

**COMPREHENSIVE
ANNUAL FINANCIAL REPORT
OF THE**



**TOWN OF VERNON,
CONNECTICUT**

**FOR THE YEAR ENDED
JUNE 30, 2017**

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CONNECTICUT**

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JUNE 30, 2017**

**PREPARED BY:
THE FINANCE DEPARTMENT**

JAMES LUDDECKE, FINANCE OFFICER/TREASURER

TOWN OF VERNON, CONNECTICUT
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED JUNE 30, 2017

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INTRODUCTORY SECTION



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February 23, 2018

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, 2017. 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 controls 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 Mahoney Sabol and Company, 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, 2017 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 auditors concluded, based upon the audit, that there was a reasonable basis for rendering unmodified opinions that the Town's basic financial statements, as of and for the fiscal year ended June 30, 2017, are fairly presented in conformity with generally accepted accounting principles (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 and state mandated "Single Audits" designed to meet the special needs of federal and state 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 and state financial assistance. These reports are available in the Town's separately issued Single Audit Reports.

GAAP requires 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 the MD&A and should be read in conjunction with it. The Town of Vernon's MD&A can be found immediately following the report of the independent auditors.

Profile of the Town

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

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

Profile of the Town (Continued)

The Town's educational system for its residents consists of five elementary schools, one middle school, and one senior high school that includes a regional Vo-Ag school on its campus. In addition, Vernon has one parochial pre-school.

The annual operating budget serves as the foundation for the Town of Vernon's financial planning and control. Note 2 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 Note 1 to the Basic Financial Statements. 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, 65.7% are employed in services, 28.2% are employed in retail sales and 6.1% are employed in manufacturing and printing. Approximately 27.3% of this employment is with non-profit and public organizations.

The largest Vernon employer is the Town of Vernon, which has 841 employees. The second largest employer is Rockville General Hospital with 488 employees, followed by Visiting Nurse / Health Services / Medical Practice Partners with 470 employees, Stop and Shop with 273, New England Mechanical Services with 220, Vernon Manor with 197, Rein's Delicatessen with 155, Price Chopper with 154, the State of Connecticut with 145 and Fox Hill Nursing and Rehabilitation with 143 employees.

Local Economy and Major Initiatives (Continued)

Local Economy (Continued)

In Vernon, the number of individuals employed by the top ten companies decreased by 80 or 2.2% during the past year. Increases in employment by the top ten employers include 31 at Rockville General Hospital, 22 at Vernon Manor and 17 at the Town of Vernon. Top ten employers reporting decreases were 80 at New England Mechanical Services (the decrease may be attributable to the non-reporting of part-time employees), 43 at Stop and Shop, 7 at Price Chopper and 1 at Visiting Nurse and Health Services. Employment at the other top 10 employers did not change. The remaining decrease of 20 was attributable to the change in the top ten employers (Healthwise Medical Services no longer is in the top ten employers).

Vernon's population as of June 30, 2017 was 29,148, an increase of 189 or .65% compared with 28,959 as of June 30, 2016. This increase follows a decrease in population of 139 or .48% 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, 2017 was 4.9%, a 1.0% decrease from the June 30, 2016 rate of 5.9%. The unemployment rate continues to be influenced by the modest growth in the overall economy. Vernon's unemployment rate compares similarly to that of the State of Connecticut, 5.1%, but higher than the national rate of 4.5%.

Vernon Unemployment		
June 30th,	Rate	Change
2017	4.9%	-1.0%
2016	5.9%	0.7%
2015	5.2%	-1.4%
2014	6.6%	-0.9%
2013	7.5%	-0.5%
2012	8.0%	-0.4%
2011	8.4%	0.0%
2010	8.4%	1.1%
2009	7.3%	1.8%
2008	5.5%	1.2%

The October 1, 2016 grand list, effective for fiscal year 2017-2018, increased by 1.48% from the prior year, which included an increase in real property of 1.13%, in personal property of 8.69% and in motor vehicles of 1.43%. This follows a .09% increase in the prior year grand list. That increase included an increase of .39% in real estate, a decrease of 5.97% in personal property and an increase of .27% in motor vehicles. Property taxes have been supported by strong collection rates, averaging 98.40% over the past ten years.

The number of building permits decreased from 2,400 to 1,895 with the value of those permits decreasing from \$81,516,231 to \$41,829,920. This decrease follows last year's unprecedented increase in permits and values from 2,130 to 2,400, and \$33,138,932 to \$81,516,231, respectively, reflecting the commencement of several building projects in town.

Local Economy and Major Initiatives (Continued)

Local Economy (Continued)

The fiscal year 2017-2018 operating budget was approved by the Town Council and sent to the annual Town Meeting (recessed from April 25, 2017) and adopted on June 13, 2017. The mil rate increased by 0.68 mills, or 1.79%, from 38.03 mills to 38.71 mills for real estate and personal property; and remained at 37.00 mills for motor vehicles. This results in a blended mil rate increase of 1.63%. We will continue to provide the voters with information to make knowledgeable decisions, as we have a responsibility to educate our residents on the programs and services presently provided, as well as those proposed.

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

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

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

Rockville Section:

The former Rockville mills section has made a transition from being primarily an industrial and commercial center to being a professional and governmental center. It is the site of local government, education, and State of Connecticut administrative offices and courthouses. The initial development of downtown Rockville occurred over one hundred years ago, creating its distinctive Victorian urban character and invaluable architecture. However, this also creates the need for reinvestment and modernization. The Planning and Zoning Commission has adopted a Village District Zone in the Rockville downtown area in an effort to ensure that future development is encouraged, but also be compatible with the historic attributes and character of this area. In addition to improvements to municipal and state buildings, the following recent advancements have been made. Remediation and selective demolition efforts continue at the former Amerbelle Mill site, in an attempt to ready the site for redevelopment. The current plan is to prepare the site for commercial development. A parcel across the street from the Amerbelle Mill complex, known as 19 Grove Street, has undergone environmental site remediation, conducted by the Environmental Protection Agency. The EPA demolished long-vacated structures on the site, including the removal of remaining oil drums. This site is adjacent to the Paper Mill Pond, part of the Hockanum River, at the gateway to the downtown Rockville section. In addition to the Amerbelle Mill project, the long-awaited conversion of the former Roosevelt Mill into Loom City Lofts (68 residential units) was certified for occupancy in December 2015 and since the opening in 2016, they are near or at full occupancy; and the redevelopment of the former Hockanum Mill into 150,000 square feet of industrial space is on-going.

Local Economy and Major Initiatives (Continued)

Local Economy (Continued)

The Town of Vernon has actively supported the redevelopment of the Village Street area adjacent to Rockville General Hospital in supporting the Vernon Nonprofit Housing Corporation's (VNHC) rehabilitation of eleven structures on the street, by providing Community Development Block Grant (CDBG) funds to assist first time home buyers. The houses controlled by VNHC have received environmental remediation and new roofs. The VNHC has renovated and sold 7 units on Village Street and has an additional 5 on vacant lots to be developed. To further this effort of reinforcing neighborhood rehabilitation activities, Village and Orchard Streets have recently been reconstructed. Also funded by the CDBG program, several housing units received rehabilitation loans during the fiscal year totaling \$79,763.

The Rockville Public Library at 52 Union Street, a separate entity from the Town, received approval in April 2009 for a new addition to the existing facility. Construction commenced in June 2013 and was completed in September 2014, adding 3,785 square feet of finished area. In support of this effort, the Town worked with the Library to transfer resources from the Alice Maxwell Trust fund; and waived the \$45,210 building construction permit. In June 2015, the Mayor created a task force to evaluate the Library's financial outlook, and their findings were issued in April 2016. In the fiscal year 2016-2017 budget, the Town increased its annual support to the Library from \$310,000 to \$460,000. The increased support level was continued for fiscal year 2017-2018. The Library has recently been connected to the Town's fiber system. The task force continues to meet with Library officials to improve fund raising efforts.

In October 2010, and again in 2017, the PZC revised an adaptive re-use zoning regulation originally developed for conversion of obsolete mill buildings and made it applicable to any structure in Rockville built no later than 1910 and containing a minimum of 5,000 square feet. This amendment will allow old buildings that have outlived their original uses to be returned to economically viable uses. There are two Mill properties that were in the process of being redeveloped at fiscal year-end which may make use of this provision (Hockanum Mill and Amerbelle Mill). These projects are in various stages of redevelopment, and as previously noted, the Roosevelt Mill redevelopment, now known as Loom City Lofts, was completed in 2015 and opened for residential and commercial occupancy in 2016. Redevelopment of Talcott Mill into apartments was completed in 2017.

In October 2015, an additional appropriation of \$250,000 was approved to acquire and make improvements at 166 Union Street. The 1.01-acre parcel includes a vacant commercial building (former Salvation Army site), a detached garage and parking lot. The purchase provides an additional storage facility and a supplemental parking area for municipal vehicles. At 172 Union Street, a new Japanese restaurant opened in March 2017, upon the site of a former restaurant that had been closed for several years. Renovations to the Citizens Block building located on Park Place, nearby Town Hall, commenced in 2016 and were completed in 2017. The Connecticut Water Company completed major upgrades to its facilities at 10 Snipsic Street.

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

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

Local Economy and Major Initiatives (Continued)

Local Economy (Continued)

Vernon Circle Area:

The K-Mart Plaza, located on Pitkin Road and Route 30, and the Goodyear Tire Plaza, 378 Kelly Road, although both endured transition phases of businesses closing and new businesses opening, remain stable and attractive developments in promising locations. A Pet Valu store recently opened, as did the Yang Zi Jiang Restaurant, offering Chinese and Japanese food for takeout, delivery and catering. Scooter Pros, 99 Restaurant, Stop and Shop and Economy Oil on Hartford Turnpike, Dunkin Donuts, the Sunoco (converted to the Henny Penny convenience store) and Citgo service stations, Taco Bell, McDonald's, Jamaican Kitchen, all on Talcottville Road, have all been renovated in recent years.

Activity at The Tri-City Plaza, with 300,038 square feet of retail space continues with the recent openings of a Wing Stop, Menchie's Frozen Yogurt and Moe's Southwest Grill. Also, Hartford HealthCare Facility now occupies a 31,024 square foot space, previously vacated by a supermarket. The Facility's services include access to primary and urgent care, as well as rehabilitation and specialty services such as for movement disorders and other neurological conditions.

Holiday Express completed renovations in 2014 that included a ground floor indoor pool (that eliminated the first-floor rooms) and a new third floor resulting in a net increase of 4 rooms and 9,974 square feet of additional usable space. 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.

Talcottville Road:

An 84-residential unit complex at Talcott Mill, 47 Main Street, was completed in 2017. In addition, an enhancement project was recently completed along Main Street and Elm Hill Road in the historic section of Talcottville. Improvements include the development of a walking trail with informational signage, period lighting, the construction of an information center Kiosk, selective plantings, and entrance signage to the area. The project was 100% funded by the two federal grants, with exception of approximately \$12,800 for engineering and inspections costs.

At 135 Talcottville Road, where a former Blockbuster Video Store was razed, new construction in 2016 included a Starbucks, Farmington Bank and an AT&T retail store. A site plan of development on 243 Talcottville Road was approved to construct 300 luxury rental apartment units at the former Lyman Farm. The site plan also includes four commercial pad sites at the front of the parcel with the apartments to the rear.

Scranton POWERSPORTS LLC has renovated the former Santander bank located at 560 Talcottville Rd for retail sales and has plans to expand by building a new 13,000 square foot facility at 723 Talcottville Road. Additional development was approved in 2016 at 129-145 Talcottville Road to construct an approximate 3,000 square foot Wendy's restaurant; a 3,200 square foot retail building; and a 90,000 square foot climate-controlled self-storage facility. A former Gem Jewelry store at 148 Talcottville Road and Battison's Laundry center at 179 Talcottville Road were converted to a dentist office (Charter Oak Dental) and AFC Urgent Care facility, respectfully. At 206 Talcottville Road, a 12,000 square foot retail plaza has been constructed featuring several retail spaces. At 504 Talcottville Road, a closed Pizza Hut was razed and replaced with a new O'Reilly Auto Parts store. At 613 Talcottville Road, Pamela's Patterns, a fashion sewing and fitting studio, opened in October, 2016.

Local Economy and Major Initiatives (Continued)

Local Economy (Continued)

In the recent past, several auto dealerships have been remodeled with additions. At 704 Talcottville Road, Olenders Automotive completed construction of an 8,900 square foot addition in 2014. This project received approval for a three-year tax abatement phase-in. Other recent renovations were located at 777 Talcottville Road, Scranton Motors added 6,250 square feet to the existing structures; at 21 Hartford Turnpike, Key Hyundai merged two lots and completely rebuilt their 20,737 square foot structure; and at 14 Hartford Turnpike, Suburban Subaru completed a 13,144 square foot renovation along with a 1,720 square foot addition and Seraphin Ford has renovated their building façade.

The new owners of the former Heartland Plaza at 425 Talcottville Road continue restoration improvements and have made a remarkable visual change to the property. This highly visible and long-time vacant and blighted commercial structure has undergone a vibrant and aesthetically pleasing overhaul. The upgraded site, which currently includes an upscale Cardio Express exercise facility, a Verizon Wireless Center, a State Farm Agency, and the Great Harvest Bread Company, has dramatically improved the marketability of the area. This property has a tax abatement agreement with the Town.

Hartford Turnpike:

On Hartford Turnpike, Carter Chevrolet opened a new dealership next to Langan Volkswagen in late 2017. A Cumberland Farms store and gas station was constructed at a long-abandoned commercial site at 343 Hartford Turnpike and opened for business in August 2016. At 1,188 Hartford Turnpike, a second 9,000 square foot Dollar General Store was approved and constructed in 2016. There are plans to renovate 95 Hartford Turnpike from the former Golfland, into another family friendly recreation facility

Approval was granted by the Town for an 8,250 square foot multi-use retail store at 444 Hartford Turnpike. Dunkin Donuts opened at this location in October 2014. At 428 Hartford Turnpike, St. Francis Medical Group recently opened an office for obstetrics and gynecology. At 520 Hartford Turnpike, Fiesta Mexicana opened at the former R-House site, infusing new energy and traffic into the plaza.

The Santini Villas apartment complex recently added 32 high-end residential units and a club house to their 1085 Hartford Turnpike development, and the construction of 66 units was recently completed at 1031 Hartford Turnpike. The developer has commenced construction on Grand Loft 3, a 254-unit luxury apartment complex that should be finished in 2018. In addition, numerous condominium units with nearby access to Routes 30 and 83 have previously been constructed.

Lafayette Square:

The Lafayette Square commercial area experiences steady development. The 28,000 square foot complex at 10 Hyde Avenue, known as 30 Lafayette Square, has been rejuvenated by the new owners, 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 was 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. On-going construction at 65 Hyde Avenue continues for 76 luxury townhouse units at the new Bridlewood development, with 7 units under construction. As part of this approval, the developer had offered to construct sidewalks from the new development along Route 30 to the Northeast School to safely accommodate school children. The sidewalk project is complete.

Local Economy and Major Initiatives (Continued)

Local Economy (Continued)

At the shopping plaza on East Street, the Red Apple Supermarket gutted the interior and was completely renovated; and neighboring Nature's Grocer, a natural and organic food facility dedicated to a wheat-free and gluten-free environment, expanded its store within the plaza. The store's increasing customer base attracts customers from adjacent towns. An approved 16-lot residential subdivision off of Laurelwood Lane, in close proximity to Bolton Lake, has yet to be developed. A new 10-lot Jen Drive subdivision off of South Street was approved and is under construction.

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. A Home Depot had received approval to build at exit #67 interchange site but has since abandoned their plans. This 15-acre site remains undeveloped with 11 acres of it now assessed as Public Act 490 open space. 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. In 2017, the Planning and Zoning Commission approved Special Permits and a Site Plan for development of 174 residential units behind the McDonalds at exit 67. The Town has considered a Tax Increment Financing District that would bring water and sewer lines up to this location.

In February 2017, at town referendum, a \$3,245,000 authorization was approved to acquire and improve property at 135-137 Bolton Road for use as a new Senior Citizens Center. The 5.4-acre parcel includes a 14,000 square foot building. The parcel was acquired in June 2017 for \$1,200,000. Improvements to the building are underway and expect to be completed in 2018. The current Senior Center location, which is adjacent to Town Hall, has insufficient parking and other access restrictions. In October 2015, an additional appropriation of \$220,000 was approved to acquire a 7.04-acre vacant parcel of land located near I-84 at 133 Tunnel Road for the possible development of a new Senior Center. This town-owned property has recently been approved to be sold.

