560	2	1.46%
Evandro Santini & Woodbridge LLC	20,268,160	4	1.07%	15,464,690	3	1.28%
Connecticut Light & Power/Yankee Gas Co.	18,520,760	5	0.98%	9,955,610	6	0.83%
CE Vernon II, LLC	15,571,120	6	0.82%			
Chapman Acres. LLC	9,004,930	7	0.48%	14,779,380	4	1.23%
Boston Rockville / Boston Vernon	8,349,540	8	0.44%			
Parkwest Residents Association	7,684,030	9	0.41%			
Kerensky, Schneider...(Risley Trust)	6,842,300	10	0.36%	10,752,170	5	0.89%
Javit Asset Partnership				18,373,890	1	1.52%
Talcotville Development				8,195,420	7	0.68%
Vernon Circle Acquisition Corp.				7,868,560	8	0.65%
Lee and Lamont				6,557,620	9	0.54%
Nina/Ark Realty Co., Inc.				6,366,310	10	0.53%
Total Top 10 Taxpayers	\$ 184,754,940		9.75%	\$ 115,953,210		9.61%
*Based on 10/1 Net Taxable Grand List of:	\$ 1,894,638,804			\$ 1,206,148,629		

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, 2011
		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	
2011	2009	\$ 57,205,162	\$ (21,042)	\$ 57,184,120	\$ 56,484,922	98.7%	\$	\$ 56,484,922	98.7%	98.8%	\$ 699,198
2010	2008	53,957,129	(86,301)	53,870,828	53,268,067	98.7%	345,676	53,613,743	99.4%	99.5%	257,085
2009	2007	51,964,949	(185,955)	51,778,994	51,114,202	98.4%	520,267	51,634,469	99.4%	99.7%	144,525
2008	2006	49,690,219	(144,385)	49,545,834	48,770,952	98.2%	693,639	49,464,591	99.5%	99.8%	81,243
2007	2005	48,761,915	(330,791)	48,431,124	47,704,186	97.8%	689,784	48,393,970	99.2%	99.9%	37,154
2006	2004	46,757,803	(372,025)	46,385,778	45,837,742	98.0%	528,890	46,366,632	99.2%	100.0%	19,146
2005	2003	45,007,299	(247,813)	44,759,486	44,228,933	98.3%	515,797	44,744,730	99.4%	100.0%	14,756
2004	2002	42,271,955	(210,972)	42,060,983	41,586,384	98.4%	462,951	42,049,335	99.5%	100.0%	11,648
2003	2001	39,914,055	(349,228)	39,564,827	39,127,150	98.0%	426,484	39,553,634	99.1%	100.0%	11,193
2002	2000	37,578,086	(289,545)	37,288,541	36,895,315	98.2%	382,547	37,277,862	99.2%	100.0%	10,679

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						Total Primary Government	Estimated Actual Value of Property (in thousands of \$) (2)	Total Debt as a % of Estimated Actual Value of Property	Population (3)	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 Obligation Bonds				Notes Payable	Leases Payable								
	General Purpose	School	Sewer	Total			Total All Debt (1)							
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%
2002		6,232,000	2,893,000	9,125,000	21,332,190	802,330	31,259,520	1,740,564	1.80%	27,861	1,122	33,861	3.31%	0.11%

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. (Table 5).

(3) Population estimates are provided by the Connecticut Department of Public Health except for the Fiscal Year 2000/01 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)
		Notes Payable	Less Funds Provided by Surrounding Municipalities	Leases Payable	Net Other General Bonded Debt			
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
2002	9,125,000	21,332,190	(4,499,728)	802,330	17,634,792	26,759,792	1.54%	960

(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, 2011
(UNAUDITED)

Base for Debit Limitation:

Total tax collections for the current fiscal year, including interest and lien fees \$ 57,398,049

	General Purpose	Schools	Sewers	Urban Renewal	Pension Deficit	Total
Debt limitation:						
2-1/4 times the Base for Debt Limitation	\$ 129,145,610	\$	\$	\$	\$	
4-1/2 times the Base for Debt Limitation		258,291,221				
3-3/4 times the Base for Debt Limitation			215,242,684			
3-1/4 times the Base for Debt Limitation				186,543,659		
3 times the Base for Debt Limitation					172,194,147	
7 times the Base for Debt Limitation						401,786,343
Total Debt Limitation	129,145,610	258,291,221	215,242,684	186,543,659	172,194,147	401,786,343
Indebtedness:						
Bonds payable	15,508,000	29,723,000	1,324,000			46,555,000
Bond anticipation notes		4,220,000				4,220,000
Notes payable			8,695,599			8,695,599
Bonds authorized and unissued	1,977,000	33,792,000	1,457,000			37,226,000
Total Indebtedness	17,485,000	67,735,000	11,476,599	-	-	96,696,599
Less receivables:						
School Building Grant		(327,925)				(327,925)
Sewer Assessments			(8,486)			(8,486)
Total Net Indebtedness	17,485,000	67,407,075	11,468,113	-	-	96,360,188
Debt Limitation in Excess of Net Indebtedness Legal Debt Margin	\$ 111,660,610	\$ 190,884,146	\$ 203,774,571	\$ 186,543,659	\$ 172,194,147	\$ 305,426,155

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: \$ 96,360,188In no event shall total indebtedness exceed seven time the base for debt limitation computation: \$ 401,786,343

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 \$1,861,809.

TABLE 11

TOWN OF VERNON, CONNECTICUT

SCHEDULE OF LEGAL DEBT LIMITATION

LAST TEN FISCAL YEARS
(UNAUDITED)

	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Total Debt Limitation	\$ 263,090,065	\$ 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
Total Net Indebtedness	(27,547,464)	(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)
Debt Limitation in Excess of Net Indebtedness (Legal Debt Margin)	\$ 235,542,601	\$ 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
Total Net Indebtedness as a Percentage of Debt Limitation	10.5%	9.2%	8.0%	6.9%	11.9%	30.2%	29.5%	27.5%	25.9%	24.0%

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,)
2011	29,205	n/a	n/a	n/a	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
2002	27,861	n/a	4,705,121	33,861	4,066	(70)	3.8%	16,330

* Tolland County, Connecticut, of which Vernon is included.

n/a - Not Available.

Sources of data:

Population estimates are provided by the Connecticut Department of Public Health.

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 EMPLOYERS

FISCAL YEARS ENDED JUNE 30, 2011 AND JUNE 30, 2002
(UNAUDITED)

Major Employer	2011			2002		
	Number Employed	Rank	Percentage of Total Town Employment	Number Employed	Rank	Percentage of Total Town Employment
Town of Vernon	842	1	4.7%	885	1	5.4%
Rockville General Hospital	521	2	2.9%	691	2	4.2%
Visiting Nurse and Health Services	458	3	2.6%	350	3	2.1%
Stop & Shop	320	4	1.8%	247	4	1.5%
Price Chopper	221	5	1.2%			
State of Connecticut	204	6	1.1%			
New England Mechanical Services	200	7	1.1%	219	5	1.3%
Vernon Manor	175	8	1.0%	150	9	0.9%
Fox Hill Nursing and Rehabilitation	171	9	1.0%	168	6	1.0%
Rein's Delicatessen	160	10	0.9%	165	7	1.0%
Shaw's Supermarket				158	8	1.0%
Tolland Bank				141	10	0.9%
Total	<u>3,272</u>		<u>18.3%</u>	<u>3,174</u>		<u>19.4%</u>
Source: Town of Vernon Economic Development Department Labor Force.			<u>17,923</u>			<u>16,330</u>

TABLE 14

TOWN OF VERNON, CONNECTICUT

MUNICIPAL EMPLOYMENT, BY BARGAINING UNIT

JUNE 30, 2011
(UNAUDITED)

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

<u>Board of Education</u>	<u>Bargaining Unit</u>	Employees Covered at 6/30/2011	Current Contract Expiration Date
Clerical / Custodial / Maintenance	Local 1303, AFSCME, AFL-CIO	73	6/30/13
Teachers	Vernon Education Association	324	6/30/14
School Administrators	Vernon School Administrators Association	22	6/30/15
School Nurses	Vernon School Nurses' Association	9	6/30/13
Cafeteria	United Food & Commercial Workers, Local 919, AFL-CIO	34	6/30/14
Plant Operation Supervisors	Local 818, Council #4, Supervisors	2	6/30/12
Service Aids & Teacher Assistants	Vernon Federation of Paraprofessionals	146	6/30/14
Librarians / Media Managers / Assistants	Local 1303-279, AFSCME, AFL-CIO	9	6/30/13
Non-Bargaining Employees	Not affiliated	19	n/a
Total Board of Education		638	

<u>General Government</u>	<u>Bargaining Unit</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	

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)

Function / Program	Full-time Employment Positions - Fiscal Year Ended June 30,									
	2011	2010	2009	2008	2007	2006	2005	2004	2003	2002
General Government:										
Administrative	7	8	8	8	7	8	8	7	6	6
Finance	13	14	13	14	14	14	14	14	14	14
Town Clerk	3	4	4	4	4	4	4	4	4	4
Data processing	4	4	4	4	3	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	0	0
Public Safety:										
Police	67	67	67	67	67	67	66	66	68	68
Fire / Ambulance	2	2	2	2	2	2	2	1	1	1
Building	5	5	5	5	6	5	5	5	5	5
Animal Control	2	2	2	2	2	2	2	2	2	2
Maintenance and development:										
Public Works	48	51	51	51	51	48	48	48	48	47
Engineering	4	4	4	4	4	4	4	4	4	4
Water Pollution Control	22	23	24	24	24	24	24	24	23	23
Human Services:										
Youth Services	3	3	3	3	3	3	3	3	3	2
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	3	3	3	3	3	3	3
Subtotal Town Hall employees	204	211	211	213	212	209	208	206	205	203
Education	638	624	633	642	659	638	646	667	686	682
Total Full-Time Employees	842	835	844	855	871	847	854	873	891	885

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									
	2011	2010	2009	2008	2007	2006	2005	2004	2003	2002
<u>Community Development</u>										
Planning Administration:										
Number of Inland Wetland applications	7	12	13	13	24	31	17	5	n/a	n/a
Number of Planning/Zoning applications	26	29	20	27	38	42	32	30	n/a	n/a
(both indicators based on calendar year)										
<u>Public Safety</u>										
Police:										
Number of crimes	314	415	359	400	375	440	404	n/a	n/a	n/a
Number of motor vehicle infractions	1,126	1,567	1,678	1,383	1,720	1,351	1,919	n/a	n/a	n/a
Number of citations	5,157	6,674	5,823	6,917	9,002	6,382	8,158	n/a	n/a	n/a
Number of service calls	19,149	18,872	20,956	20,379	20,754	19,104	19,958	n/a	n/a	n/a
(all indicators based on calendar year)										
Building Inspection:										
Building permits issued	1,794	1,850	1,466	1,725	1,829	1,694	1,796	1,627	1,697	1,785
Building inspections conducted	6,350	6,343	2,886	2,073	1,817	1,731	1,401	n/a	n/a	n/a
<u>Maintenance and Development</u>										
General Maintenance:										
Miles of streets paved / reconstructed	7.13	0.98	1.16	4.16	4.41	3.43	0.60	0.43	2.26	1.54
Refuse Collection and Disposal:										
Tons of Municipal Solid Waste collected	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	n/a
Tons of Bulky Waste received	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	n/a
Recycling:										
Tons of Recyclables collected	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	n/a
Tons of Waste Motor Oil received	5.0	7.9	12.8	12.9	26.5	16.5	21.1	22.3	n/a	n/a
Tons of Metal received	185.00	275.00	289.00	365.00	476.00	551.00	669.00	592.00	n/a	n/a
Tons of Electronics received	19.09	21.00	20.30	5.00	n/a	n/a	n/a	n/a	n/a	n/a
Units of Lead Acid Batteries received	94	165	290	256	n/a	n/a	n/a	n/a	n/a	n/a
<u>Parks and Recreation</u>										
Recreation programs:										
Number of programs offered	97	89	65	82	75	68	60	57	62	52
Number of summer camp participants	1,912	1,971	1,710	2,619	2,395	2,640	1,325	n/a	n/a	n/a
<u>Townwide</u>										
Vernon Cemeteries:										
Number of cemetery lots sold	41	54	88	48	69	51	94	63	138	76
Number of burials / cremations	90	70	97	80	75	87	95	70	105	78
Water Pollution Control Facility:										
Average daily sewage treatment (thousands of gallons)	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	3,493.0

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)