Gerber Farm:

With co-investments from the Town of Vernon, a bridge and access road for the new Hockanum Boulevard was constructed several years ago. The bridge and road provides access to the approximately 275-acre Gerber Farm area for development. The developer constructed a 424-luxury rental unit complex, the Mansions at Hockanum Crossing, and three industrial buildings amounting to 64,000 square feet. Subsequently, the construction of Mansion 2 occurred, a 280 luxury apartment complex. Nine additional apartment buildings were constructed at Mansions II, 95 Hockanum Boulevard in 2014. The project's total net assessment, considering its real estate, personal property and motor vehicles is approximately \$62,594,662, ranking as the largest taxable property in the Town of Vernon.

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

Industrial development continually proves to be the most difficult economic challenge for municipalities in Connecticut as manufacturers leave the state and available employment declines. The decline of industry in Vernon relates to the lack of industrial land and the obsolescence of existing facilities, as well as to the general diminishing of manufacturing employment. With only 7.57% of the Town zoned for commercial and industrial use, the Town continues to pursue the possibility of merging parcels of land for industrial development while facing the additional task of addressing the redevelopment of older mill properties.

Local Economy and Major Initiatives (Continued)

Local Economy (Continued)

Amerbelle Mill, located at Brooklyn and East Main Streets, ceased operations and closed in August 2012. The Town Council subsequently authorized \$150,000 to secure and winterize the complex due to public safety concerns. Since that time, the Town has taken ownership of this mill site and has worked with the State of Connecticut and a private developer to revitalize the site. In 2014 and 2015, the Town secured \$4.3 million in state Brownfield grants, to assist in this conversion by removing hazardous conditions and correcting structural building defects. The project is on-going.

Two businesses currently occupy a portion of the Hockanum Mill at 200 West Main Street. The owner continues to renovate and develop a warehouse in support of a computer retail store and a motorcycle and service business. The Town received a \$500,000 state funded Urban Act grant to fund renovations to this Mill. Renovations commenced during the fiscal year and continue into fiscal year 2017-2018.

Owners of a planned project for 68 residential units at 215 East Main Street, the remediated former Roosevelt Mill site, also received historic property tax credits. Project construction was completed in December 2015 and opened in 2016 for residential and commercial use. The property, known as Loom City Lofts, is fully occupied.

The Town received a \$9,000 state technical assistance grant to provide architectural adaptive reuse drawings for Talcottville Mill on 47 Main Street. The drawings were to be used to apply for federal and state tax credits and to establish potential construction costs for reuse of the mill. Owners of the former Mill received approval for Federal and State historic property tax incentives and grants that allowed them to convert the vacant deteriorating site into an 84-unit residential complex. The project received local approvals in September 2012 and construction started in December of 2015 and was completed in 2017.

In addition, a \$200 thousand state Brownfield grant was awarded for environmental assessment of mill and industrial properties in Town. This assessment project began in August 2014 and was completed in 2017. And as stated in the Rockville Section, across the street from the Amerbelle campus, and bordering the Paper Mill pond, is 19 Grove Street, a strip site of former retail establishments and a lumber mill. The buildings were in disrepair and the Town has worked with EPA to clear and remediate the property, leaving an attractive parcel to add aesthetic value to the area. The Town has authorized \$30 thousand for security and site enhancements at this location.

Investments in infrastructure, such as our roads and bridges, clean water management and public safety will have a positive effect locally and will factor into an eventual long-term approach to economic recovery and stability. For the Town of Vernon, successful and continued pursuit of the economic development cited earlier in this section will enable the Town to take advantage of potential business expansions and demands for developmental sites. This also re-emphasizes the importance of capital investment in infrastructure improvements as an essential part of a comprehensive economic and residential development plan. Continued success in this undertaking will allow Vernon to meet the future with a stable and strengthened tax base.

Major Initiatives

General Government:

Earlier renovations at the Town Hall Memorial Building include the completion of extensive renovations to the third floor, which cost \$1,864,873. These renovations included an expanded Town Council Chambers and administrative offices and were funded primarily by three state grants. Renovations to the second floor mezzanine and former Town Council Chambers to serve the Finance Department were also completed recently at a cost of \$79,830. Current renovations include improvements to the Town Council Chambers audio/visual system. The Town Council has authorized \$151,000 to date for this project, including \$40,000 in the current fiscal year. Project costs to date total \$113,157.

On the first floor of Town Hall, \$16,111 is available for modifications to the Town Clerk's office and an additional \$190,000 is available to increase storage space in the Town Clerk's office by expanding the current vault.

Town Hall electrical and generator upgrade appropriations of \$40,000 and \$25,000, respectively, were approved in fiscal year 2013-2014. Electrical and generator upgrade costs are \$25,850 and \$4,872 to date, respectively. Last fiscal year, available resources from the School Improvements Fund were authorized for a \$363,000 Town Hall Generator Upgrade and Expansion project that will also support the Senior Center, Town Hall Annex and Data Center. The generator project is ready to commence in 2018. In fiscal year 2016-2017, a \$29,400 additional appropriation for a new boiler was authorized and expended.

Americans with Disabilities Act (ADA) improvements to Town facilities and parks continued, and will proceed with available funds of \$64,519. These funds are available in the Town Capital Nonrecurring Fund.

Former building renovations that were completed at a cost of \$55,592 to the town-owned 55 West Main Street structure, houses the Planning, Engineering and Economic Development Coordinator offices formerly located on the first floor at the Town Hall. With that relocation to 55 West Main Street, along with the Registrar of Voters move to Center 375, available first floor space was renovated for a much needed conference room for the Probate Court and for office space to accommodate the Social Services Department.

The Town Data Center, located on the second floor of the Town Hall Annex, operates as an internal service fund, and consolidates the general government and education IT functions. The Data Center was recently renovated to integrate and house the former school technology personnel, expanding the staff from four to ten. In response to expanding technology demands, the Town executed a four-year \$659,414 operating lease in October 2012 for the data center to acquire servers and storage that enabled the establishment of a unified network. In December 2015, an agreement was executed to replace the entire server and storage cluster and is financed by a \$798,959 five-year operating lease. The Data Center completed an extensive optic fiber infrastructure project in fiscal year 2015-2016 connecting the greater part of general government and school system buildings at a cost of \$623,911. The majority of the project was funded through the internal service fund, along with state grant funds of \$142,578. Additional optical fiber was extended to the Rockville Public Library, Community Arts Center and to various Fire Stations during fiscal year 2015-2016 at a cost of \$48,700. In fiscal year 2016-2017, fiber was extended to the Vernon Cemetery operations office at a cost of \$34,933. In the prior fiscal year, available resources from the School Improvements Fund were authorized to fund a \$500,000 Town-wide Telephone System Upgrade project. This project commenced after June 30, 2016 and has been completed at this time at an approximate cost of \$500,000.

Major Initiatives (Continued)

Also, \$78,693 is available to implement a new document management system for both the general government and school system, with one of the objectives to reduce physical storage requirements.

Community Development:

In a continued effort to support and initiate interest in economic development in Town, \$41,000 was appropriated to the Economic Development special revenue fund during the current fiscal year to finance targeted advertising and marketing efforts. Annual appropriations to this Fund commenced in 1999 and have funded several property reuse studies, retail façade improvements and the most recent Plan of Conservation and Development and its Downtown Association. In addition, continued appropriations have funded various planning, marketing and gateway enhancement initiatives. At June 30, 2017, \$180,198 is available to fund these initiatives. A fiscal year 2017-2018, appropriation of \$41,000 further supports these efforts.

The Town received a \$300,000 Community Development Block Grant (CDBG) award for housing rehabilitation in fiscal year 2013-2014, supplemented with an additional \$400,000 CDBG housing rehabilitation grant award in fiscal year 2012-2013. Program costs for the grants were finalized in the current year at \$643,638.

The Town is in the fourteenth 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 \$32,225 was expended this fiscal year, with \$89,550 as the available balance.

A Blight Reduction Special Revenue Fund was established recently to purchase or demolish blighted and unsafe structures in Town. Proceeds from the sale of Town-owned properties will fund these activities. Receipts of \$48,950 are currently available in this Fund including \$10,571 approved in the current year for demolition of buildings at 106 ½ West Road and 8 Morrison Street. These buildings were removed at a cost of \$48,950 in fiscal year 2017-2018. In previous years, the Town Council approved funding totaling \$199,927 for the demolition of certain foreclosed, blighted or fire damaged properties at Ward, Lawrence, McLean and High Streets, due primarily to public safety concerns; in addition to assisting the properties return to a collectable tax status and for provided parking used by the local hospital.

In August 2012, the operations at the Amerbelle Mill ceased. A court injunction permitted the Town access to the property and the Town Council subsequently authorized two \$75,000 appropriations to winterize and further secure the building for public safety concerns. Costs to secure and winterize the Mill through fiscal year 2016-2017 total \$74,668. Prior to its closing, the Town secured and utilized a \$125,000 state grant to conduct an engineering and architectural feasibility study to determine the most effective building improvements for the Amerbelle Mill. In addition, the Town received a \$196,000 federal grant to fund a roof replacement and additional building improvements, which were recently completed. As noted previously, the Town subsequently took ownership of this property, and is working with the State and a private developer, while securing two state Brownfield grants totaling \$4.3 million to prepare this site for commercial development. The remediation costs to date total \$3,389,738, and the project is expected to be completed by the end of 2018.

In the current year, a \$500,000 state Urban Act grant was awarded for renovations to the Hockanum Mill for additional commercial use. The former Mill currently houses two businesses.

Major Initiatives (Continued)

An additional \$200,000 state Brownfield grant to conduct environmental assessments of other mill and industrial sites in Town were completed in the current year at a cost of \$200,000.

As noted above, in the prior year, the Town received a \$9,000 state technical assistance grant to provide architectural adaptive reuse drawings for Talcottville Mill. Owners of this former Mill have subsequently completed construction of 84 residential units at this site.

In the less recent past, the Town received two state grants totaling \$1,200,000 which provided funding for selective site demolition and environmental remediation at the former Roosevelt Mills located at 215 East Main Street. Those grant funds were preceded by federal Brownfield cleanup funds utilized for a site evaluation and remediation project that was also completed. As noted in the Mill Properties section, construction of residential units, for this former Mill site, were completed in late 2015 and are fully occupied.

In a prior year, the Town used a \$20,000 state grant award to fund a feasibility study of the Citizens Block. The Town-owned Citizens Block is a primarily vacant commercial and mixed use 1879 building, adjacent to the 1867 senior center building, located next to Town Hall. This study required the use of \$17,303 from the Town's Economic Development Fund to complete. In 2014, the Town was awarded a \$400,000 state grant for replacement windows and other exterior/façade improvements. Restoration work commenced last fiscal year and was completed at a cost of \$442,098 including current year local match funding of \$42,098. Also in the current year, the Town Council authorized an additional \$317 thousand for renovations.

Public Safety:

The fire department's 183 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. Effective, July 1, 2017, the maximum credited years of service increased to thirty five 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 2014	\$1,119,751
December 31, 2015	\$39,924
December 31, 2016	\$52,289

In the current fiscal year, 3 police vehicles were acquired at a cost of \$86,021. Last year, 2 police vehicles were acquired at a cost of \$54,834. In the year before, four police cruisers were purchased at a cost of \$108,694 and in fiscal year 2017/18, \$59,000 has been appropriated for 2 additional police cruisers. Other recent vehicle purchases, utilizing five federal grants, include three police department vehicles with digital video equipment, in-car laptops and cameras, a partially funded hybrid police vehicle and an AWD police utility vehicle and accessories.

Major Initiatives (Continued)

Two vehicle mounted laptops were acquired in the current year at \$7,490 with four vehicle mounted laptops acquired in the prior year at a cost of \$15,777. Wireless computer modems were acquired for 18 vehicles in the current year at a total cost of \$18,958.

In the summer of 2016, the police parking lot was improved and paved at a cost of \$99,083. The project was funded by a state municipal grant-in-aid. In fiscal year 2017-2018, \$16 thousand has been appropriated for elevator repairs at the Police Station.

Fifty-one body cameras were acquired in fiscal year 2015-2016 with the use of a \$30,000 federal Justice Assistance Grant and an additional appropriation of \$16,322. The State Asset Forfeiture Fund provided funding of three additional cameras.

Other recent improvements include a Police Digital Radio System upgrade and a Fire Monitoring and Suppression System in the equipment systems room of the Police Department utilizing \$250,000 and \$16,250 of state Local Capital Improvement Program (LoCIP) funds, respectively. Preceding this radio system upgrade, the Town received and utilized a \$300,000 Department of Justice COPS Tech grant and a \$100,000 state LoCIP grant to fund the digital Police radio system. A federal \$2,826 DUI enforcement grant was used recently to fund DUI enforcement equipment.

In the prior fiscal year, the Town entered into an agreement to acquire street lights from Eversource and retrofit them with LED lighting fixtures. The Town Council approved an authorization of \$912,462 to fund the acquisition and retrofit. This process is nearly completed with costs to date of \$850,051 as of December 2017.

Appropriations of \$25,000 for Firehouse renovations have been approved for the current and past two fiscal years with \$91,018 currently authorized. Renovation costs for the current year were \$10,198; and \$47,736 has been expended to date. A balance of \$43,282 is available at June 30, 2017 to complete the renovations. An additional \$25,000 has been appropriated in the next fiscal year. During the fiscal year, the Town Council approved a \$50,000 LoCIP application for the roof replacement at the Prospect Street Firehouse.

In the current year, \$102,675 was expended for 15 SCBA units and \$11,720 for air packs, bottles and masks. Last year, \$86,925 was expended for 15 SCBA units; and in the prior year, \$81,825 was also expended for 15 SCBA units; and an additional 15 SCBA units will be purchased in the next fiscal year at a cost of \$102,675.

Renovations to the \$225,000 LoCIP funded Fox Hill Communication Center project has commenced with \$1,250 being expended to date. An appropriation of \$105,000 was authorized in the 2017 capital improvement budget for these renovations in the current year.

In fiscal year 2014-2015, four air compressors were acquired at a cost of \$22,000. Extrication equipment was purchased recently costing \$27,275 and a new vehicle for the Fire Chief was acquired at a cost \$27,121.

In fiscal year 2012-2013, three fire trucks were acquired with proceeds of a ten-year lease purchase agreement at a cost of \$1,479,761. Accessory equipment for the trucks was purchased for \$25,380. Also in fiscal year 2012-2013, the Town approved \$30,000 to complete the \$105,000 radio project undertaken by the fire department to comply with the FCC narrow banding requirement.

Major Initiatives (Continued)

A retrofit to a 2003 ambulance with a new chassis and refurbished body was completed last fiscal year at a cost of \$104,883. Fiscal year 2015-2016 and 2016-2017 budgets appropriated funds to replace a 2008 ambulance, with a 2015 ambulance at the final cost of \$103,275. In fiscal year 2017-2018, \$80,000 has been appropriated to partially fund a planned replacement of a 2005 Type III model ambulance. Also, a \$14,000 budget appropriation is available to acquire a used vehicle for the department. In the prior year, \$2,697 of ambulance and emergency management equipment was purchased including a portable UHF radio for the emergency management department. This equipment was partially supported by federal funds.

For the animal control facility, appropriations totaling \$123,100 for animal control renovations and caging has been approved by the Town Council. Project costs total \$104,633 to date. A fiscal year 2017-2018 appropriation of \$30 thousand for a new Animal Control cargo van is available.

Maintenance and Development:

On January 28, 2014 voters approved a public road improvement bond authorization of \$27,637,000 to fund improvements to over 200 Town roads. The Town issued general obligation bonds and bond anticipation notes in August 2015 for this project in the amounts of \$6,130,000 and \$6,350,000, respectively. In August 2016, the Town retired the bond anticipation note with the issuance of a \$6,350,000 general obligation bond. The Town also issued a \$2,200,000 bond anticipation note in August 2016 that was retired with an August 2017 \$3,130,000 general obligation bond issue. Also in August 2017, bond anticipation notes of \$1,525,000 were issued, that will mature in August 2018. The authorizations / expenditures for the above projects through June 30, 2017 are as follows:

Project	Amount Authorized	Expended Current Year	Expended Cumulative
Roadway construction improvements	\$ 24,655,130	\$ 3,927,050	\$ 14,185,109
Equipment	200,000	8,706	132,579
DPW labor	1,596,870	151,767	513,656
Issuance costs	603,037	63,261	142,238
Accrued note interest	581,963	48,141	135,191
Total:	\$ 27,637,000	\$ 4,198,925	\$ 15,108,773

Current year costs incurred by the Road Improvements Bond Fund totaled \$4,198,925, including \$8,706 of equipment purchases, \$63,261 of bond and bond anticipation note issuance costs, and \$48,141 of bond anticipation note interest expense.

In addition to the roadway improvement expenditures incurred by the Road Improvements Fund noted above, the Town's Town Aid for Roads special revenue fund expended \$231,915 during the year, including \$132,684 for improving, patching and crack sealing various Town roads. Also, \$10,696 of a prior fiscal year \$25,000 appropriation for road sealing is available for use. A state LoCIP grant is to fund a \$60,000 erosion control project at Mary Lane.