FUNCTION/PROGRAM	FISCAL YEAR ENDED JUNE 30									
	2011	2010	2009	2008	2007	2006	2005	2004	2003	2002
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	5	5	5	5
Number of fire / ambulance volunteers	158	161	154	135	138	123	132	130	138	150
Maintenance and Development:										
Miles of improved roads	112.34	112.34	111.83	111.81	111.81	111.81	111.08	111.02	111.02	111.08
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	112	112	112	112	112	112	112	87.88	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	23	22	22	22	22	22	22	22	22
Acres of park land	579.52	570.42	568.3	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									
	2011	2010	2009	2008	2007	2006	2005	2004	2003	2002
Assets:										
Cash	\$ 8,870,779	\$ 40,340	\$ 697,928	\$ 240,097	\$ 323,970	\$ 689,248	\$ 737,153	\$ 141,383	\$ 228,825	\$ 198,542
Investments	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	5,958,795
Receivables:										
Property taxes	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	2,062,150
Grants and other	632,077	891,434	966,108	1,433,194	1,820,165	2,338,640	2,677,397	3,132,749	3,843,696	492,453
Due from other funds	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	1,174,887
Total Assets	\$ 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	\$ 9,886,827
Liabilities and Fund Equity										
Liabilities:										
Accounts payable	\$ 1,327,943	\$ 1,513,258	\$ 1,817,271	\$ 1,138,836	\$ 927,733	\$ 581,715	\$ 750,925	\$ 755,880	\$ 635,070	\$ 849,235
Accrued wages and benefits	748,115	559,911	277,649	175,219	221,947	119,046	391,319	407,325	295,847	91,527
Due to other funds	804,219	2,464,181	1,209,431	1,258,402	1,886,412	467,977	473,653	591,456	457,845	457,845
Deferred revenue	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	2,635,266
Unearned revenue	5,877	4,722								
Total liabilities	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	4,033,873
Fund Equity:										
Assigned	2,122,970	2,477,779	1,860,649	1,917,231	1,238,263	1,348,658	1,502,979	1,117,823	581,867	504,435
Unassigned	8,955,095	7,948,950	8,045,020	7,608,610	7,902,232	7,663,020	6,641,701	5,993,957	5,027,713	5,348,519
Total fund equity	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	5,852,954
Total Liabilities and Fund Equity	\$ 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	\$ 9,886,827

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
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	72.1%	26.0%	1.7%	0.6%		0.0%	0.0%	5.8%	0.4%	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	68.2%	25.6%	2.0%	0.6%		0.0%	0.1%	5.0%	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%		0.1%	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%	2.9%	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%	0.4%	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%	0.2%	2.9%	1.1%	100.0%	
2002	37,512,127	20,121,878	1,587,220	406,027	10,559	10,910	317,948	1,992,818	399,830	62,359,317	3.1%
% of Total	60.2%	32.3%	2.5%	0.7%		0.0%	0.5%	3.2%	0.6%	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
2011 % of total	\$ 3,047,360 3.8%	\$ 210,671 0.3%	\$ 7,774,406 9.8%	\$ 5,757,991 7.3%	\$ 958,938 1.2%	\$ 1,343,872 1.7%	\$ 7,321,967 9.2%	\$ 52,089,429 65.8%	\$ 109,587 0.1%	\$ 4,053,738 5.1%	\$ 1,578,773 2.0%	\$ 84,246,732 100.0%	4.9%
2010 % of total	3,003,175 3.8%	222,003 0.3%	7,698,462 9.7%	5,451,295 6.9%	923,368 1.2%	1,338,415 1.7%	6,138,804 7.8%	49,302,826 62.2%	264,740 0.3%	3,091,374 3.9%	2,901,723 3.7%	80,336,185 100.0%	1.4%
2009 % of total	3,026,387 3.8%	217,126 0.3%	7,381,590 9.3%	5,681,841 7.2%	899,092 1.1%	1,305,429 1.6%	6,167,528 7.8%	49,284,455 62.2%	117,423 0.1%	3,254,029 4.1%	1,870,322 2.4%	79,205,222 100.0%	-12.9%
2008 % of total	2,903,470 3.2%	228,828 0.3%	7,288,175 8.0%	5,445,696 6.0%	837,812 0.9%	1,773,120 2.0%	5,961,569 6.6%	61,340,447 67.5%	296,916 0.3%	2,379,422 2.6%	2,436,676 2.7%	90,892,131 100.0%	20.4%
2007 % of total	2,750,317 3.6%	297,715 0.4%	6,952,435 9.2%	5,162,350 6.8%	824,362 1.1%	1,677,953 2.2%	6,002,591 8.0%	46,567,372 61.7%	63,015 0.1%	1,399,968 1.9%	3,767,629 5.0%	75,465,707 100.0%	4.8%
2006 % of Total	2,656,684 3.7%	387,792 0.6%	6,854,826 9.5%	5,022,273 7.0%	856,084 1.2%	1,531,572 2.1%	5,966,312 8.3%	45,669,360 63.4%	261,775 0.4%	1,090,300 1.5%	1,698,704 2.5%	71,995,682 100.0%	6.9%
2005 % of Total	2,343,544 3.5%	292,866 0.5%	6,551,245 9.7%	4,659,914 6.9%	798,707 1.2%	1,414,842 2.1%	5,542,875 8.2%	42,293,527 62.8%	157,566 0.2%	1,478,381 2.2%	1,796,504 2.7%	67,329,971 100.0%	3.1%
2004 % of Total	2,650,579 4.1%	132,012 0.2%	6,189,419 9.5%	4,220,216 6.5%	745,105 1.1%	1,330,795 2.0%	5,100,827 7.8%	41,079,425 62.9%	149,710 0.2%	1,773,510 2.7%	1,963,338 3.0%	65,334,936 100.0%	1.9%
2003 % of Total	2,503,716 3.9%	129,002 0.2%	6,580,207 10.3%	4,592,022 7.2%	799,148 1.2%	1,299,148 2.0%	4,416,280 6.9%	39,720,337 61.9%	184,132 0.3%	1,791,039 2.8%	2,119,068 3.3%	64,134,099 100.0%	2.4%
2002 % of Total	2,162,152 3.5%	172,845 0.3%	6,495,267 10.4%	3,958,466 6.3%	739,573 1.2%	1,278,913 2.0%	3,887,193 6.2%	39,536,662 63.1%	531,262 0.8%	1,825,308 2.9%	2,059,974 3.3%	62,647,615 100.0%	2.9%

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,
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
2002	29,032	117,272	133,411	12,893

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)

FOR THE YEAR ENDED JUNE 30, 2011										
	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Additions:										
Contributions:										
Employer	\$ 1,165,424	\$ 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
Employee	933,803	967,221	964,484	971,103	1,023,923	1,133,129	1,155,185	1,199,405	1,262,617	1,232,063
Net investment income (loss)	(755,903)	(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
Total Additions to Net Assets	1,343,324	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
Deductions:										
Benefit payments/annuity purchases	1,325,695	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
Refunds of contributions	105,590	100,496	110,487	52,416	68,278	238,593	104,205	264,810	126,960	71,754
Administrative expense	112,224	112,699	117,044	128,962	136,388	145,491	145,588	156,405	140,276	156,607
Total Deductions to Net Assets	1,543,509	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
Change in Plan Net Assets	\$ (200,185)	\$ (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
Employer Contributions as a Percentage of Covered Payroll	9.56%	9.98%	12.70%	12.40%	13.29%	15.29%	15.57%	15.85%	13.76%	13.77%

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									
	2011	2010	2009	2008	2007	2006	2005	2004	2003	2002
General Fund expenditures	\$ 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	\$ 60,587,641
Debt service expenditures:										
Principal	\$ 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	\$ 1,227,467
Interest	1,752,452	1,810,545	1,522,982	723,048	212,011	234,809	277,071	451,211	538,706	597,841
Total debt service	\$ 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	\$ 1,825,308
Percentage of debt service Expenditures to General Fund expenditures	4.90%	3.99%	4.21%	2.69%	1.95%	1.55%	2.26%	2.80%	2.89%	3.01%

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 FISCAL 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
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
2002	10/1/2000	1,009,633,561	3.62	60,545,450	4.31	135,969,618	4.67	1,206,148,629	3.77

*Excludes assessed value on supplemental motor vehicle listings.