Major Initiatives (Continued)

Reconstruction of South Street commenced during the fiscal year. Design costs, estimated at \$464,500, have been completed at a cost of \$461,512 and are funded by a 90% grant that requires a 10% local match which has been funded. Project design costs included an \$18,500 demand deposit paid to the State for their project design service costs. Right-of-way costs are estimated at \$355,000, requiring a 10% or \$35,500 local match. This amount has been disbursed. Construction costs are estimated at \$3,251,000. A Surface Transportation Program grant was awarded by the Capital Region Council of Governments (CRCOG) to provide 80% federal funding, 10% state funding and a local 10% estimated match of \$348,850 which includes a \$23,750 10% local match of state construction service costs. This match requirement has been fully funded including an additional \$125,000 appropriated in fiscal year 2016-2017. This project complements significant roadway and sidewalk improvements on a portion of nearby Vernon Avenue that were constructed by the State DOT in the recent past. Construction costs to date total \$907,046 and the project should be completed in 2018.

A \$925,000 LOTCIP grant is earmarked to the Town for the construction of various new sidewalks throughout the community. Design costs are the responsibility of the Town and construction costs are grant-eligible. Field survey of this project began in 2016. For sidewalk projects, the Town appropriated \$150,000 in fiscal year 2014-2015; \$150,000 in fiscal year 2015-2016; \$35,000 in fiscal year 2016-2017 and \$100,000 in fiscal year 2017-2018, for a combined total of \$435,000. These funds can be used for the local portion of the LOTCIP grant, and for other sidewalk projects. Also, \$23,950 of a prior year \$25,000 appropriation in the Town Capital Nonrecurring Fund for sidewalk construction has been expended.

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; and the Town Council authorized that the remaining local share be provided by a state LoCIP grant. A November 2008 referendum to authorize such local funding was unsuccessful; therefore, requiring identification of these two local funding sources. Work on a preliminary design agreement for \$134,900 commenced in fiscal year 2014-2015 with \$106,496 expended to date. Design is expected to be completed in 2018 with construction planned for 2019.

The State of Connecticut is currently designing the replacement of the Pleasantview Drive Bridge. Reconstruction of the bridge is expected to commence in 2018. Construction costs are estimated at \$2,400,000 with 80% of the costs to be grant funded and 20%, or \$480,000, to be locally funded.

Design for the replacement of Dart Hill Road Bridge is expected to commence in 2018 at an estimated cost of \$500,000. Design costs are to be locally funded. The Town has identified available fiscal year 2016-2017 funds to cover these projected costs. There is also a \$40,000 appropriation available in the Town Capital Nonrecurring Fund for design of the Dart Hill Road bridge reconstruction project.

The State Department of Transportation completed the replacement of an existing bridge over the Hockanum River on Windsorville Road in 2016. All costs associated with this project for design and construction were state funded.

Reconstruction of the West Main Street Bridge was recently completed at a cost of \$2,884,689. Project costs were 80% federally funded and 20% locally funded. Other recent bridge reconstruction projects were at River Street, Spring Street and Phoenix Street.

Major Initiatives (Continued)

In fiscal year 2015-2016, the Town appropriated \$250,000 for the acquisition and improvements of the parcel located at 166 Union Street, comprised of a commercial building, a detached garage, and a parking lot. The property is being used to provide for an environmentally acceptable storage area for permanent and sensitive information, and to house municipal vehicles and equipment, and for additional parking. The acquisition cost of the site was \$165,633, leaving \$84,367 available for building improvements, of which \$46,566 have been expended to date. An additional \$50,000 for this site has been appropriated in fiscal year 2017-2018.

Rolling Stock:

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 stabilization to overall maintenance budgets for succeeding years.

In the current fiscal year, the following maintenance vehicles were acquired: a trail mounted vacuum for \$35,768; an automated side loader refuse truck for \$243,492; a \$49,177 crew cab mason truck; a \$165,516 dump truck with plow; and a sewer camera truck for \$241,407. The sewer camera truck was funded with an \$188,058 state grant and from contributions from the towns of Vernon, Ellington and Stafford of \$17,783 each. In fiscal year 2017-2018, \$30,000 is appropriated for a new animal control cargo van, \$42,000 for a parks dump truck and \$24,000 for a parks SUV.

In the prior fiscal year, the following maintenance vehicles were acquired: a \$243,492 refuse truck; a \$143,311 bucket loader; a \$68,945 grapple truck; a \$35,815 leaf machine; a \$25,584 pick-up truck; a \$16,887 trailer; and two plows at \$9,136 and \$5,709, respectively.

In fiscal year 2014-2015, 2 dump trucks with chassis and plows at a cost of \$328,600 and three additional pick-up trucks at \$109,253 were purchased with available funds.

In fiscal year 2013-2014, several vehicles were acquired by the public works department including a \$30,000 aerial lift that will be used to maintain Town buildings; a \$51,440 mini excavator purchased with Road Improvement Bond funds for in-house road construction projects; a \$49,250 used refuse / recycling truck; a \$40,378 dump truck and three pickup trucks with plows at \$100,593, (one for the parks department, \$38,253). The combined cost of \$140,971 utilized \$133,236 of prior year-end encumbrances.

In a prior recent year, an \$119,380 roadside mower was acquired with funding from the CL&P Municipal Brush Control program. In accordance with a participating agreement, the equipment is jointly used by the towns of Vernon, Coventry and Somers. CL&P (now Eversource) has reimbursed the Town for the total cost of the equipment over a five-year schedule, with the final remittance received in the current year.

In the current year, three police cruisers were acquired at a cost of \$86,021. Two police cruisers were acquired last year at a cost of \$54,834 and in the year prior four police cruisers were purchased at a cost of \$108,694; and in fiscal year 2017-2018, two additional cruisers are to be acquired with use of a \$59,000 budget appropriation. A police cruiser for \$23,832 was purchased in fiscal year 2013-2014, along with an AWD police utility vehicle and accessories for \$33,253, funded by a Department of Justice federal grant award.

As noted above, a new \$27,121 vehicle was acquired for the Fire Chief in fiscal year 2014-2015; as well as a used, handicapped accessible Senior Center bus in the amount of \$77,500.

Major Initiatives (Continued)

In fiscal year 2012-2013, the Town entered into two capital lease purchase agreements totaling \$2,010,000 for the acquisition of two fire pumper trucks, a fire rescue truck, an automated refuse/recycling truck, an excavator, a loader mounted snow blower and a parks tractor. The final payment year of the lease is fiscal year 2021-2022. In the same year, a \$36,505 portable lift for fire apparatus was purchased, along with a front loading refuse truck at a cost of \$60,055.

The Ambulance Medical Services account in the Special Revenue Fund reserves funds to periodically replace each of the three ambulances that the department maintains. Reserves, accumulated over the past several years, have been used to fund the replacement of these ambulances. As noted above, new ambulances were also funded by General Fund appropriations, acquired at a cost of \$104,883 in the prior year; and at a cost of \$103,275 in fiscal year 2016-2017. An \$80,000 fiscal year 2017-2018 appropriation will be used to replace a 2005 type III ambulance. Also, a \$14,000 fiscal year 2015-2016 appropriation to acquire a used vehicle for the Ambulance department is available.

In the current year, the Vernon Cemeteries Special Revenue Fund acquired a turf seeder for \$3,399. In the prior year, a leaf vacuum for \$2,998 was acquired. In the year prior, \$39,888 was expended to repaint and restore the chapel at Grove Hill Cemetery.

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, that required the towns to take the necessary steps to address wastewater disposal alternatives for the Bolton Lakes area. Voters in both towns approved a special referendum held on September 27, 2005, regarding ordinances that guarantee funding for the project. Construction, which was phased in over a five-year period to maximize grant-funding sources, commenced in the Bolton area in the spring of 2009 and in Vernon in 2012. Project work in Vernon was completed in 2016. The final design and construction costs of the sewer system are approximately \$21,694,000, with 29% or \$6,291,000 attributable to Vernon and the remainder to Bolton. Federal and state grants and benefit assessments reduced Vernon's share to approximately \$2,702,000. This share is considered overlapping debt. A State of Connecticut Clean Water Fund loan obligation was executed in June 2016 with \$2,701,277 of overlapping debt allocable to Vernon. Debt service for the project commenced at June 30, 2016. Remaining overlapping debt at June 30, 2017 is \$2,431,149.

In December 2016, the Town Council authorized a \$712,833 facilities planning contract relative to an upgrade of the Town's waste treatment plant facility. A state grant covering 55% of project costs, or \$392,058, was supplemented by contributions from Vernon of \$230,188 and adjacent towns totaling \$90,587. Vernon's share of project costs was funded with \$180,000 of available reserved funds and with a \$50,188 fiscal year 2016-2017 appropriation. The planning study is nearly complete with \$677,191 being expended through June 30, 2017. In August 2017, the Town Council authorized a \$4,636,022 contract for design improvements to the Waste Treatment Plant facility. The Town is applying for funding assistance with the State under its Clean Water Fund program.

Human Services:

In February 2017, a Town referendum approved the authorization and appropriation of \$3,245,000 for the acquisition of property at 135 Bolton Road, including a 14,000 square foot building, and for the design, reconstruction and improvements to such property for use as a Senior Center. Acquisition of the property occurred in the current fiscal year at a cost of \$1,200,000. Renovations commenced at this site and are planned to be completed in 2018.

Major Initiatives (Continued)

To fund acquisition and renovation costs, in August 2017 the Town issued \$1,270,000 of general obligation bonds and \$1,800,000 in bond anticipation notes which mature in August 2018. In addition to the above funding, \$139,975 was approved in the current year to pave the parking lot at this location.

Parks and Recreation:

Recreation programs remain very popular with our residents as demand and participation increases. The Parks and Recreation department offers a wide variety of recreational programs totaling 100 in 2017. The Town has 582.5 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, pavilions, an 18-hole disc golf course, a new fitness trail 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.

The State Bonding Commission has authorized \$555,000 for design and construction activities on the Valley Falls dam; and \$50,000 for design activities at the Walkers' Reservoir dam. The projects require local matching appropriations. Local appropriations of \$191,000 are available in the Town's Capital Nonrecurring Fund for the Valley Falls Park dam project which began design work during the current year. An additional \$98,000 for this project has been appropriated in fiscal year 2016-2017. Project costs to date total \$34,558. Local appropriations of \$25,000 for design work and \$40,000 for reconstruction were approved by Town Council last fiscal year to fund the replacement of the Walkers' Reservoir dam. That project has yet to commence.

Authorizations for fiscal year 2017-2018 include \$35 thousand to develop an updated Parks and Recreation Master Plan; \$50 thousand for bathhouse repairs and resurface the kiddie pool; \$20 thousand for paving at Henry Park; and \$40 thousand for ballfield fencing.

Also in fiscal year 2017-2018, a very generous \$150 thousand contribution from the Russell Hartmann Trust Fund was received to fund ballfield improvements. A prior year contribution of \$114,250 from the Russell Hartmann Trust to fund a pavilion at Henry Park was utilized to construct a 40' by 60' pavilion, ramp and sidewalk. The Phyllis Skinner King family donated \$2,750 for the installation of railings on the stairways at both ends of the Henry Park Tower promenade. The project was completed in December, 2015.

In fiscal year 2016-2017, the department acquired a cargo trailer for \$6,250 and zero-turn tractor at a cost of \$7,597. Last fiscal year, a \$31,076 Parks skid loader was acquired along with a \$21,893 pick-up truck and two dump trucks with plows at a cost of \$43,006 each. In the year prior, a gang mower and ballfield conditioner were purchased at a cost of \$95,775 and \$22,977, respectively. In fiscal year 2017-2018, \$42 thousand is available for purchase of a one-ton dump truck with plow and \$24 thousand is available for a parks SUV.

A \$25,000 appropriation is available for continued improvements at Valley Falls Barn. As noted in the Public Safety section of this letter of transmittal, appropriations totaling \$330,000, including \$105,000 in the current year, and LoCIP funding of \$225,000 have been approved for the Fox Hill Radio Tower. As of June 30, 2017, \$1,250 has been expended. Of a \$16,000 appropriation for repairs to the Fox Hill Tower at Henry Park, \$15,348 have been expended to date.

Major Initiatives (Continued)

A \$20,000 appropriation was approved by the Town Council to establish a disc golf course at the Eckert's open space property. The project was completed at a cost of \$19,400. Contributions of \$21,606 were received, along with a \$20,000 appropriation to fund a Parks Fitness Trail, completed in the current year at a final cost of \$40,572. State LoCIP grant funds of \$18,500 and \$2,747 in local funds were used to fund roof replacements at Camp Newhoca, with completed project costs at \$21,747. Also, a security camera system was installed at Henry Park at a cost of \$11,679 utilizing an appropriation from the prior year.

A \$27,620 designation of Downstream Funds has been fully utilized to fund invasive aquatic species surveys, management studies and removal from Valley Falls and Gages Brook Ponds, Walkers Reservoir, Middle and Lower Bolton Lakes and the Hockanum Marshes. Supplementing downstream funding, a new appropriation was established in the fiscal year 2014-2015 budget for Invasive Aquatic Plant Management in the amount of \$19,000, to survey and combat aquatic invasive species, with \$10,632 utilized. An additional \$16,000 was appropriated in fiscal year 2015-2016, with \$5,516 expended, \$14,000 was appropriated for fiscal year 2016-2017, with \$8,400 expended; and \$14,000 was appropriated in fiscal year 2017-2018.

ADA improvement projects at Town parks completed in the prior fiscal year included acquisition of a new aquatic chair lift at Community Pool. Other recently completed ADA projects include improvements to sidewalks, ramps and handrails at the Lottie Fisk Building, Henry Park Pavilion, Camp Newhoca and Walkers Reservoir. Also, new playground swings were recently installed in Henry Park at a cost of \$49,185. Softball field lights were replaced at Henry Park in fiscal year 2013-2014 at a cost of \$116,000, utilizing available contributions; and, last year, irrigation, field material and fencing improvements were made to the softball field at a cost of \$46,482.

Other recently completed park improvements include the following: Federally funded enhancements to the Talcottville section of Town, totaling \$578,088, comprised of period lighting, sidewalks, signage, a kiosk and other land improvements; extensive renovations to the Vernon Community Arts Center at a final cost of \$1,794,846 were funded entirely by two state grants; and Valley Falls Nature Center improvements of \$69,040 were funded by state LoCIP grants.

Education:

In December, 2014, the Town Council approved the transfer of available Rockville High School (RHS) project funds in the amount of \$1,170,000, to appropriate the net local share for school roof replacements at the Vernon Center Middle School (\$272,000) and Northeast (\$383,000) and Skinner Road (\$515,000) elementary schools. State progress payment grants of \$2,591,100 are available to fund the remainder of estimated project costs. Work on these three projects commenced in October 2015, and were completed by June 30, 2017 at a cumulative cost of \$3,218,636. It is expected that funding will exceed project costs by \$146,149.

During the 2015-2016 fiscal year, the Town was awarded a \$1,225,000 "General Improvements to Alliance Districts School Buildings" state grant to fund building and grounds improvements and equipment at all seven Vernon schools. The project outlays commenced in 2016, and were completed in the current year at a cost of \$1,200,438. A second Alliance grant of \$580,000 was awarded in the current year for additional building and grounds improvements and equipment. As of June 30, 2017, \$6,438 has been expended.

Major Initiatives (Continued)

Also last fiscal year, a LoCIP state grant project at Rockville High School for drainage improvements was authorized at an estimated cost of \$100,000. This project has yet to commence. In addition, paving of the Vernon Center Middle School parking lots were completed last fiscal year at a cost of \$320,661. The Town Council approved \$332,000 for the project with available funds in May 2015.

In recent years, the Vernon school system was awarded two state school security competitive grants totaling \$467,856 to fund safety and security improvements at each of the Vernon schools. Local matches of \$151,828 and \$32,010 were required and have been funded by \$107,924 of available Education Capital Nonrecurring Funds and a Town Council approved General Fund transfer-in of \$75,914. The projects commenced in fiscal year 2013-2014, and were completed in the current year at a combined cost of \$651,391, against the combined appropriation of \$651,694.

The School system received recent approval for a "Safe Routes to School Infrastructure Program" 2012 federal grant, as administered by the Connecticut Department of Transportation in conjunction with the Capitol Region Council of Governments. The \$491,470 grant provides funding for pedestrian access upgrades for students to the Skinner Road Elementary School and includes sidewalks, trails, signage and pedestrian bridge improvements. A design consultant will be selected shortly to perform engineering design activities associated with this project. The Town Council has approved \$50,000 of available Education Capital Non-Recurring Funds to fund these design costs. Design costs commenced in fiscal year 2017-2018.

A \$20,000 remediation project at Rockville High School is on-going with costs to date of \$6,773.

Also, an internally financed four-year lease for \$129,500 to acquire seven education vehicles was approved in fiscal year 2014-2015. In the same year, a \$146,390 state grant funded the acquisition of vocational education equipment at a final cost of \$142,770.