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

Source of data: Town Assessor and Town Clerk Offices.

U.S. BUREAU of CENSUS STATISTICS

**JUNE 30, 2011
(UNAUDITED)**

CINCINNATI									
Year	Population (1)	Density (2)	Age Characteristics (1)				Income Characteristics (1)		
			Age	1990	2000	%	Income	2000	
								Households	% of total
2000	28,063	1,509	Under 5	2,528	1,713	-32.2%	\$ 0 to 9,999	658	5.4%
1990	29,841	1,604	5-19	4,960	5,027	1.4%	\$10,000 to 14,999	697	5.7%
1980	27,974	1,504	20-34	8,467	6,023	-28.9%	\$15,000 to 24,999	1,400	11.4%
1970	27,237	1,464	35-54	7,811	8,647	10.7%	\$25,000 to 34,999	1,520	12.4%
1960	16,961	912	55-64	2,540	2,747	8.1%	\$35,000 to 49,999	2,098	17.1%
1950	10,115	544	Over 65	3,535	3,906	10.5%	\$50,000 to 74,999	2,864	23.3%
			Total	29,841	28,063	-6.0%	\$75,000 to 99,999	1,571	12.8%
			Median	not available	37.7		\$100,00 or more	1,482	12.1%
Years of School Completed, Persons Age 25 and Over (1)									
			All Persons 1990		All Persons 2000			1999	
Educational Attainment			No.	%	No.	%	Income	Households	% of total
Less than 9th grade			1,482	7.5%	917	4.8%	\$ 0 to 9,999	1,057	8.8%
9th to 12th grade, no diploma			2,298	11.5%	1,865	9.5%	\$10,000 to 14,999	680	5.6%
High school graduate			5,921	29.7%	5,934	30.2%	\$15,000 to 24,999	1,588	13.2%
Some college, no degree & Associate degree			5,113	25.6%	5,660	28.7%	\$25,000 to 34,999	1,651	13.7%
Bachelor, graduate or professional degree			5,119	25.7%	5,253	26.8%	\$35,000 to 49,999	2,674	22.2%
Total			19,933	100%	19,629	100%	\$50,000 to 74,999	2,799	23.2%
							\$75,000 to 99,999	1,041	8.6%
Percent high school graduate or higher				81.0%		85.8%	\$100,00 or more	556	4.6%
Percent bachelor's degree or higher				25.7%		26.8%	Total	12,046	100%
Housing Occupancy									
			All Housing Units 1990		All Housing Units 2000			1990	2000
			No.	% of total	No.	% of total	Median Income	\$	
Owner Occupied Housing Units			6,996	57.6%	6,935	56.5%	Mean Income		
Renter Occupied Housing Units			5,141	42.4%	5,334	43.5%	Per Capita Income		
Total			12,137	100%	12,269	100%	% below poverty level	5.3%	5.8%

Source of Data:

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

TABLE 26

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

LAST TEN FISCAL YEARS
(UNAUDITED)

Fiscal Year Ended June 30,	Building Permits (1)								Bank Deposits (2) (in thousands)	Property Values (3) **		
	Residential		Industrial and Commercial		All Other *		Total Building Permits			Industrial and Commercial		
	#	Value	#	Value	#	Value	#	Value		Residential	Commercial	Nontaxable (4)
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
2002	74	5,465,153	126	12,185,078	1,585	4,635,442	1,785	22,285,673	674,561	1,032,649,340	390,151,162	200,723,510

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

** Excludes vacant land.

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

TABLE 27**TOWN OF VERNON, CONNECTICUT****LAND USE / ZONING STATISTICS****JUNE 30, 2011**

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

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

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

TABLE 28

TOWN OF VERNON, CONNECTICUT
SCHOOL FACILITIES AND ENROLLMENT DATA

JUNE 30, 2011

School	Grades	Number of Classrooms	Total Floor Area (Sq. ft.)	School Capacity	School Enrollment as of 10/1/2010
Elementary Schools:					
Center Road	Pre-K to 5	33	72,255	825	504
Lake Street	Pre-K to 5	20	38,320	525	287
Maple Street	Pre-K to 5	23	36,000	525	309
Northeast	Pre-K to 5	19	40,469	525	299
Skinner Road	Pre-K to 5	21	48,000	525	350
Total Elementary Schools				2,925	1,749
Middle School	6 to 8	70	140,000	1,500	768
Rockville High and VO-AG	9 to 12	136	212,273	2,400	1,079
Rockville High	Special Ed	n/a		n/a	23
Total All Schools				6,825	3,619

**ACTUAL
SCHOOL ENROLLMENTS
LAST TEN FISCAL YEARS**

School Year *	Pre-K	K-5	6-8	9-12	UNGRADED	TOTAL	ANNUAL % CHANGE
2001/02	58	1,780	945	1,229	54	4,066	-1.69%
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%

* As of October 1.

**PROJECTED
SCHOOL ENROLLMENTS**

2011/12	36	1,711	776	1,002	13	3,538	-2.24%
2012/13	36	1,752	774	956	13	3,531	-0.20%
2013/14	36	1,769	748	992	13	3,558	0.76%
2014/15	36	1,753	761	976	13	3,539	-0.53%
2015/16	36	1,733	810	947	13	3,539	0.00%

School Classrooms, Capacity and Actual Enrollments: Vernon Superintendent of Schools Office.
 Projected Enrollments: State of Connecticut Department of Education.

FEDERAL SINGLE AUDIT
AND
STATE SINGLE AUDIT
OF THE
TOWN OF VERNON, CONNECTICUT

FOR THE YEAR ENDED
JUNE 30, 2011

TOWN OF VERNON, CONNECTICUT

FEDERAL SINGLE AUDIT
AND
STATE SINGLE AUDIT

FOR THE YEAR ENDED JUNE 30, 2011

TABLE OF CONTENTS

	<u>PAGE</u>
<u>FEDERAL SINGLE AUDIT</u>	
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS.....	1
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS	5
SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS	6
SCHEDULE OF FINDINGS AND QUESTIONED COSTS	7
REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH <u>GOVERNMENT AUDITING STANDARDS</u>	8
REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133.....	10
<u>STATE SINGLE AUDIT</u>	
SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE.....	12
NOTES TO SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE	15
SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS	16
SCHEDULE OF FINDINGS AND QUESTIONED COSTS	17
REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH <u>GOVERNMENT AUDITING STANDARDS</u>	19
REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH THE STATE SINGLE AUDIT ACT	21

**Federal
Single
Audit**

TOWN OF VERNON, CONNECTICUT

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

FOR THE YEAR ENDED JUNE 30, 2011

Federal / Pass-Through Grantor: Program Title	Federal CFDA Number	State Pass-Through Project Number	Revenues	Expenditures
<u>U.S. Department of Agriculture</u>				
Food and Nutrition Service - Passed through the State Department of Administrative Services, Bureau of Purchases:				
National School Lunch Program - Commodities	10.555	n/a	\$ 48,523	\$ 47,284
Passed through the State Department of Education:				
School Breakfast Program	10.553	12060-20508-82079	137,574	137,574
National School Lunch Program - Cash	10.555	12060-20560-82079	535,037	535,037
Special Milk Program for Children	10.556	12060-20500-82079	1,077	1,077
Summer Food Service Program for Children	10.559	12060-20540-82079	9,731	9,731
Summer Food Service Program for Children	10.559	12060-20548-82079	844	844
Total National School Lunch - Cluster			732,786	731,547
U.S. Forest Service, Office of Forest Service - Urban and Community Forestry Program	10.675	PSA 2010-10264	4,868	95
Total U.S. Department of Agriculture			737,654	731,642
<u>U.S. Department of Housing and Urban Development</u>				
Passed through the State Department of Economic and Community Development:				
Community Development Block Grant (CDBG) / State's Program (State-Administered Small Cities Program):				
Small Cities - 2010	14.228	SC 1014601	140,100	142,422
Small Cities - 2009	14.228	SC 0914601	471,700	469,916
Total Small Cities			611,800	612,338
Direct Program:				
Economic Development Initiative (EDI - SP)	14.251	B-08-SP-CT-0722	16,860	16,860
Total U.S. Department of Housing and Urban Development			628,660	629,198
<u>U.S. Department of Justice</u>				
Direct Programs - Bureau of Justice Assistance:				
Bullet Proof Vest Partnership Program	16.607	2010 BUBX	2,497	2,497
Edward Byrne Memorial - Justice Assistance Grant Program	16.738	2009-DJ-BX-0953	12,569	12,569
Passed through the State Office of Policy and Management:				
ARRA - Justice Assistance Grant - Grants to States, Recovery Act	16.803	09RECJAG075114	7,499	28,998
Juvenile Accountability Block Grants	16.523	2008-JB-FX-0006	9,181	9,181
Total U.S. Department of Justice			31,746	53,245

(Continued)

TOWN OF VERNON, CONNECTICUT

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

FOR THE YEAR ENDED JUNE 30, 2011

Federal / Pass-Through Grantor: Program Title	Federal CFDA Number	State Pass-Through Project Number	Revenues	Expenditures
<u>U.S. Department of Transportation</u>				
Federal Highway Traffic Safety Administration -				
Passed through the State Department of Transportation:				
Highway Planning and Construction	20.205	BRZ-6146 (7)	\$ 74	\$ 10,660
Highway Planning and Construction	20.205	6146 (009)	10,660	10,660
Highway Planning and Construction	20.205	6146 (010)	30,000	30,000
Highway Planning and Construction	20.205	BRZ-6146 (1)	477	477
Highway Planning and Construction	20.205	BRZ-6146 (005)	119,359	119,359
Highway Planning and Construction	20.205	BRZ-6146 (2)	891	891
Highway Planning and Construction	20.205	BRZ-6146 (006)	472,590	472,590
Highway Planning and Construction	20.205	6146 (016)	2,489	2,489
Highway Planning and Construction	20.205	TCSP 010; 0146-180	305,266	305,266
ARRA - Highway Planning and Construction	20.205	TCSP 010; 0146-180	136,118	136,118
Total Highway Planning and Construction			1,077,924	1,077,850
Federal Highway Administration -				
Passed through the State Department of Environmental Protection:				
National Recreation Trails Program (TEA 21)	20.219	PSA 2007-8345	24,000	20,841
National Recreation Trails Program (TEA 21)	20.219	PSA 2007-8346	27,840	22,883
Total National Recreation Trails Program (TEA 21)			51,840	43,724
State and Community Highway Safety	20.600	11-154AL; 0191-0722-AG	2,827	2,827
Alcohol Impaired Driving Countermeasures Incentive Grants	20.601	11-K8; 0191-073OAS	9,716	9,716
Alcohol Impaired Driving Countermeasures Incentive Grants	20.601	10-154AL/0190-0722-AO	16,442	16,442
Alcohol Impaired Driving Countermeasures Incentive Grants	20.601	WAVE 39 CIOT	2,671	2,671
Alcohol Impaired Driving Countermeasures Incentive Grants	20.601	WAVE 40 CIOT	1,979	1,979
Total Alcohol Impaired Driving Countermeasures Incentive Grants			30,808	30,808
Total U.S. Department of Transportation			1,163,399	1,155,209
<u>U.S. Department of Education</u>				
Passed through the State Department of Education:				
Adult Education - State Grant Program	84.002			
Adult Education		20784-2011-84002-170015	29,400	29,400
Adult Education Carryover		20784-2010-84002-170015		13,535
Adult Education		20784-2011-84002	197,400	197,400
Total Adult Education			226,800	240,335
Title I Grants to Local Educational Agencies:	84.010			
Title I PRTD		20679-2011-82070	423,538	417,696
Title I PRTD Carryover		20679-2010-82070	51,048	65,960
Total Title I Grants to Local Educational Agencies			474,586	483,656
Title I Grants to Local Educational Agencies, Recovery Act:				
ARRA - Title I	84.389	29010-2009-82070	143,753	132,349
Total Title I Grants to Local Educational Agencies - Cluster			618,339	616,005

(Continued)