Several recent appropriations from the Education Capital Nonrecurring Fund have funded various school projects. Year-end education transfers to this Fund of \$394,000, \$53,306, \$50,404, \$83,000, \$90,000 and \$100,000 in the previous six fiscal years, and \$120,000 in the current fiscal year have provided funding for the following projects in past years: Two \$100,000 appropriations to repair the Vernon Center Middle School chimney (completed at a cost of \$175,229); \$80,000 to replace the boiler at the Education Central Administrative building (completed at a cost of \$39,230); \$10,000 to fund an insurance deductible for the RHS boiler replacement; \$50,000 to construct a natural gas line to the Education's Central Administration building (completed at a cost of \$2,951); \$25,000 for the Center Road School's gym wall re-pointing, recently completed; \$6,500 for Center Road School's bridge roof replacement; \$27,906 for RHS bathroom repairs; \$15,000 for the RHS Athletic Area Ventilation Repairs (completed at a cost of \$15,000); \$25,000 for Vernon Center Middle School Cafeteria Security Gates (completed at a cost of \$15,092); \$10,000 for Media Central Air Conditioning at Center Road School; (completed at a cost of \$9,820); \$50,000 to replace an oil burner with a gas burner at the Education Central Office Building (completed at a cost of \$49,830); and \$15,989 was expended to complete the \$20,000 authorized RHS Library Media Room Ductwork repair project. In addition, a \$16,000 authorization to fund RHS track and tennis court repairs was also recently approved (completed at a cost of \$15,523). Current available resources in the Education Capital Nonrecurring Fund for future education projects total \$597,759, including \$103,108 transferred in the current year from the Special Education Excess Cost Reserve Fund.

Major Initiatives (Continued)

I would like to thank Joseph Macary, Superintendent of Schools, Michael Purcaro, Director of Business and Finance for Vernon schools, and their respective staffs, along with the Board of Education, for a coordinated effort in our financial initiatives and operations.

Long-Term Financial Planning

In fiscal year 2011-2012, the Town refunded \$36,190,000 of general obligation bonded debt in April 2012 with a \$34,685,000 general obligation bond issue. The refunding resulted in a net present value savings of \$2,789,733; and net budgetary savings of \$3,716,215. Also in fiscal year 2012-2013, the Town entered into capital leases for the acquisition of several public safety and public works vehicles. The \$2,010,000 in capital leases were used to acquire two fire pumper trucks, a fire rescue truck, an automated refuse/recycling truck, an excavator, a loader mounted snow blower and a parks tractor. The debt on this lease will be retired in full in fiscal year 2021-2022.

In August 2015, the Town issued \$6,130,000 of general obligation bonds and \$6,350,000 of general obligation bond anticipation notes (BANs) to finance recently approved and on-going improvements to over 200 Town roads. The BANs were retired with the issuance of an August 2016 general obligation bond issue of the same amount. Also in August 2016, \$2,200,000 of BANs were issued to continue financing the road project improvements. These BANs were retired with the issuance of an August 2017 general obligation bond issue of \$3,130,000. BANs of \$1,525,000 were issued in August 2017, maturing in August 2018, to fund the continuation of these road improvements. Another general obligation bond issue is anticipated for August 2018.

Also in August 2017, general obligation bonds of \$1,270,000 and BANs of \$1,800,000 were issued to finance the acquisition of and improvements to property to be used for a new Senior Citizen Center as approved at voter referendum in February 2017.

In June 2016, the Bolton Lakes Regional Water Pollution Control Authority issued a Clean Water Fund loan obligation to finance sewer improvements at Bolton Lakes. Of that issuance, \$2,701,277 was considered overlapping debt of the Town of Vernon. This overlapping debt matures in June 2035.

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

Relevant Financial Policies

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

Awards

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the Town of Vernon for its comprehensive annual financial report (CAFR) for the year ended June 30, 2016. The Certificate of Achievement is a prestigious national award recognizing conformance with the highest standards for preparation of state and local government financial reports. In order to be awarded a Certificate of Achievement, a government unit must publish an easily readable and efficiently organized comprehensive annual financial report, whose contents conform to program standards. The CAFR must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. Vernon has received a Certificate of Achievement for the last **twenty-six** 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 **Controller, Frank J. Zitkus** for his significant contribution to the completion of this report; and to express my appreciation for each of the following members of the department who contributed in its preparation:

Penny	Payroll Coordinator
Matthew	Financial Analyst
Diane	Budget Analyst
Beverly	Assistant Treasurer
Angela	Administrative Assistant
Laurie	Accountant -

I would also like to thank the staff of Mahoney Sabol and Company, 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 (interim) and Treasurer



Government Finance Officers Association

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

Presented to

**Town of Vernon
Connecticut**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

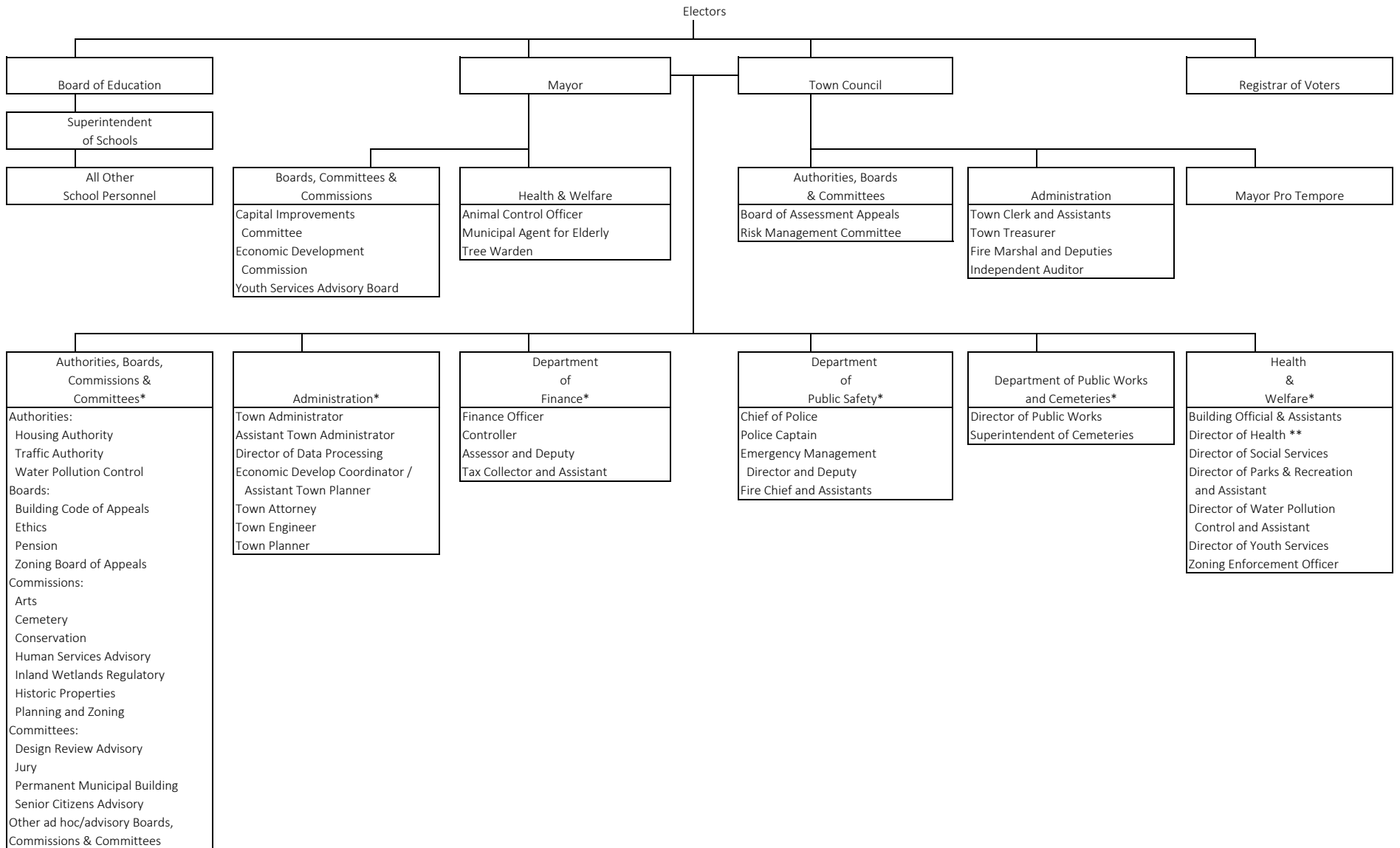
June 30, 2016

Christopher P. Morill

Executive Director/CEO

TOWN OF VERNON, CONNECTICUT

ORGANIZATION CHART



* Mayor recommended, Town Council approved.

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

TOWN OF VERNON, CONNECTICUT

LIST OF PRINCIPAL OFFICIALS

JUNE 30, 2017

MAYOR

Daniel Champagne

TOWN COUNCIL

Kimberly Appleyard
Laura B. Bush
William F. Campbell
Julie Clay
Thomas DiDio
Virginoa M. Gingras

Ann Letendre
Brian R. Motola
Steven Peterson
Pauline Schaefer
James Tedford
Steve Wakefield, Mayor Pro Tempore

TOWN OFFICIALS

Town Administrator
Finance Officer/Treasurer
Town Clerk
Chief, Police
Captain, Police
Chief, Fire/Ambulance
Director, Data Processing
Director, Emergency Management
Director, Public Works
Director, Recreation
Director, Senior Center
Director, Waste Treatment
Director, Youth Services
Ambulance Coordinator
Animal Control Officer
Assessor
Assistant Town Administrator
Building Inspector
Cemetery Superintendent/Forman
Collector of Revenue
Controller
Finance Analyst
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 Eppler
Robert Sigan
Michael J. Purcaro
Robert Kleinhans
Martin Sitler
Maureen Gabriele
Chrystine Longley
Robert Grasis
Michelle Hill
Jean Gauthier
Craig P. Segar
David A. Wheeler
Dawn Maselek
John Labossiere
Alan B. West
Terry A. Hjarne
Frank J. Zitkus
Matthew Daskal
Raymond Walker
Christopher Prue
John K. Anderson
Louis A. Spadaccini
David Smith
Marina Rodriguez
Shaun Gately

BOARD OF EDUCATION

Michelle B. Arn
Laurie Bajorek
Anne H. Fischer, Chairperson
Linda Gessary, Secretary
David Kemp, Vice-Chairman

Mark Kalina, Treasurer
John Kopec
Stephen Linton
Thomasina Russell

EDUCATION OFFICIALS

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

Joseph Macary
Robert Testa
Michael J. Purcaro

INDEPENDENT AUDITOR'S REPORT

INDEPENDENT AUDITOR'S REPORT

To the Town Council
Town of Vernon, Connecticut

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Vernon, Connecticut (the "Town") as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Vernon, Connecticut, as of June 30, 2017, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 20 and the schedules on the Town's pension and other post-employment benefit plans on pages 82 through 91 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information


Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town's basic financial statements. The introductory section on pages i through xxvi, the combining and individual fund statements and schedules on pages 92 through 118, and the statistical section and trend data section on pages 119 through 148 are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated February 23, 2018, 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* in considering the Town's internal control over financial reporting and compliance.



Glastonbury, Connecticut
February 23, 2018

MANAGEMENT'S DISCUSSION AND ANALYSIS

TOWN OF VERNON, CONNECTICUT
MANAGEMENT'S DISCUSSION AND ANALYSIS - Unaudited

The management of the Town of Vernon, Connecticut (the "Town") offers the readers of its financial statements this narrative overview and analysis of the financial activities of the Town for the fiscal year ended June 30, 2017. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal, which can be found on pages i - xxiii of this Comprehensive Annual Financial Report ("Report").

Financial Highlights

- The assets and deferred outflows of resources of the Town exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by \$109.028 million (net position). Of this amount, \$26.001 million represents a deficit in the Town's unrestricted net position. This deficit is attributed to the Town's net pension liabilities, which are being funded by the Town over time based on actuarially determined contributions.
- The Town's total net position increased as a result of this year's operations. Net position of the Town's governmental activities totaled \$90.058 million, an increase of \$3.930 million, or 4.56% over the prior year. Net position of the Town's business-type activities totaled \$18.970 million, an increase of \$622 thousand, or 3.39% over the prior year.
- As of the close of the current fiscal year, the Town's governmental funds reported a combined ending fund balance of \$27.351 million, a decrease of \$70 thousand in comparison with the prior year. Of this amount, 83.40% or \$22.810 million is available for spending at the Town's discretion (committed, assigned, and unassigned fund balance).
- The fund balance of the Town's General Fund increased by \$2.248 million from \$16.960 million to \$19.208 million. The current year increase was accomplished by effectively managing appropriations by means of spending and hiring controls, and increased collections of current and prior taxes, charges for services and other revenue sources.
- At the close of the current fiscal year, unassigned fund balance of the General Fund was \$15.411 million or 16.38% of total General Fund expenditures and other financing uses. Expressed another way, unassigned fund balance for the General Fund was sufficient to cover approximately 2.0 months of General Fund operating expenditures.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Town's basic financial statements. The Town's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide Financial Statements

The government-wide financial statements are designed to provide readers with a broad overview of the Town's finances, in a manner similar to a private-sector business.

The statement of net position presents information on all of the Town's assets, deferred outflows and inflows of resources, and liabilities, with net position as the residual of these other elements. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Town is improving or deteriorating.

TOWN OF VERNON, CONNECTICUT
MANAGEMENT'S DISCUSSION AND ANALYSIS - Unaudited (Continued)

Overview of the Financial Statements (Continued)

Government-wide Financial Statements (Continued)

The statement of activities presents information showing how the Town's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will result in cash flows in future fiscal periods.

Both of the government-wide financial statements are intended to distinguish functions of the Town that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the Town include activities such as: education, public safety, maintenance and development of streets and buildings, sanitation, human services, recreation, public improvements, community planning and development, and general administration. The business-type activities of the Town include activities of the Town's wastewater treatment facility and rentals at Center 375.

The government-wide financial statements can be found on pages 21 and 22 of this report.

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Town uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Town can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

Governmental Funds

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating the Town's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the Town's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The Town maintains several individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund, the Road Improvements Bond Fund, the School Roof Replacements and Renovations Fund and the Senior Center Acquisition and Renovations Fund, all of which are considered to be major funds. Data from the other governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of combining statements elsewhere in this report.

The Town adopts an annual budget for its General Fund. A budgetary comparison statement has been provided for the General Fund to demonstrate compliance with this budget.

The basic governmental fund financial statements can be found on pages 23 through 28 of this report.

TOWN OF VERNON, CONNECTICUT
MANAGEMENT'S DISCUSSION AND ANALYSIS - Unaudited (Continued)

Overview of the Financial Statements (Continued)

Fund Financial Statements (Continued)

Proprietary Funds

Enterprise funds are used to report the same functions presented as business type activities in the government-wide financial statements. The Town uses an enterprise fund to account for the Town's wastewater operations and property rentals at Center 375. Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail.

Internal service funds are an accounting device used to accumulate and allocate costs internally among the Town's various functions. The Town uses internal service funds to account for activities that provide supplies and services to the Town's governmental and business-type functions.

The basic proprietary fund financial statements can be found on pages 29 through 31 of this report.

Fiduciary Funds

Fiduciary funds are used to account for resources held for the benefit of parties outside the Town government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to the Town's own programs. All of the Town's fiduciary activities are reported in separate statements of fiduciary net position and changes in fiduciary net position. The accounting used for fiduciary funds is much like that used for proprietary funds.

The basic fiduciary fund financial statements can be found on pages 32 and 33 of this report.

Notes to the Financial Statements

The notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 34 through 81 of this report.

Other Information

In addition to the basic financial statements and accompanying notes, this report also contains required supplementary information, combining and individual fund statements and schedules, and a statistical section that can be found on pages 119 through 148 of this report.