TOWN OF VERNON, CONNECTICUT

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

FOR THE YEAR ENDED JUNE 30, 2011

Federal / Pass-Through Grantor: Program Title	Federal CFDA Number	State Pass-Through Project Number	Revenues	Expenditures
<u>U.S. Department of Education (Continued)</u>				
Special Education - Grants to States:	84.027			
Special Education - State Grants (IDEA, Part B)		20977-2011-82032	\$ 643,939	\$ 624,944
Special Education - State Grants (IDEA, Part B) carryover		20977-2010-82032	243,017	238,950
Total Special Education - State Grants (IDEA, Part B)			886,956	863,894
Special Education - Preschool Grants:	84.173			
Special Education - Preschool Grants Program		20983-2011-82032	48,051	45,115
Special Education - Preschool Grants Program carryover		20983-2010-82032	2,000	3,693
Total Special Education - Preschool Grants Program			50,051	48,808
Special Education - Preschool Grants, Recovery Act:				
ARRA - IDEA, Part B, Section 619	84.392	29011-2009-82032	342,245	331,466
ARRA - IDEA, Part B, Section 619	84.392	29012-2009-82032	9,609	9,600
Total Special Education - Preschool Grants, Recovery Act			351,854	341,066
Total Special Education - Cluster			1,288,861	1,253,768
Career and Technical Education - Basic Grants to States:	84.048			
Carl D. Perkins		20742-2011-84010	48,417	48,417
Safe and Drug Free Schools - State Grants:	84.186			
Title IV - Safe and Free Schools carryover		20873-2010-84131	433	1,631
English Language Acquisition Grants:	84.365			
Title III - A		20868-2010-82075	4,278	4,676
Immigrant and Youth Education		20868-2011-82076	12,065	12,065
Passed through CREC:				
Title III - A		n/a	9,054	5,069
Total English Language Acquisition Grants			25,397	21,810
Improving Teacher Quality State Grants:	84.367			
Title II, Part A, Improving Teacher Quality - State Grants		20858-2011-84131	75,386	75,386
Title II, Part A, Improving Teacher Quality - State Grants Carryover		20858-2010-84131	88,041	83,828
Total Title II, Part A, Improving Teacher Quality - State Grants			163,427	159,214
Education Technology State Grants:	84.318			
Title II Part D Educational Technology - State Grants		20826-2009-82079 00005		19,201
State Fiscal Stabilization Fund - Education State Grants, Recovery Act:				
ARRA - Education Grant	84.394	29054-2009-82010	2,517,347	2,517,347
Education Technology State Grants, Recovery Act:				
ARRA - Title II D, Ed Tech	84.386	29063-2009-82079-170002	3,785	4,762
ARRA - Title II Ed Tech	84.386	29063-2009-82079-170003	17,000	16,838
Total Education Technology State Grants, Recovery Act:			20,785	21,600
Education Jobs Fund	84.410	22045-2011-82010	289,300	274,579
Passed through Manchester Community Technical College:				
Tech-Prep Education:	84.243			
Carl Perkins Vocational and Applied Tech		20848-2009-84013	5,660	5,660
Total U.S. Department of Education			5,204,766	5,179,567

See Notes to Schedule of Expenditures of Federal Awards

(Continued)

TOWN OF VERNON, CONNECTICUT

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

FOR THE YEAR ENDED JUNE 30, 2011

Federal / Pass-Through Grantor: Program Title	Federal CFDA Number	State Pass-Through Project Number	Revenues	Expenditures
<u>U.S. Department of Health and Human Services</u>				
Passed through the State Department of Social Services:				
Social Services Block Grant:	93.667			
SBG-35		09DSS5002BG	\$ 5,882	\$ 5,882
SBG-34		10DSS5002BG	15,327	15,327
Total Social Services Block Grant			21,209	21,209
Passed through the State Department of Mental Health and Addiction Services and East of the River Action for Substance Abuse Elimination:				
Block Grants-Prevention/Treatment of Substance Abuse	93.959	n/a	4,245	4,245
Total U.S. Department of Health and Human Services			25,454	25,454
<u>U.S. Department of Homeland Security</u>				
Passed through the State Office of Emergency Management & Homeland Security:				
Public Assistance	97.036	DR-1958-CT	80,080	80,080
Emergency Management - Performance Grants	97.042	146 EMPG FFY 2010	6,724	6,724
Total U.S. Department of Homeland Security			86,804	86,804
Total Federal Financial Assistance			\$ 7,878,483	\$ 7,861,119

CFDA = Catalog of Federal Domestic Assistance
n/a - Not available

(Concluded)

TOWN OF VERNON, CONNECTICUT

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS FOR THE YEAR ENDED JUNE 30, 2011

1. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Town of Vernon, Connecticut, conform to accounting principles generally accepted in the United States of America promulgated by the Governmental Accounting Standards Board. The following is the significant policy relating to Federal awards:

Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards is presented on the modified accrual basis of accounting and a current financial resources measurement focus. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations.

2. NONCASH FEDERAL AWARDS

The Town received and expended \$47,284 of USDA donated commodities under the National School Lunch Program.

TOWN OF VERNON, CONNECTICUT

SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2011

Summary Schedule of Prior Audit Findings

- There were no prior year audit findings or questioned costs.

TOWN OF VERNON, CONNECTICUT

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2011**

I - SUMMARY OF AUDITORS' RESULTS

Financial Statements

Type of auditors' report issued: Unqualified

Internal control over financial reporting:

Material weakness(es) identified? yes x no

Significant deficiency(ies) identified? yes x none reported

Noncompliance material to financial statements noted? yes x no

Federal Awards

Internal control over major programs:

Material weakness(es) identified? yes x no

Significant deficiency(ies) identified? yes x none reported

Type of auditors' report issued on compliance
for major programs: Unqualified

Any audit findings disclosed that are required
to be reported in accordance with
Circular A-133, Section .510(a)? yes x no

Identification of major programs:

<u>CFDA NUMBER</u>	<u>NAME OF FEDERAL PROGRAM</u>
14.228	Community Development Block Grant (CDBG)/State's Program
20.205	Highway Planning and Construction
84.010/84.389	Title 1 Grants to Local Educational Agencies Cluster
84.027/84.173/84.392	Special Education Cluster
84.394	ARRA - State Fiscal Stabilization Fund - Education State Grants, Recovery Act
84.410	Education Jobs Fund

Dollar threshold used to distinguish
between Type A and Type B programs: \$300,000

Auditee qualified as low-risk auditee? x yes no

II - FINANCIAL STATEMENT FINDINGS

None

III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

There were no findings or questioned cost related to federal award programs.

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

Town Council
Town of Vernon, Connecticut

We have audited the financial statements of the governmental activities, 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, 2011, which collectively comprise the Town's basic financial statements and have issued our report thereon dated February 1, 2012. 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Town's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Town's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Town's internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

We noted certain matters that we reported to management of the Town in a separate letter dated February 1, 2012.

This report is intended solely for the information and use of management, the Town Council, others within the entity, Federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.



Farmington, Connecticut
February 1, 2012

REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS ON COMPLIANCE WITH
REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL EFFECT
ON EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

Town Council
Town of Vernon, Connecticut

Compliance

We have audited the Town of Vernon, Connecticut's compliance with the types of compliance requirements described in the OMB Circular A-133 Compliance Supplement that could have a direct and material effect on each of the Town's major federal programs for the year ended June 30, 2011. The Town's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the Town's management. Our responsibility is to express an opinion on the Town's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and OMB Circular A-133, Audits of States, Local Governments and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Town's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the Town's compliance with those requirements.

In our opinion, the Town complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2011.

Internal Control Over Compliance

Management of the Town is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the Town's internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Town's internal control over compliance.