TOWN OF VERNON, CONNECTICUT
MANAGEMENT'S DISCUSSION AND ANALYSIS - Unaudited (Continued)

Government-wide Financial Analysis

Net Position

Over time, net position may serve as one measure of a government's financial position. The Town's total net position (governmental and business-type activities combined) totaled \$109.028 million and \$104.476 million as of June 30, 2017 and 2016 and are summarized as follows:

**Net Position
June 30, 2017**

	Governmental Activities	Business-type Activities	Total
Current and other assets	\$ 34,471,914	\$ 13,141,743	\$ 47,613,657
Capital assets	166,891,530	9,567,003	176,458,533
Total assets	201,363,444	22,708,746	224,072,190
Deferred outflows of resources	8,809,574	367,139	9,176,713
Other liabilities	5,883,283	167,604	6,050,887
Long-term liabilities	111,570,965	3,836,047	115,407,012
Total liabilities	117,454,248	4,003,651	121,457,899
Deferred inflows of resources	2,660,580	102,109	2,762,689
Net position:			
Net investment in capital assets	121,663,258	9,567,003	131,230,261
Restricted	3,799,389	-	3,799,389
Unrestricted	(35,404,457)	9,403,122	(26,001,335)
Total net position	<u>\$ 90,058,190</u>	<u>\$ 18,970,125</u>	<u>\$ 109,028,315</u>

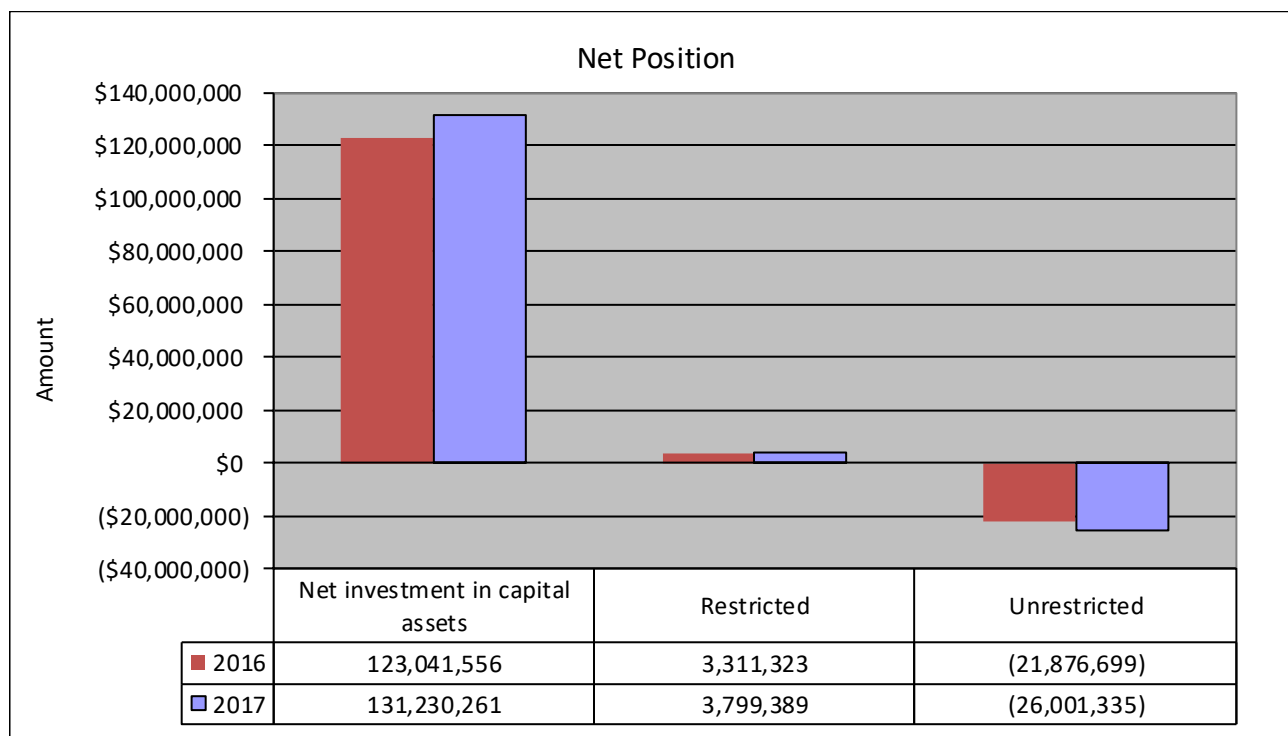
**Net Position
June 30, 2016**

	Governmental Activities	Business-type Activities	Total
Current and other assets	\$ 37,425,248	\$ 11,970,633	\$ 49,395,881
Capital assets	160,441,589	9,804,653	170,246,242
Total assets	197,866,837	21,775,286	219,642,123
Deferred outflows of resources	9,320,815	473,592	9,794,407
Other liabilities	13,502,086	158,986	13,661,072
Long-term liabilities	104,711,953	3,606,182	108,318,135
Total liabilities	118,214,039	3,765,168	121,979,207
Deferred inflows of resources	2,845,801	135,342	2,981,143
Net position:			
Net investment in capital assets	113,236,903	9,804,653	123,041,556
Restricted	3,311,323	-	3,311,323
Unrestricted	(30,420,414)	8,543,715	(21,876,699)
Total net position	<u>\$ 86,127,812</u>	<u>\$ 18,348,368</u>	<u>\$ 104,476,180</u>

TOWN OF VERNON, CONNECTICUT
MANAGEMENT'S DISCUSSION AND ANALYSIS - Unaudited (Continued)

Government-wide Financial Analysis (Continued)

Net Position (Continued)



As of June 30, 2017 and 2016, 120.4% and 117.8%, respectively, of the Town's net position 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 citizens; consequently, these assets are not available for future spending. Although the Town's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources since the capital assets themselves cannot be used to liquidate these liabilities.

As of June 30, 2017 and 2016, 3.5% and 3.2%, respectively, of the Town's net position is subject to restrictions on how it may be used and are, therefore, presented as restricted net position.

The remainder of the Town's net position is considered unrestricted and may be used to meet the Town's ongoing obligations to citizens and creditors.

Overall, net position increased during the current year by \$4.552 million in comparison with the prior year.

TOWN OF VERNON, CONNECTICUT
MANAGEMENT'S DISCUSSION AND ANALYSIS - Unaudited (Continued)

Government-wide Financial Analysis (Continued)

Changes in Net Position

Changes in net position for the years ended June 30, 2017 and 2016 are as follows.

**Changes in Net Position
For The Year Ended June 30, 2017**

	Governmental Activities	Business-type Activities	Total
Revenues			
Program revenues:			
Charges for services	\$ 6,092,987	\$ 6,155,243	\$ 12,248,230
Operating grants and contributions	35,384,900	17,209	35,402,109
Capital grants and contributions	3,750,012	292,493	4,042,505
General revenues:			
Property taxes, levied for general purposes	68,129,637	-	68,129,637
Grants and contributions not restricted to specific programs	1,532,993	-	1,532,993
Investment earnings	256,856	20,294	277,150
Total revenues	<u>115,147,385</u>	<u>6,485,239</u>	<u>121,632,624</u>
Expenses			
General government	6,076,452	-	6,076,452
Community development	497,261	-	497,261
Public safety	14,975,891	-	14,975,891
Maintenance and development	15,085,714	-	15,085,714
Human services	1,469,554	-	1,469,554
Parks, recreation and culture	3,182,850	-	3,182,850
Education	68,502,574	-	68,502,574
Interest expense	1,426,711	-	1,426,711
Sewer	-	5,657,815	5,657,815
Center 375 (rental)	-	205,667	205,667
Total expenses	<u>111,217,007</u>	<u>5,863,482</u>	<u>117,080,489</u>
Change in net position	3,930,378	621,757	4,552,135
Net position, beginning	86,127,812	18,348,368	104,476,180
Net position, ending	<u>\$ 90,058,190</u>	<u>\$ 18,970,125</u>	<u>\$ 109,028,315</u>

TOWN OF VERNON, CONNECTICUT
MANAGEMENT'S DISCUSSION AND ANALYSIS - Unaudited (Continued)

Government-wide Financial Analysis (Continued)

Change in Net Position (Continued)

**Changes in Net Position
For The Year Ended June 30, 2016**

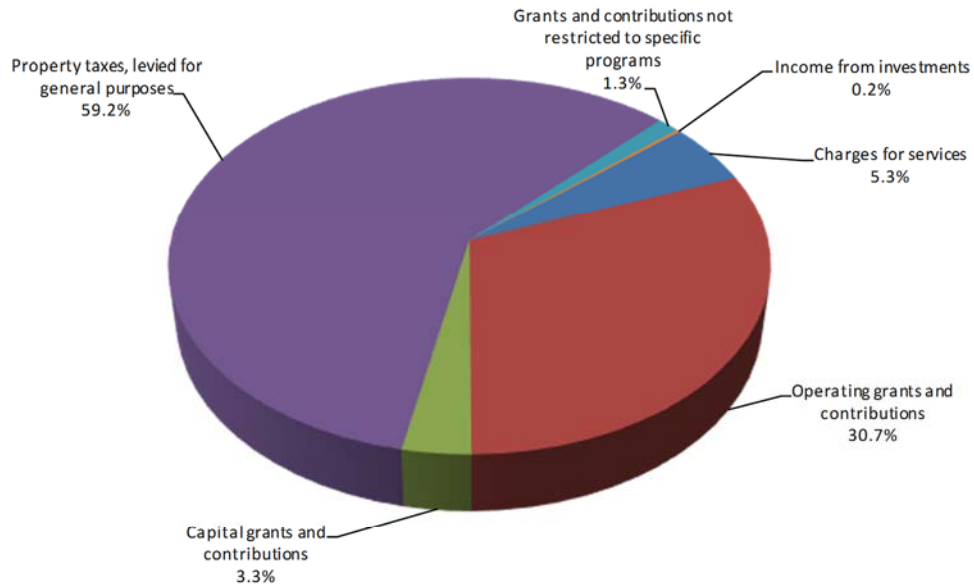
	Governmental Activities	Business-type Activities	Total
Revenues			
Program revenues:			
Charges for services	\$ 6,611,868	\$ 5,985,198	\$ 12,597,066
Operating grants and contributions	2,103,224	13,799	2,117,023
Capital grants and contributions	33,703,632	360	33,703,992
General revenues:			
Property taxes, levied for general purposes	66,111,585	-	66,111,585
Grants and contributions not restricted to specific programs	898,432	-	898,432
Investment earnings	(3,363)	9,800	6,437
Total revenues	<u>109,425,378</u>	<u>6,009,157</u>	<u>115,434,535</u>
Expenses			
General government	6,397,451	-	6,397,451
Community development	603,740	-	603,740
Public safety	14,550,637	-	14,550,637
Maintenance and development	11,025,727	-	11,025,727
Human services	1,296,978	-	1,296,978
Parks, recreation and culture	2,614,666	-	2,614,666
Education	67,270,471	-	67,270,471
Interest expense	1,792,161	-	1,792,161
Sewer	-	5,240,935	5,240,935
Center 375 (rental)	-	204,593	204,593
Total expenses	<u>105,551,831</u>	<u>5,445,528</u>	<u>110,997,359</u>
Change in net position	3,873,547	563,629	4,437,176
Net position, beginning	82,254,265	17,784,739	100,039,004
Net position, ending	<u>\$ 86,127,812</u>	<u>\$ 18,348,368</u>	<u>\$ 104,476,180</u>

TOWN OF VERNON, CONNECTICUT
MANAGEMENT'S DISCUSSION AND ANALYSIS - Unaudited *(Continued)*

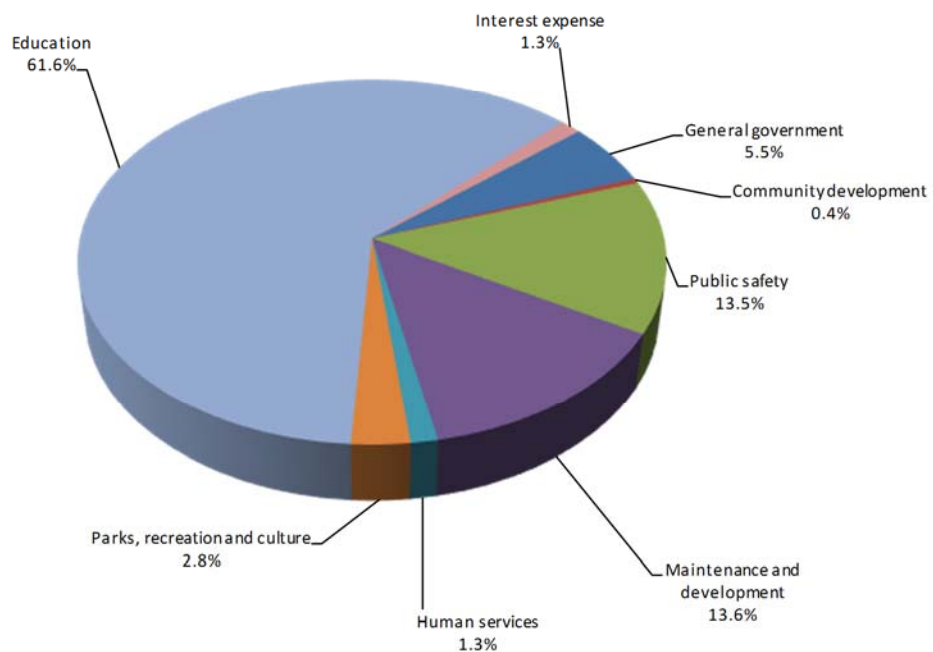
Government-wide Financial Analysis (Continued)

Change in Net Position (Continued)

2017 Revenues by Source - Governmental Activities



2017 Expenses by Function - Governmental Activities



TOWN OF VERNON, CONNECTICUT
MANAGEMENT'S DISCUSSION AND ANALYSIS - Unaudited (Continued)

Government-wide Financial Analysis (Continued)

Change in Net Position (Continued)

Governmental Activities

Net position from governmental activities increased \$3.930 million. Since the Town began preparing a statement of net position as of June 30, 2003, this is the twelfth increase in the fifteen year period.

Overall revenues increased by \$5.722 million from the prior year. Key factors in this increase were as follows:

- Property tax revenues, which comprise 59.2% of the Town's governmental activities revenues, increased by \$2.018 million as a result of the increase in the adopted budget and related levy to fund increased appropriations.
- Charges for services decreased by \$519 thousand, due primarily to decreases of \$759 thousand in building permits and \$171 thousand in police special services; offset by increases of \$139 thousand in town clerk recording fees and \$114 thousand in sewer connection charges.
- Operating grants and contributions increased by \$1.681 million, including increases of \$1.836 million in brownfield remediation grants; offset by a reduction of \$126 thousand in community development grants.
- Capital grants and contributions increased by \$1.647 million due primarily to a \$755 thousand increase in school building improvement and equipment grants; a \$656 thousand increase in street improvement grants; a \$442 thousand increase in grants for wastewater treatment plant pre-development costs; a \$317 thousand increase in grant funding for town building renovations; offset by a \$535 thousand decrease in school roof construction grants.
- Non-restrictive grants and contributions increased by \$635 thousand from the prior year due to receipt of a \$641 thousand state grant received to offset a state imposed cap on the taxation of motor vehicles.
- Investment income increased by \$260 thousand from the prior year due to higher interest rates and appreciation in the value of investments.

Overall expenses increased by \$5.665 million, or 5.37% from the prior year. Key factors in this increase were as follows:

- The cost of educational services increased by \$1.232 million due primarily to increased general fund operating costs of \$1.249 million, including significant increases in special education, curriculum development and school building and grounds maintenance costs and an increase in on-behalf retirement costs of \$135 thousand. These increases were offset by a significant reduction in regular education and benefit costs. These increases were offset by decreases of \$554 thousand in special education grant costs and \$105 thousand in education related grant costs. Increases in allocable net pension liability and internal service fund claim costs comprise the remainder of the educational service cost increase.
- General government costs decreased by \$321 thousand, which included a general fund operating cost decrease of \$49 thousand, including a decrease in information technology costs of \$45 thousand, and decreased allocable pension and other post-employee benefits costs from the prior year. These decreases were offset by increases in medical insurance costs of \$62 thousand and allocable internal service fund claim costs of \$275 thousand.

TOWN OF VERNON, CONNECTICUT
MANAGEMENT'S DISCUSSION AND ANALYSIS - Unaudited (Continued)

Government-wide Financial Analysis (Continued)

Change in Net Position (Continued)

Governmental Activities (Continued)

- Community development costs decreased by \$107 thousand due primarily to decreased building rehabilitation grant funded costs.
- Public safety costs increased by \$425 thousand due to increases in general fund operating police service costs of \$40 thousand and firefighting operating service costs of \$116 thousand, offset by decreased building inspection service costs of \$26 thousand. Other increases are attributable to increased medical insurance costs of \$36 thousand and allocation of internal service fund claim costs of \$561 thousand. Offsetting these increases are decreases in ambulance service costs, \$30 thousand, with the remainder of the decrease primarily attributable to reduced allocable pension costs and other post-employee benefit costs.
- Maintenance and development costs increased \$4.060 million due to increased general fund operating costs for snow removal, \$162 thousand, and refuse and recycling services, \$21 thousand, offset by reductions of \$34 thousand in maintenance of buildings, grounds and equipment costs and \$33 thousand for engineering services. Brownfield remediation costs, roadway maintenance costs and sewer connection costs increased by \$1.836 million, \$62 thousand and \$222 thousand, respectively. An increase of \$413 thousand in internal service fund claim costs comprises the remainder increase in maintenance and development service costs. Offsetting these increases is a decrease attributable to reduced allocable pension costs from that of the prior year.
- Interest on long-term debt decreased by \$365 thousand from the prior year based upon scheduled debt service payments.

Business-type Activities

Revenues of the Town's business-type activities increased by 7.92%, or \$476 thousand (\$6.485 million in 2017 compared to \$6.009 million in 2016) and expenses increased by \$417 thousand from \$5.446 million in 2016 to \$5.863 million in 2017. The factors influencing revenue results were: increased service charges of \$170 thousand, including an increase in sewer use fees collections of \$116 thousand and septic fees of \$78 thousand; an increase in operating grants and contributions of \$3 thousand; and increased capital contributions of \$293 thousand.

The increase in expenses of \$417 thousand is comprised of an increase in wages and benefits of \$360 thousand, due primarily to increased pension costs, utility costs of \$30 thousand, supply and material costs of \$60 thousand, and depreciation expense of \$13 thousand, offset by a reduction to repairs and maintenance of \$7 thousand and general and administrative costs of \$38 thousand.

Financial Analysis of the Town's Funds

As noted earlier, the Town uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

TOWN OF VERNON, CONNECTICUT
MANAGEMENT'S DISCUSSION AND ANALYSIS - Unaudited (Continued)

Financial Analysis of the Town's Funds (Continued)

Governmental Funds

The focus of the Town's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the Town's financing requirements. In particular, unassigned fund balance may serve as a useful measure of the Town's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the Town's governmental funds reported a combined ending fund balance of \$27.351 million. Of total fund balance, \$14.014 million is either nonspendable, committed, restricted or assigned because it has been committed for construction contracts or has been set aside for capital purposes, trust fund purposes, special assessment debt service, prepaid items and inventory.

Included in the current year total change in fund balance is an increase of \$2.248 million in the Town's General Fund. The unassigned fund balance, which assigned \$472 thousand for encumbrances more than the prior year, reflects an overall increase of \$1.180 million. The unassigned fund balance of the General Fund at June 30, 2017 is \$15.411 million, which represents 17.22% 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 and for debt avoidance when applying internal financing for capital equipment. Also, income earned by keeping the funds invested assists in limiting the need for future tax increases. The primary reasons for the General Fund's increase include some of the areas discussed in the governmental funds' highlights on the following page.

The Town's other major governmental funds are the Road Improvements Bond Fund, the School Roof Replacements and Renovations Fund and the Senior Center Acquisition and Renovations Fund. The Road Improvements Bond Fund incurred \$4.199 million on roadway improvements costs during the current year resulting in a \$114 thousand fund balance at year-end. The Town issued \$3.130 million in general obligation bonds in August 2017 to fund on-going road improvement costs and to retire the \$2.200 million bond anticipation notes outstanding as of year-end. The School Roof Replacements and Renovation Fund incurred project costs of \$1.238 million offset by state grant proceeds of \$830 thousand. Available fund balance at June 30, 2017 is \$146 thousand. The Senior Center Acquisition and Renovations Fund incurred costs of \$1.211 million in the current year resulting in a temporary fund balance deficit of the same amount. The Town issued \$1.270 in general obligation bonds in August 2017 to fund these incurred costs.

Changes in fund balances of Nonmajor Governmental Funds include the following:

Nonmajor Special Revenue Funds - there was an increase of \$552 thousand, with gains of \$170 thousand in the Town Aid Road Fund, \$124 thousand in the Miscellaneous Grants Fund, \$80 thousand in the Public Safety Complex Fund, \$56 thousand in the Insurance Exchange Fund, \$54 thousand in the Ambulance Medical Services Fund, \$51 thousand in the Miscellaneous Special Revenue Fund, \$50 thousand in the Special Education Grants Fund and \$24 thousand in the Adult Education Tuition Fund. Fund balance decreases include \$23 thousand in the Special Education Excess Cost Reserve Fund, \$20 thousand in the Vernon Cemetery Commission Fund and \$19 thousand in the Sewer Connections Fund. The prior year-end fund balance of Debt Service Fund, \$180 thousand, was fully utilized during the current year.

Nonmajor Capital Projects Funds - there was an increase of \$304 thousand including fund balance increases of \$470 thousand increase in the Town Capital and Nonrecurring Fund, \$250 thousand in the Education Capital Nonrecurring Fund and \$61 thousand in the South Street Reconstruction Fund. Decreases include \$496 thousand in the Town and School Improvement Projects Fund and \$16 thousand in the Main Street Bridge Reconstruction Fund. The Permanent Trust Fund increased by \$180 thousand due to an increase in the fair value of investments.

TOWN OF VERNON, CONNECTICUT
MANAGEMENT'S DISCUSSION AND ANALYSIS - Unaudited *(Continued)*

Financial Analysis of the Town's Funds (Continued)

Proprietary Funds

The Town accounts for five proprietary funds, two as business-type activities and three as internal service funds. The Sewer User Fund and the Center 375 Fund are established as self-supporting business-type activities that reported a change in net position of \$595 thousand for the year.

The Sewer User Fund is established for the operation and maintenance of the wastewater treatment plant. Quarterly bills for sewer usage and interest earned on investments generate its resources. The net increase to the Sewer User Fund net position was \$629 thousand compared to an increase of \$568 thousand in the prior year. The fiscal year 2016-2017 increase is attributable to operating revenues exceeding operating expenses by \$305 thousand. The October 1, 2016 sewer rate was increased to \$5.99/1,000 gallons from the October 1, 2015 rate of \$5.86. This represents a percentage increase of 2.22%. The level of treated flow from the prior year was approximately the same resulting in an increase in user fee collections of \$116 thousand. There was a \$78 thousand increase in septic fees and a \$9 thousand increase in delinquent interest revenue. Other revenue, non-operating revenue and capital contributions were \$302 thousand higher than prior year. Operating expenses increased \$443 thousand from the prior year primarily due to a \$188 thousand increase in the Fund's net pension liability, \$195 thousand in wages and other benefits and \$60 thousand in other operating costs. The plant is in the twentieth year of operation since major renovations, and the facility itself is reported in the Governmental Activities.

Center 375 is a former elementary school renovated for the rental of office space to private firms and to Town departments. The renovation was conducted in a manner that would enable the Town to restore the building back to a school if enrollments so demanded. The result of the year's activity decreased net position by \$34 thousand.

The Internal Service Funds are supported by department budgets. The Data Processing Fund serves both the Town and school administrations, which equally support its operating expenses. Net position increased by \$50 thousand as contributions from the General Fund increased by \$47 thousand. An increase in the Fund's net pension liability of \$44 thousand accounted for the majority of the \$78 thousand increase in operating costs. 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.

The Workers' Compensation Fund provides for self-insurance of workers' compensation and is supported by contributions from the General Fund and Sewer User Fund, as well as investment income. At fiscal year-end, expenses exceeded revenues by \$1.091 million, increasing the prior year net position deficit from \$659 thousand to \$1.750 million. Contributions to the Fund decreased by \$168 thousand from the prior year and claims incurred increased from \$452 thousand in the prior year to \$1.931 million in the current year. 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. Net position was \$813 thousand, an increase of \$42 thousand from the prior year, primarily due to changes in prescription plan provisions and favorable dental claims. Effective July 1, 2017, dental coverage for education employees and retirees became self-insured.

TOWN OF VERNON, CONNECTICUT
MANAGEMENT'S DISCUSSION AND ANALYSIS - Unaudited (Continued)

General Fund Budgetary Highlights

Differences between the original budget and the final amended budget amounted to an increase of \$3.054 million. Included in this amount is \$2.206 million of encumbrances carried forward from the previous fiscal year (net of \$201 thousand of liquidated encumbrances), of which \$1.967 million were expended and \$239 thousand re-appropriated and \$848 thousand of current year budget amendments that can be classified as either pass-through additional appropriations or other additional appropriations.

Pass-through additional appropriations are those supported by revenue and other sources and amounted to \$342 thousand during the year, including \$16 thousand for capital improvements; \$204 thousand for collections remitted to the State of Connecticut by the Town Clerk for the community investment and historic preservation acts; \$24 thousand for youth service part-time wages; \$83 thousand in police special services pay; and \$15 thousand for other items. Although these additional appropriations had revenue and other funding sources, they were legally appropriated from fund balance.

Other additional appropriations taken from fund balance amounted to \$506, including \$183 thousand for snow removal; \$173 thousand for payments of compensated absences; \$30 thousand for attorney costs; \$29 thousand for Town Hall boilers; and \$91 thousand for other costs. These additional appropriations include funds for property tax refunds, personal property audit services, insurance claims deductibles, invasive species management and funding for blighted property demolition.

Actual final expenditures totaled \$88.453 million and can be summarized as follows. The budgetary unexpended, unencumbered resulted in a favorable amount of \$961 thousand. Contained within this amount are favorable variances of \$59 thousand in general government spending; \$1 thousand in community development; \$161 thousand for police and firefighting services and other public safety expenditures; \$9 thousand in refuse and recycling collection; \$136 thousand in public works maintenance; and \$48 thousand in engineering services; \$60 thousand in human services expenditures; \$51 thousand for parks recreation administration and maintenance; \$33 thousand for FICA, \$24 thousand in group and municipal insurance; and \$63 thousand in contingency. As the fiscal year progresses, financial measures are taken to manage areas where additional costs are required, as well as projecting revenue shortfalls. One example is a hiring deferral to cover additional costs associated with the payment of compensated absences. Another is seeking out alternative revenue sources such as excess special education grants and Medicaid reimbursements to help offset the decrease in special education tuitions.

On the revenue side, final actual revenues exceeded the original budget by \$1.952 million due to favorable variances in the following categories: \$1.175 million in total tax collections including \$610 thousand in current taxes and \$228 thousand of prior years' taxes as a tax sale helped boost prior years' tax collections; intergovernmental revenues were \$255 thousand above estimates including \$239 thousand from excess special education and state agency placement grants. Charges for services were above estimates by \$429 thousand due in most part to the farmland preservation surcharge of \$122 thousand; police special services, \$169 thousand; and MERS receipts, \$60 thousand, which in turn are appropriated to cover respective costs. Education tuition receipts were below projections by \$84 thousand. Licenses and permits were above projections by \$156 thousand due primarily to a favorable building permits variance of \$149 thousand. Fines and penalties were \$21 thousand below projections including a zoning citations unfavorable variance of \$18 thousand. An increase in interest rates produced a surplus of \$8 thousand in investment income. Other financing sources were below original estimates by \$71 thousand and other revenue, which includes items such as education, insurance and gasoline reimbursements, were below estimates by \$50 thousand.

TOWN OF VERNON, CONNECTICUT
MANAGEMENT'S DISCUSSION AND ANALYSIS - Unaudited (Continued)

Capital Asset and Debt Administration

Capital Assets

The Town's investment in capital assets for its governmental and business type activities as of June 30, 2017 totaled \$176.459 million (net of accumulated depreciation and amortization). This investment in capital assets includes land, buildings, park facilities, vehicles and equipment, roads, bridges, storm water drainage and sewer lines. This amount represents a net increase (including additions and deductions) of \$6.212 million, or 3.65%, more than last year.

The following are tables of the investment in capital assets presented for both governmental and business-type activities:

**Capital Assets, Net
June 30, 2017**

	Governmental Activities	Business-type Activities	Total
Land	\$ 9,866,728	\$ 1,267,840	\$ 11,134,568
Construction in progress	18,807,529	-	18,807,529
Intangibles	-	18,400	18,400
Buildings and system	79,270,197	1,242,986	80,513,183
Land improvements	2,665,207	22,716	2,687,923
Machinery and equipment	9,484,017	1,529,329	11,013,346
Infrastructure	46,797,852	5,485,732	52,283,584
Totals	<u>\$ 166,891,530</u>	<u>\$ 9,567,003</u>	<u>\$ 176,458,533</u>

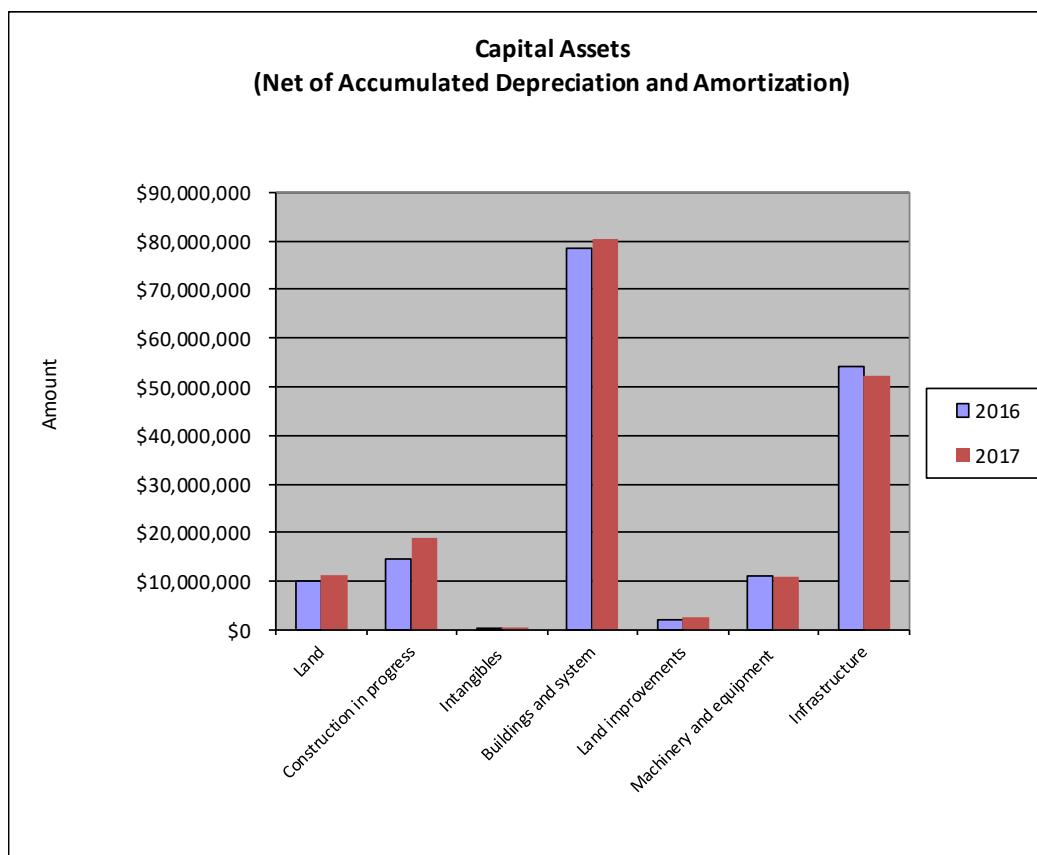
**Capital Assets, Net
June 30, 2016**

	Governmental Activities	Business-type Activities	Total
Land	\$ 8,666,728	\$ 1,267,840	\$ 9,934,568
Construction in progress	14,550,371	-	14,550,371
Intangibles	-	29,260	29,260
Buildings and system	77,235,371	1,340,901	78,576,272
Land improvements	1,938,794	26,257	1,965,051
Machinery and equipment	9,547,745	1,491,997	11,039,742
Infrastructure	48,502,580	5,648,398	54,150,978
Totals	<u>\$ 160,441,589</u>	<u>\$ 9,804,653</u>	<u>\$ 170,246,242</u>

TOWN OF VERNON, CONNECTICUT
MANAGEMENT'S DISCUSSION AND ANALYSIS - Unaudited *(Continued)*

Capital Asset and Debt Administration (Continued)

Capital Assets (Continued)



Major capital asset additions during the current fiscal year included the following:

- \$1.2 million in land acquisition costs acquired for the purpose of constructing a new Senior Citizen Center;
- approximately \$531 thousand in streetlight acquisitions;
- approximately \$5.097 million in road reconstruction and improvements;
- approximately \$496 thousand in upgrades to the Town's communications system;
- approximately \$981 thousand in minor capital improvements to the Town's educational facilities;
- approximately \$1.276 million in roof improvements at the Town's educational facilities; and
- approximately \$804 thousand in engineering costs associated with future development of the Town's wastewater treatment plant.

Additional information on the Town's capital assets can be found in the notes to the financial statements.