Internal Control Over Compliance (Continued)

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

Schedule of Expenditures of Federal Awards

We have audited the financial statements of the governmental activities, business-type activities, each major fund and the aggregate remaining fund information of the Town, as of and for the year ended June 30, 2011, which collectively comprise the Town's basic financial statements, and have issued our report thereon dated February 1, 2012, which contained unqualified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town's basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates 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 basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the 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 basic financial statements as a whole.

This report is intended solely for the information and use of management, the Town Council, others within the entity, Federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

J H Cohn LLP

Farmington, Connecticut
February 1, 2012

**State
Single
Audit**

TOWN OF VERNON, CONNECTICUT

SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE

FOR THE YEAR ENDED JUNE 30, 2011

State Grantor / Pass-Through Grantor: Program Title	State Grant Program Core-CT Number	Revenue	Expenditures
Department of Economic and Community Development			
Urban Act; 2011-146-001	13019-EDC-46000	\$ 3,521	\$ 3,521
Special Act 07-7; 2008-146-002	12052-ECD-46000	569,663	569,663
Department of Transportation:			
Town Aid Road (Municipal) Transportation Fund	12052-DOT57000-43455	55,301	40,844
Town Aid Road (STO) Transportation Fund	13033-DOT57000-43459	152,078	116,250
Total Town Aid Road Transportation Fund		207,379	157,094
Elderly & Disabled Demand Responsive Transportation	12062-DOT57931-35304	30,223	30,223
Special Act 89-50	0146; 0181 (GR)	9,811	9,811
Local Bridge Program Transportation Fund 146-159; 146-160	21010-DOT57191-42313	342	342
Local Bridge Program Transportation Fund 146-159; 146-160	21010-DOT57191-42313	147,987	147,987
Local Bridge Program Transportation Fund 146-181	21010-DOT57191-42313	311	311
Total Local Bridge Program Transportation Fund		148,640	148,640
Office of Policy and Management:			
Local Capital Improvement Program	12050-OPM20600-40254	161,203	161,203
Property Tax Relief for Elderly & Disabled Homeowners	11000-OPM20600-17018	139,904	139,904
Reimbursement of Property Taxes - Disability Exemption	11000-OPM20600-17011	3,237	3,237
Property Tax Relief for Veterans	11000-OPM20600-17024	23,656	23,656
Property Tax Relief for Manufacturing Machinery and Equipment and Commercial Vehicles	11000-OPM20600-17031	121,917	121,917
Contingency Needs	11000-OPM20100-13001		231,032
Property Tax Relief Grant	11000-OPM20600-17086	11,019	11,019
Student Attendance Program - Reaching Higher	08 JJ432031 AA	2,275	
Department of Environmental Protection:			
Boat Grant	12027-OSC15910-40211	8,537	8,537
Lawn Equipment Exchange Fund program	LEEF	7,566	7,566
Office of State Comptroller:			
Payment in Lieu of Taxes (PILOT) on Private Colleges and General/Chronic Disease Hospitals	11000-OSC15910-17006	341,964	341,964
PILOT on State-Owned Property	11000-OSC15910-17004	199,681	199,681

(Continued)

TOWN OF VERNON, CONNECTICUT

SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE

FOR THE YEAR ENDED JUNE 30, 2011

State Grantor / Pass-Through Grantor: Program Title	State Grant Program Core-CT Number	Revenue	Expenditures
Department of Education:			
School Readiness - Severe Needs	11000-SDE64370-12113	\$ 107,000	\$ 107,000
Healthy Foods Grant	11000-SDE64370-16072	36,323	36,323
Child Nutrition Program	11000-SDE64370-16072	16,667	16,667
Vocational Agriculture	11000-SDE64370-17017	112,423	112,423
Adult Education - Provider	11000-SDE64370-17030	253,754	253,754
Health Services	11000-SDE64370-17034	5,041	5,041
State School Breakfast Program - Per Meal	11000-SDE64370-17046	1,444	1,444
State School Breakfast Program - Basic	11000-SDE64370-17046	9,000	9,000
Total State School Breakfast Program		10,444	10,444
Youth Services Bureaus	11000-SDE64370-17052	23,085	23,085
Youth Services Bureau Enhancement	11000-SDE64370-16201	6,250	6,250
Open Choice Program	11000-SDE64370-17053	58,745	58,745
Sheff Settlement	11000-SDE64370-12457	24,150	24,150
Primary Mental Health	11000-SDE64370-12198	13,990	11,693
Connecticut State Library:			
Historic Documents Preservation Grant	12060-CSL66094-35150	6,000	6,000
Department of Public Safety:			
State Assets Forfeiture Revolving Fund	12060-DPS32155-35142	5,565	5,565
Passed through the Town of Manchester: State Assets Forfeiture Revolving Fund	12060-DPS32155-35142	4,316	17,179
Total State Assets Forfeiture Revolving Fund		9,881	22,744
Department of Special Revenue:			
Bingo Payments	34003-DSR18309-42350	210	210
Judicial Department:			
Treasurer Distribution (Parking Fines)	34001-JUD95162-40001	50	50
Treasurer Distribution (Littering Fines Surcharge)	34001-JUD95162-40001	498	498
Treasurer Distribution (Motor Vehicle Violation Surcharge)	34001-JUD95162-40001	14,970	14,970
Treasurer Distribution (Hand-Held Device Violation Surcharge)	34001-JUD95162-40001	1,699	1,699
Total Treasurer Distribution		17,217	17,217

(Continued)

TOWN OF VERNON, CONNECTICUT

SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE

FOR THE YEAR ENDED JUNE 30, 2011

State Grantor / Pass-Through Grantor: Program Title	State Grant Program Core-CT Number	Revenue	Expenditures
State Department of Social Services:			
Special Funding Initiative	146-SFM 01/08 DSS0302BG	\$	\$ 5,538
Medicaid Reimbursement	11000-DSS60000-16020	38,820	38,820
Connecticut Trust for Historic Preservation:			
Historic Preservation Technical Assistance Grant	CTHP11-05	8,150	8,150
Total State Financial Assistance before Exempt Programs		2,738,346	2,932,922
EXEMPT PROGRAMS			
State Comptroller:			
Mashantucket Pequot / Mohegan Fund	12009-OSC15910-17005	245,131	245,131
Department of Education:			
Transportation of School Children - Public	11000-SDE64370-17027	224,899	224,899
Education Cost Sharing	11000-SDE64370-17041	15,097,045	15,097,045
Special Education - Agency Placement	11000-SDE64370-17047	255,734	255,734
Special Education - Excess Cost	11000-SDE64370-17047	627,888	627,888
Special Education - Excess Cost Student Based Supplemental	11000-SDE64370-17047	128,580	128,580
Special Education - Agency Placement	11000-SDE64370-17047	91,684	91,684
Total Excess Cost - Student Based		1,103,886	1,103,886
Non-Public School Transportation	11000-SDE64370-17049	19,319	19,319
Commitments for School Construction - Progress Payments	13010-SDE64370-40901	975,040	975,040
Commitments for School Construction - Principal	13010-SDE64370-40901	228,122	228,122
Commitments for School Construction - Interest	13009-SDE64370-40896	12,598	12,598
Total Commitments for School Construction		1,215,760	1,215,760
Total Exempt Programs		17,906,040	17,906,040
Total State Financial Assistance		\$ 20,644,386	\$ 20,838,962