TOWN OF VERNON, CONNECTICUT
MANAGEMENT'S DISCUSSION AND ANALYSIS - Unaudited (Continued)

Capital Asset and Debt Administration (Continued)

Debt Administration

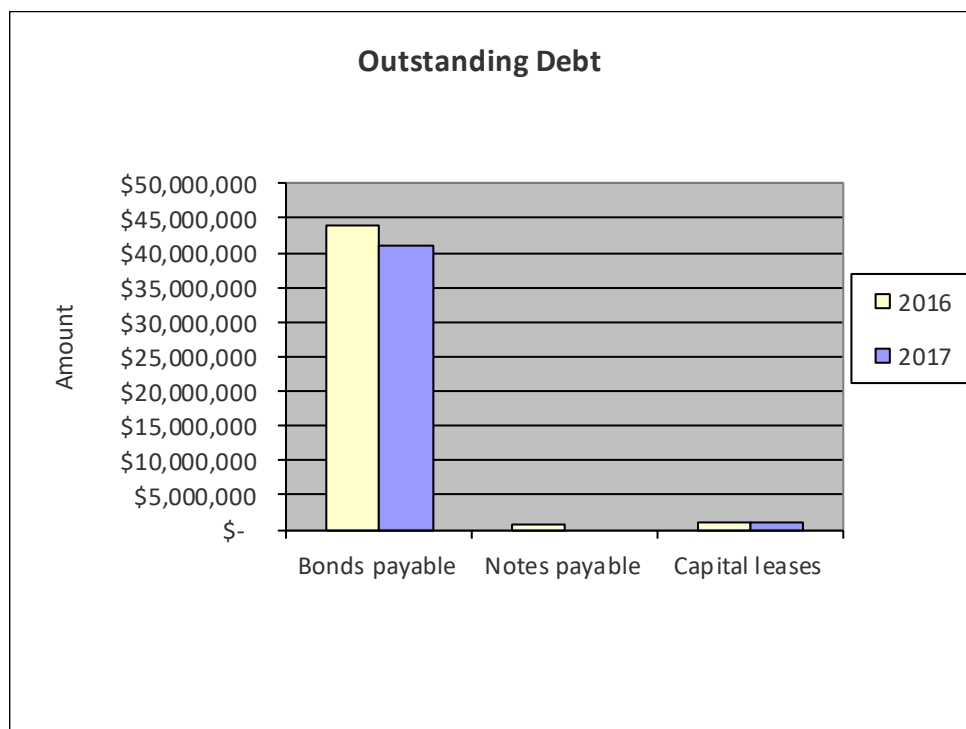
At the end of the current fiscal year, the Town had \$41.879 million in bonds, notes and lease purchase obligations outstanding compared to \$46.076 million at the end of the prior fiscal year, a decrease of \$4.197 million. The following is a two year comparison of long-term debt:

**Long-term Debt
June 30, 2017**

	Governmental Activities	Business-type Activities	Total
Bonds payable	\$ 40,960,000	\$ -	\$ 40,960,000
Notes payable	-	-	-
Capital leases	918,516	-	918,516
Totals	<u>\$ 41,878,516</u>	<u>\$ -</u>	<u>\$ 41,878,516</u>

**Long-term Debt
June 30, 2016**

	Governmental Activities	Business-type Activities	Total
Bonds payable	\$ 44,110,000	\$ -	\$ 44,110,000
Notes payable	826,194	-	826,194
Capital leases	1,139,748	-	1,139,748
Totals	<u>\$ 46,075,942</u>	<u>\$ -</u>	<u>\$ 46,075,942</u>



TOWN OF VERNON, CONNECTICUT
MANAGEMENT'S DISCUSSION AND ANALYSIS - Unaudited (Continued)

Capital Asset and Debt Administration (Continued)

Debt Administration (Continued)

During the fiscal year long-term debt principal payments of \$4.197 million were made. In August 2017, the Town issued general obligation bonds and bond anticipation notes of \$3.130 million and \$1.525 million, respectively, to fund road reconstruction and improvement projects that commenced in fiscal year 2013-2014. Also in August 2017, the Town issued general obligation bonds and bond anticipation notes of \$1.270 million and \$1.800 million, respectively, to fund the acquisition of and improvements to property to be used for a new Senior Citizen Center.

The Town's Aa2 general obligation bond rating was reviewed and reaffirmed by Moody's Investors on July 24, 2017. The Town's prior ratings, from July 19, 2016, July 15, 2015 and March 26, 2012, were also Aa2. Moody's most recent rating, when considering recalibrations, is in essence, an equivalent rating that has been assigned to the Town's debt since 1994.

The State limits the amount of general obligation debt that cities can issue, utilizing a formula determined under State Statutes based on type of debt and tax base. The Town's outstanding general obligation debt is significantly below this \$477.2 million state-imposed limit.

Additional information on the Town's long-term debt can be found in the notes to the financial statements.

Economic Factors and Next Year's Budget and Rates

The Town's elected and appointed officials considered many factors when setting the fiscal year 2017-2018 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 4.9%, 1.0% less than the prior year-end. This compares with the State's unemployment rate of 5.1% and the national rate of 4.5%.

Although inflation in the Northeast Urban area has consistently been more than the national Consumer Price Index (CPI) for all urban consumers - U.S. towns' rate, the Town's CPI increase was 1.51% for fiscal year 2017 compared with the average U.S. town rate of 1.63%.

These indicators were taken into account when adopting the General Fund budget for fiscal year 2017-2018. Total appropriations in the General Fund budget are \$89.495 million, an increase of \$584 thousand over the original 2017 budget. Property taxes total \$69.196 million, a revenue increase of \$2.408 million from 2017 levels. In the next fiscal year, the estimated aid from the State of Connecticut is expected to decrease by \$1.404 million to \$18.029 million, which represents 20.15% of total revenue in the General Fund.

The Town will use the increases in revenues to finance programs currently offered and to offset expected inflationary increases on program costs. Increased funding for education, \$553 thousand; public safety, \$120 thousand; community development, \$6 thousand; maintenance and development, \$66 thousand; parks and recreation, \$32 thousand; group insurance, \$381 thousand; and pension contributions, \$95 thousand, constitute the major increases in the fiscal year 2017-2018 budget. Decreases in the fiscal year 2017-2018 budget include \$5 thousand in debt service and \$728 thousand in capital improvements.

TOWN OF VERNON, CONNECTICUT
MANAGEMENT'S DISCUSSION AND ANALYSIS - Unaudited (Continued)

Economic Factors and Next Year's Budget and Rates (Continued)

There was little in the way of new programs or services in the General Fund, but rather a continued pursuit to deliver current town and school services in a cost effective manner. Examples include a collaborative risk management program with the town and school system that is helping to stabilize and reduce general liability insurances; along with combining competitive bidding for health insurance, reducing premiums for fiscal year 2016-2017; and redesigning health plans for current and future budgetary relief. This includes carving out areas for self-insurance. Also, the continued transition from a defined benefit to a defined contribution retirement plan for new employees has been broadened to several bargaining groups, including the school system, focusing on budget relief in the long-term. The Town has recently purchased all of the streetlights, and the projection of net budgetary savings over a twenty-year period is \$3.4 million. Another capital investment that is near completion is the creation of the Town's own telephone system, which will generate savings for both the general government and school system. This venture is made possible by the commitment to advancing our technology, most notably the completion of a town-wide connectivity infrastructure, for all town entities, including proprietary departments and the Rockville Public Library. That project is expected to improve departmental operations and provide internal and public access to information. In a continued effort to lower energy costs, the Town has entered into an agreement to buy solar credits, which in turn will reduce electricity costs by fifteen percent. That program commenced in March of 2017. The \$27 million road improvement initiative, approved by voters in January of 2014 began at the end of fiscal year 2014, and the fourth and fifth year of construction costs, and the associated debt service for bonding those outlays, will be in the fiscal year 2019 budget.

From a financial perspective and as detailed in this annual financial report, the Town successfully addressed the many financial obstacles of 2016-2017 through prudent, conservative fiscal management without a serious interruption of services. The 2017-2018 Town budget experienced an overall 0.66% increase in appropriations with a blended increase of 0.62 mills in the tax rate from 37.93 to 38.55.

With an understanding of surrounding economic conditions, and considering the factor of a slight increase in the grand list, the most immediate obstacle faced by the Town is the budgetary instability occurring at the State level. The Town anticipates \$18.0 million of grants from the State in fiscal year 2017-2018 or approximately 20% of the General Fund budget. This is coupled with a cap on the motor vehicle tax, and the ability of the State to impose spending caps on municipalities. 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 a favorable unrestricted net position. As in all areas, most especially the waste treatment facility, the volatile rates of energy resources is carefully examined, and the purchasing of solar credits is one practice the Town will employ to offset the impact of energy costs.

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

STATEMENTS OF NET POSITION

JUNE 30, 2017

	Primary Government		
	Governmental	Business-type	
	Activities	Activities	Total
ASSETS			
Cash and cash equivalents	\$ 26,754,653	\$ 10,491,423	\$ 37,246,076
Investments	1,731,413	-	1,731,413
Receivables:			
Property taxes and interest, net	1,670,729	-	1,670,729
User charges and interest, net	-	2,379,123	2,379,123
Grants and contracts	2,373,769	-	2,373,769
Other	743,637	6,772	750,409
Internal balances	(234,425)	234,425	-
Other	695,538	30,000	725,538
Noncurrent assets:			
Receivables:			
Net pension asset	127,841	-	127,841
Loans	608,759	-	608,759
Capital assets:			
Non-depreciable	28,674,257	1,267,840	29,942,097
Depreciable, net	138,217,273	8,299,163	146,516,436
Total assets	<u>201,363,444</u>	<u>22,708,746</u>	<u>224,072,190</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred charges on pension	<u>8,809,574</u>	<u>367,139</u>	<u>9,176,713</u>
LIABILITIES			
Accounts payable	2,427,426	167,604	2,595,030
Accrued interest payable	598,377	-	598,377
Accrued liabilities	345,945	-	345,945
Bond anticipation notes payable	2,200,000	-	2,200,000
Unearned revenue	311,535	-	311,535
Noncurrent liabilities:			
Due in one year	6,133,370	111,002	6,244,372
Due in more than one year	105,437,595	3,725,045	109,162,640
Total liabilities	<u>117,454,248</u>	<u>4,003,651</u>	<u>121,457,899</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred charges on pension	1,625,900	102,109	1,728,009
Deferred charge on refunding	1,034,680	-	1,034,680
Total deferred inflows of resources	<u>2,660,580</u>	<u>102,109</u>	<u>2,762,689</u>
NET POSITION			
Net investment in capital assets	121,663,258	9,567,003	131,230,261
Restricted for:			
Endowments:			
Nonexpendable	1,743,985	-	1,743,985
Expendable	712,370	-	712,370
Grants and other programs	1,343,034	-	1,343,034
Unrestricted	(35,404,457)	9,403,122	(26,001,335)
Total net position	<u>\$ 90,058,190</u>	<u>\$ 18,970,125</u>	<u>\$ 109,028,315</u>

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

TOWN OF VERNON, CONNECTICUT
STATEMENTS OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2017

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Primary Government:							
Governmental activities:							
General government	\$ 6,076,452	\$ 1,250,953	\$ 1,039	\$ -	\$ (4,824,460)	\$ -	\$ (4,824,460)
Community development	497,261	94,311	155,205	-	(247,745)	-	(247,745)
Public safety	14,975,891	2,053,102	93,484	-	(12,829,305)	-	(12,829,305)
Maintenance and development	15,085,714	528,937	3,540,524	1,924,241	(9,092,012)	-	(9,092,012)
Human services	1,469,554	79,352	14,400	-	(1,375,802)	-	(1,375,802)
Parks, recreation and culture	3,182,850	919,706	88,097	-	(2,175,047)	-	(2,175,047)
Education	68,502,574	1,166,626	31,492,151	1,825,771	(34,018,026)	-	(34,018,026)
Interest expense	1,426,711	-	-	-	(1,426,711)	-	(1,426,711)
Total governmental activities	111,217,007	6,092,987	35,384,900	3,750,012	(65,989,108)	-	(65,989,108)
Business-type activities:							
Sewer	5,657,815	5,989,522	17,209	292,493	-	641,409	641,409
Center 375 (building rental)	205,667	165,721	-	-	-	(39,946)	(39,946)
Total business-type activities	5,863,482	6,155,243	17,209	292,493	-	601,463	601,463
Total primary government	\$ 117,080,489	\$ 12,248,230	\$ 35,402,109	\$ 4,042,505	(65,989,108)	601,463	(65,387,645)
General revenues:							
Property taxes, levied for general purposes					68,129,637	-	68,129,637
Grants and contributions not restricted to specific programs					1,532,993	-	1,532,993
Investment earnings					256,856	20,294	277,150
Total general revenues					69,919,486	20,294	69,939,780
		Change in net position			3,930,378	621,757	4,552,135
		Net position - beginning			86,127,812	18,348,368	104,476,180
		Net position - ending			\$ 90,058,190	\$ 18,970,125	\$ 109,028,315

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

TOWN OF VERNON, CONNECTICUT
BALANCE SHEETS
GOVERNMENTAL FUNDS
JUNE 30, 2017

	General Fund	Road Improvements Bond Fund	School Roof Replacements and Renovations Fund	Senior Center Acquisition and Renovations Fund	Other Governmental Funds	Total Governmental Funds
ASSETS						
Cash and cash equivalents	\$ 15,394,454	\$ 791,724	\$ -	\$ -	\$ 7,851,522	\$ 24,037,700
Investments	-	-	-	-	1,731,413	1,731,413
Receivables:						
Property taxes, net	1,285,423	-	-	-	-	1,285,423
Grants and contracts	20,537	-	395,420	-	1,957,812	2,373,769
Loans	-	-	-	-	608,759	608,759
Assessments	-	-	-	-	508	508
Other	25,159	-	-	-	587,886	613,045
Due from other funds	5,309,418	-	-	-	1,137,713	6,447,131
Inventories	-	-	-	-	31,507	31,507
Prepaid items	595,917	-	-	-	21,270	617,187
Total assets	<u>\$ 22,630,908</u>	<u>\$ 791,724</u>	<u>\$ 395,420</u>	<u>\$ -</u>	<u>\$ 13,928,390</u>	<u>\$ 37,746,442</u>
LIABILITIES						
Accounts payable	\$ 958,331	\$ 166,885	\$ 2,067	\$ 1,194	\$ 1,196,660	\$ 2,325,137
Accrued liabilities	341,339	40,206	-	-	4,606	386,151
Due to other funds	767,767	470,776	247,204	1,209,917	2,576,420	5,272,084
Unearned revenue	311,535	-	-	-	-	311,535
Total liabilities	<u>2,378,972</u>	<u>677,867</u>	<u>249,271</u>	<u>1,211,111</u>	<u>3,777,686</u>	<u>8,294,907</u>
DEFERRED INFLOWS OF RESOURCES						
Unavailable revenues	<u>1,043,830</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,056,549</u>	<u>2,100,379</u>
FUND BALANCES						
Nonspendable	595,917	-	-	-	1,775,492	2,371,409
Restricted	-	113,857	-	-	2,055,404	2,169,261
Committed	-	-	146,149	-	6,125,224	6,271,373
Assigned	3,201,676	-	-	-	-	3,201,676
Unassigned	<u>15,410,513</u>	<u>-</u>	<u>-</u>	<u>(1,211,111)</u>	<u>(861,965)</u>	<u>13,337,437</u>
Total fund balances	<u>19,208,106</u>	<u>113,857</u>	<u>146,149</u>	<u>(1,211,111)</u>	<u>9,094,155</u>	<u>27,351,156</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 22,630,908</u>	<u>\$ 791,724</u>	<u>\$ 395,420</u>	<u>\$ -</u>	<u>\$ 13,928,390</u>	<u>\$ 37,746,442</u>

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

TOWN OF VERNON, CONNECTICUT
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION
JUNE 30, 2017

Total fund balances for governmental funds		\$	27,351,156
Total net position reported for governmental activities in the statement of net position is different because:			
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.			165,701,054
Net pension assets are not available to pay for current period expenditures and, therefore, are not reported in the funds.			127,841
Deferred outflows and inflows of resources resulting from changes in the components of the Town's net pension liabilities are reported in the statement of net position.			7,116,348
Some of the Town's revenues will be collected after year end, but are not available soon enough to pay for the current period's expenditures and, therefore, are reported as unavailable revenues in the funds.			2,100,379
Long-term receivables are not available soon enough to pay for the current period's expenditures and, therefore, are not reported in the funds:			
Interest on property taxes receivables	\$	644,306	
Less allowance for uncollectible accounts		(259,000)	
			385,306
Long-term liabilities and related amounts applicable to the Town's governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities. All liabilities and related amounts - both current and long-term - are reported in the statement of net position.			
Accrued interest payable		(558,171)	
Bond anticipation notes payable		(2,200,000)	
Long-term debt:			
Bonds and notes payable		(40,960,000)	
Unamortized bond premium		(228,933)	
Deferred charges on refunding		(1,034,680)	
Other long-term liabilities:			
Capital lease obligations		(918,516)	
Compensated absences		(3,735,595)	
Termination benefits		(2,203,207)	
Claims payable		(422,848)	
Net pension liability		(57,208,124)	
Net OPEB obligation		(2,465,825)	
Total long-term liabilities			(111,935,899)
An internal service fund is used by the Town to charge the cost of risk management activities to individual funds. A portion of the assets and liabilities of the internal service funds are included in the governmental activities statement of net position.			
			(787,995)
Net position of governmental activities		\$	90,058,190

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

TOWN OF VERNON, CONNECTICUT
STATEMENTS OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2017