(Concluded)

TOWN OF VERNON, CONNECTICUT

NOTES TO SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE FOR THE YEAR ENDED JUNE 30, 2011

Various departments and agencies of the State of Connecticut have provided financial assistance to the Town of Vernon through grants and other authorizations in accordance with the General Statutes of the State of Connecticut. These financial assistance programs fund several programs including general government, public safety, maintenance and development, human services and education.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Town of Vernon, Connecticut, conform to accounting principles generally accepted in the United States of America promulgated by the Governmental Accounting Standards Board. The following is the significant policy relating to State financial assistance:

Basis of Presentation

The accompanying Schedule of Expenditures of State Financial Assistance is presented on the modified accrual basis of accounting and a current financial resources measurement focus.

The Schedule of Expenditures of State Financial Assistance, contained in this report, is prepared based on regulations established by the State of Connecticut Office of Policy and Management. In accordance with these regulations (Section 4-236-22), certain grants are not dependent on expenditure activity and, accordingly, are considered to be expended in the fiscal year of receipt. These grant program receipts are reflected in the expenditures column of the Schedule of Expenditures of State Financial Assistance.

2. LOAN PROGRAM

DEPARTMENT OF ENVIRONMENTAL PROTECTION:

Clean Water Funds (6865-3100-888):

Issue Date	Interest Rate	Original Amount	Balance July 1, 2010	Retired	Balance June 30, 2011
02/20/92	2%	\$ 199,611	\$ 9,149	\$ 9,149	\$ -
05/28/93	2%	649,740	78,510	32,487	46,023
12/31/97	2%	21,687,035	10,122,618	1,473,042	8,649,576

3. SUBRECIPIENTS

Town of Vernon provided state awards to subrecipients as follows:

State Grant Program Core-CT Number	Program Name	Amount
11000-SDE64370-12113	School Readiness - Severe Needs	\$ 107,000

TOWN OF VERNON, CONNECTICUT

SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2011

Summary Schedule of Prior Audit Findings

- There were no prior year audit findings or questioned costs

TOWN OF VERNON, CONNECTICUT

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2011**

I. SUMMARY OF AUDITORS' RESULTS

Financial Statements

Type of auditors' report issued: Unqualified

Internal control over financial reporting:

Material weakness(es) identified? yes x no
Significant deficiency(ies) identified? yes x none reported

Noncompliance material to financial statements noted? yes x no

State Financial Assistance

Internal control over major programs:

Material weakness(es) identified? yes x no
Significant deficiency(ies) identified? yes x none reported

Type of auditors' report issued on compliance
for major programs: Unqualified

Any audit findings disclosed that are required
to be reported in accordance with Section
4-236-24 of the Regulations of the
State Single Audit Act? yes x no

The following schedule reflects the major programs included in the audit:

Dollar threshold used to distinguish between Type A and Type B programs: \$ 200,000

<u>State Grantor and Program</u>	<u>State Core-CT Number</u>	<u>Expenditures</u>
<u>DEPARTMENT OF ECONOMIC & COMMUNITY:</u>		
<u>DEVELOPMENT:</u>		
Special Act.....	12052-ECD-46000	\$ 569,663
<u>DEPARTMENT OF TRANSPORTATION:</u>		
Local Bridge Program Transportation Fund.....	21010-DOT57191-42313	148,640
<u>OFFICE OF THE STATE COMPTROLLER:</u>		
Payment in Lieu of Taxes (PILOT) on Private Colleges and General/Chronic Disease Hospitals	11000-OSC15910-17006	341,964
PILOT on State-owned Property.....	11000-OSC15910-17004	199,681
<u>OFFICE OF POLICY AND MANAGEMENT:</u>		
Contingency Needs.....	11000-OPM20100-13001	231,032

TOWN OF VERNON, CONNECTICUT

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2011**

II. FINANCIAL STATEMENT FINDINGS

There were no findings related to the Town's financial statements.

III. STATE FINANCIAL ASSISTANCE FINDINGS AND QUESTIONED COSTS

There were no findings or questioned costs reported relating to State Financial Assistance programs.

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

Town Council
Town of Vernon, Connecticut

We have audited the financial statements of the governmental activities, 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, 2011, which collectively comprise the Town's basic financial statements and have issued our report thereon dated February 1, 2012. 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Town's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Town's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Town's internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

We noted certain matters that we reported to management of the Town in a separate letter dated February 1, 2012.

This report is intended solely for the information and use of management, the Town Council, others within the entity, Office of Policy and Management, State awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

JH Gln LLP

Farmington, Connecticut
February 1, 2012

REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS ON COMPLIANCE WITH
REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL EFFECT
ON EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER
COMPLIANCE IN ACCORDANCE WITH THE STATE SINGLE AUDIT ACT

Town Council
Town of Vernon, Connecticut

Compliance

We have audited the Town of Vernon, Connecticut's compliance with the types of compliance requirements described in the Office of Policy and Management Compliance Supplement that could have a direct and material effect on each of the Town's major state programs for the year ended June 30, 2011. The major state programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major state programs is the responsibility of the Town's management. Our responsibility is to express an opinion on compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and the State Single Audit Act (C.G.S. Sections 4-230 to 4-236). Those standards and the State Single Audit Act require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major state program occurred. An audit includes examining, on a test basis, evidence about the Town's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the Town's compliance with those requirements.

In our opinion, the Town complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major state programs for the year ended June 30, 2011.

Internal Control Over Compliance

Management of the Town is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts and grants applicable to state programs. In planning and performing our audit, we considered the Town's internal control over compliance with the requirements that could have a direct and material effect on a major state program to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with the State Single Audit Act, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Town's internal control over compliance.

Internal Control Over Compliance (Continued)

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a state program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a state program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

Schedule of Expenditures of State Financial Assistance

We have audited the financial statements of the governmental activities, business-type activities, each major fund and the aggregate remaining fund information of the Town, as of and for the year ended June 30, 2011, which collectively comprise the Town's basic financial statements, and have issued our report thereon dated February 1, 2012, which contained unqualified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town's basic financial statements. The schedule of expenditures of state financial assistance is presented for purposes of additional analysis as required by the State Single Audit Act and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates 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 basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the 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 basic financial statements as a whole.

This report is intended solely for the information and use of management, the Town Council, others within the entity, Office of Policy and Management, State awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

JH Gln LLP

Farmington, Connecticut
February 1, 2012