	General Fund	Road Improvements Bond Fund	School Roof Replacements and Renovations Fund	Senior Center Acquisition and Renovations Fund	Other Governmental Funds	Total Governmental Funds
REVENUES						
Property taxes	\$ 67,962,636	\$ -	\$ -	\$ -	\$ -	\$ 67,962,636
Intergovernmental	25,589,647	-	829,860	-	13,503,397	39,922,904
Charges for services	2,288,811	-	-	-	3,041,112	5,329,923
Contributions	-	-	-	-	190,596	190,596
Interest and dividend income	28,277	11,919	-	-	52,756	92,952
Net appreciation in the fair value of investments	-	-	-	-	163,904	163,904
Other	456,813	177,000	-	-	781,611	1,415,424
Total revenues	<u>96,326,184</u>	<u>188,919</u>	<u>829,860</u>	<u>-</u>	<u>17,733,376</u>	<u>115,078,339</u>
EXPENDITURES						
Current:						
General government	3,645,882	-	-	-	5,356	3,651,238
Community development	259,219	-	-	-	93,158	352,377
Public safety	8,533,042	-	-	-	1,122,102	9,655,144
Maintenance and development	5,504,582	-	-	-	3,184,099	8,688,681
Human services	915,790	-	-	-	112,942	1,028,732
Parks, recreation and culture	1,496,064	-	-	-	855,855	2,351,919
Townwide	8,017,224	-	-	-	-	8,017,224
Education	58,063,599	-	-	-	7,997,118	66,060,717
Debt service	4,910,864	111,402	-	-	831,020	5,853,286
Capital outlays	257,845	4,087,523	1,238,475	1,211,111	5,150,109	11,945,063
Total expenditures	<u>91,604,111</u>	<u>4,198,925</u>	<u>1,238,475</u>	<u>1,211,111</u>	<u>19,351,759</u>	<u>117,604,381</u>
Excess (deficiency) of revenues over expenditures	4,722,073	(4,010,006)	(408,615)	(1,211,111)	(1,618,383)	(2,526,042)
OTHER FINANCING SOURCES (USES)						
Proceeds from issuance of notes	-	2,200,000	-	-	-	2,200,000
Premium on issuance of notes	-	26,884	-	-	-	26,884
Proceeds from issuance of bonds	-	6,350,000	-	-	-	6,350,000
Premium on issuance of bonds	-	228,933	-	-	-	228,933
Repayment of notes	-	(6,350,000)	-	-	-	(6,350,000)
Transfers in	73,286	-	-	-	3,058,506	3,131,792
Transfers out	(2,547,509)	-	-	-	(584,283)	(3,131,792)
Total other financing sources (uses)	<u>(2,474,223)</u>	<u>2,455,817</u>	<u>-</u>	<u>-</u>	<u>2,474,223</u>	<u>2,455,817</u>
Net change in fund balances	2,247,850	(1,554,189)	(408,615)	(1,211,111)	855,840	(70,225)
Fund balances - beginning	<u>16,960,256</u>	<u>1,668,046</u>	<u>554,764</u>	<u>-</u>	<u>8,238,315</u>	<u>27,421,381</u>
Fund balances - ending	<u>\$ 19,208,106</u>	<u>\$ 113,857</u>	<u>\$ 146,149</u>	<u>\$ (1,211,111)</u>	<u>\$ 9,094,155</u>	<u>\$ 27,351,156</u>

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

TOWN OF VERNON, CONNECTICUT
RECONCILIATION OF THE STATEMENTS OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2017

Net change in fund balances - total governmental funds	\$	(70,225)
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Total change in net position reported for governmental activities in the statement of activities is different because:

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. The amount by which capital additions exceeded depreciation and amortization in the current period is as follows:

Expenditures for capital assets	\$ 12,305,323	
Depreciation and amortization expense	(5,794,043)	
Net adjustment		6,511,280

Certain revenues are not susceptible to accrual and, therefore, are only reported as revenue in the funds when the cash is received by the Town. In the government-wide financial statements, the cash received reduces the receivable recognized in the government-wide statement of net position.

63,376

The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of principal on long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. The net effect of these differences in the treatment of long-term obligations is as follows:

Debt issued or incurred:		
Bond anticipation notes issued	(2,200,000)	
Premium on bonds issued	(228,933)	
Principal repayments:		
Bonds and notes payable	3,976,194	
Capital lease financing	221,232	
Net adjustment		1,768,493

Deferred outflows and inflows of resources resulting from changes in the components of the net pension liability are amortized as a component of pension expense in the statement of activities.

(319,888)
(Continued)

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

TOWN OF VERNON, CONNECTICUT
RECONCILIATION OF THE STATEMENTS OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES *(Concluded)*
FOR THE YEAR ENDED JUNE 30, 2017

Under the modified accrual basis of accounting used in the governmental funds, expenditures are not recognized for transactions that are not normally paid with expendable available financial resources. In the statement of activities, however, which is presented on the accrual basis, expenses and liabilities are reported regardless of when financial resources are available. In addition, interest on long-term debt is not recognized under the modified accrual basis of accounting until due, rather than as it accrues. The net effect of such items is as follows:

Accrued interest	\$ (26,863)	
Amortization of deferred charges on refunding	94,064	
Compensated absences	80,463	
Termination benefits	114,950	
Claims payable	(98,601)	
Net OPEB obligation	(71,955)	
Net pension liability	<u>(3,094,628)</u>	
		\$ (3,002,570)

Certain revenues reported in the statement of activities do not provide current financial resources and therefore are reported as deferred inflows of resources in the governmental funds. This amount represents the change in unavailable revenues. 5,670

Internal service funds are used by management to charge the costs of certain activities to individual funds. The net revenue (expense) of the internal service fund is reported within the governmental activities. (1,025,758)

Change in net position of governmental activities	\$	<u>3,930,378</u>
		<i>Concluded</i>

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

TOWN OF VERNON, CONNECTICUT
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL -
BUDGETARY BASIS - GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2017

	Budgeted Amounts			Outstanding	Actual with	Variance With
	Original	Final	Actual	Encumbrances	Outstanding	Final Budget
					Encumbrances	Over (Under)
REVENUES						
Property taxes	\$ 66,788,008	\$ 66,788,008	\$ 67,962,636	\$ -	\$ 67,962,636	\$ 1,174,628
Intergovernmental	19,433,279	19,433,279	19,688,630	-	19,688,630	255,351
Charges for services	908,226	908,226	1,337,058	-	1,337,058	428,832
Licenses and permits	644,900	644,900	800,744	-	800,744	155,844
Fines and penalties	43,000	43,000	21,716	-	21,716	(21,284)
Investment income	20,010	20,010	28,277	-	28,277	8,267
Other	506,611	506,611	456,813	-	456,813	(49,798)
Total revenues	88,344,034	88,344,034	90,295,874	-	90,295,874	1,951,840
EXPENDITURES						
Current:						
General government	3,407,600	4,114,051	3,645,882	409,171	4,055,053	(58,998)
Community development	257,066	274,997	259,219	14,681	273,900	(1,097)
Public safety	8,476,702	8,904,713	8,533,042	210,942	8,743,984	(160,729)
Maintenance and development	5,527,482	5,939,332	5,504,582	241,993	5,746,575	(192,757)
Human services	961,935	988,388	915,790	12,546	928,336	(60,052)
Parks, recreation and culture	1,554,221	1,594,281	1,496,065	47,008	1,543,073	(51,208)
Townwide	8,403,973	8,329,509	8,017,224	191,638	8,208,862	(120,647)
Debt Service	5,467,036	5,729,186	4,910,864	512,449	5,423,313	(305,873)
Capital outlay	308,475	437,615	257,845	170,000	427,845	(9,770)
Education	52,119,265	53,102,408	52,033,288	1,069,248	53,102,536	128
Total expenditures	86,483,755	89,414,480	85,573,801	2,879,676	88,453,477	(961,003)
Excess of revenues over expenditures	1,860,279	(1,070,446)	4,722,073	(2,879,676)	1,842,397	2,912,843
OTHER FINANCING SOURCES (USES)						
Appropriation of Fund Balance	422,225	1,269,654	-	-	-	(1,269,654)
Appropriation of Prior Year Encumbrances	-	2,206,390	-	-	-	(2,206,390)
Transfers in	144,700	144,700	73,286	-	73,286	(71,414)
Transfers out	(2,427,204)	(2,550,298)	(2,547,509)	-	(2,547,509)	2,789
Total other financing sources (uses)	(1,860,279)	1,070,446	(2,474,223)	-	(2,474,223)	(3,544,669)
Net change in fund balances	\$ -	\$ -	\$ 2,247,850	\$ (2,879,676)	\$ (631,826)	\$ (631,826)

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

TOWN OF VERNON, CONNECTICUT
STATEMENTS OF NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2017

	Business-type Activities			Governmental Activities
	Sewer User Fund	Nonmajor Center 375 Fund	Total	Internal Service Funds
ASSETS				
Current assets:				
Cash and cash equivalents	\$ 9,450,853	\$ 1,040,570	\$ 10,491,423	\$ 2,716,953
Receivables:				
User charges and interest, net	2,379,123	-	2,379,123	-
Other	-	6,772	6,772	69,341
Prepaid expenses	30,000	-	30,000	46,844
Total current assets	<u>11,859,976</u>	<u>1,047,342</u>	<u>12,907,318</u>	<u>2,833,138</u>
Capital assets:				
Non-depreciable	707,160	560,680	1,267,840	-
Depreciable, net	7,761,131	538,032	8,299,163	1,190,476
Total noncurrent assets	<u>8,468,291</u>	<u>1,098,712</u>	<u>9,567,003</u>	<u>1,190,476</u>
Total assets	<u>20,328,267</u>	<u>2,146,054</u>	<u>22,474,321</u>	<u>4,023,614</u>
DEFERRED OUTFLOWS OF RESOURCES				
Deferred charges on pension	<u>367,139</u>	<u>-</u>	<u>367,139</u>	<u>93,354</u>
LIABILITIES				
Current liabilities:				
Accounts payable	155,112	12,492	167,604	85,495
Claims payable	-	-	-	775,364
Compensated absences	111,002	-	111,002	43,886
Due to other funds	305,875	14,282	320,157	810,941
Total current liabilities	<u>571,989</u>	<u>26,774</u>	<u>598,763</u>	<u>1,715,686</u>
Noncurrent liabilities:				
Compensated absences	279,385	-	279,385	20,271
Claims payable	-	-	-	1,905,475
Net pension liability	3,397,963	-	3,397,963	682,921
Net OPEB obligation	47,697	-	47,697	-
Total non-current liabilities	<u>3,725,045</u>	<u>-</u>	<u>3,725,045</u>	<u>2,608,667</u>
Total liabilities	<u>4,297,034</u>	<u>26,774</u>	<u>4,323,808</u>	<u>4,324,353</u>
DEFERRED INFLOWS OF RESOURCES				
Deferred charges on pension	<u>102,109</u>	<u>-</u>	<u>102,109</u>	<u>26,028</u>
NET POSITION				
Net investment in capital assets	8,468,291	1,098,712	9,567,003	1,190,476
Unrestricted	7,827,972	1,020,568	8,848,540	(1,423,889)
Total net position	<u>\$ 16,296,263</u>	<u>\$ 2,119,280</u>	<u>18,415,543</u>	<u>\$ (233,413)</u>
Cumulative adjustment to reflect the consolidation of internal service fund activities related to enterprise funds.			<u>554,582</u>	
Net position of business-type activities			<u>\$ 18,970,125</u>	

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

TOWN OF VERNON, CONNECTICUT
STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2017

	Business-type Activities			Governmental Activities
	Sewer User Fund	Nonmajor Center 375 Fund	Total	Internal Service Funds
OPERATING REVENUES				
Charges for services	\$ 5,524,274	\$ 165,721	\$ 5,689,995	\$ 2,821,986
Intergovernmental	-	-	-	4,473
Other	465,248	-	465,248	131,295
Total operating revenues	<u>5,989,522</u>	<u>165,721</u>	<u>6,155,243</u>	<u>2,957,754</u>
OPERATING EXPENSES				
Wages and benefits	2,520,598	6,324	2,526,922	1,048,371
Repairs, maintenance and rentals	216,175	27,296	243,471	431,864
Utilities	1,471,516	56,955	1,528,471	15,057
Supplies and materials	545,807	15,259	561,066	2,923
General and administrative	364,762	56,885	421,647	163,467
Claims incurred	-	-	-	2,147,903
Depreciation	565,364	42,948	608,312	154,326
Total operating expenses	<u>5,684,222</u>	<u>205,667</u>	<u>5,889,889</u>	<u>3,963,911</u>
Operating income (loss)	305,300	(39,946)	265,354	(1,006,157)
NON-OPERATING REVENUES (EXPENSES)				
Loss in disposal of asset	-	-	-	(3,868)
Interest income	14,356	5,938	20,294	2,394
Insurance and other reimbursements	17,209	-	17,209	-
Total non-operating revenues (expenses), net	<u>31,565</u>	<u>5,938</u>	<u>37,503</u>	<u>(1,474)</u>
Change in net position before capital contributions	336,865	(34,008)	302,857	(1,007,631)
Capital contributions	<u>292,493</u>	<u>-</u>	<u>292,493</u>	<u>8,280</u>
Change in net position	629,358	(34,008)	595,350	(999,351)
Net position - beginning	<u>15,666,905</u>	<u>2,153,288</u>		<u>765,938</u>
Net position - ending	<u>\$ 16,296,263</u>	<u>\$ 2,119,280</u>		<u>\$ (233,413)</u>
Net current year adjustment to reflect the consolidation of internal service fund activities related to enterprise funds.			<u>26,407</u>	
Net change in net position of business-type activiteis			<u>\$ 621,757</u>	

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

TOWN OF VENRON, CONNECTICUT
STATEMENTS OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2017

	Business-type Activities			Governmental Activities
	Sewer User Fund	Nonmajor Center 375 Fund	Total	Internal Service Funds
CASH FLOWS FROM OPERATING ACTIVITIES				
Cash received for the following:				
Charges for services	\$ 5,704,694	\$ 158,976	\$ 5,863,670	\$ 2,794,344
Other operating revenues received	254,098	-	254,098	45,037
Cash paid for the following:				
Claims incurred	-	-	-	(798,247)
Employee wages and benefits	(2,200,945)	-	(2,200,945)	(939,008)
Goods and services	(2,355,469)	(218,478)	(2,573,947)	(472,488)
Net cash provided by (used in) operating activities	<u>1,402,378</u>	<u>(59,502)</u>	<u>1,342,876</u>	<u>629,638</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Insurance and other reimbursements	17,209	-	17,209	-
Interfund activity	(7,539)	-	(7,539)	49,120
Net cash provided by noncapital financing activities	<u>9,670</u>	<u>-</u>	<u>9,670</u>	<u>49,120</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Purchases of capital assets	(63,498)	(14,672)	(78,170)	(88,572)
Net cash used in capital and related financial activities	<u>(63,498)</u>	<u>(14,672)</u>	<u>(78,170)</u>	<u>(88,572)</u>
CASH FLOWS FROM INVESTING ACTIVITIES				
Investment income	<u>14,357</u>	<u>5,938</u>	<u>20,295</u>	<u>2,394</u>
Net increase (decrease) in cash and cash equivalents	1,362,907	(68,236)	1,294,671	592,580
Cash and cash equivalents, beginning of year	<u>8,087,946</u>	<u>1,108,806</u>	<u>9,196,752</u>	<u>2,124,373</u>
Cash and cash equivalents, end of year	<u>\$ 9,450,853</u>	<u>\$ 1,040,570</u>	<u>\$ 10,491,423</u>	<u>\$ 2,716,953</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES				
Operating income (loss)	\$ 305,300	\$ (39,946)	\$ 265,354	\$ (1,006,157)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:				
Depreciation and amortization	565,364	42,948	608,312	154,326
Changes in assets and liabilities:				
Increase in receivables	(34,650)	(6,772)	(41,422)	(42,350)
Increase in accounts payable	2,811	5,807	8,618	1,423,383
Increase (decrease) in accrued liabilities	40,957	-	40,957	(40)
Increase in net pension liability	188,332	-	188,332	43,580
Increase in net OPEB liability	576	-	576	-
Increase in prepaid expense	(30,000)	-	(30,000)	(40,607)
Decrease in deferred outflows	106,453	-	106,453	24,634
Decrease in deferred inflows	(33,233)	-	(33,233)	(7,690)
Increase (decrease) in due from/to other funds	290,468	(61,539)	228,929	80,559
Net cash provided by (used in) operating activities	<u>\$ 1,402,378</u>	<u>\$ (59,502)</u>	<u>\$ 1,342,876</u>	<u>\$ 629,638</u>

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

TOWN OF VERNON, CONNECTICUT
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
DECEMBER 31, 2016 AND JUNE 30, 2017

	<u>December 31, 2016</u>		<u>June 30, 2017</u>	
	<u>Pension</u>	<u>Other Post-</u>	<u>Private</u>	<u>Agency</u>
	<u>Trust Funds</u>	<u>Employment Benefit</u>	<u>Purpose</u>	<u>Funds</u>
		<u>Trust Fund</u>	<u>Trust Fund</u>	
ASSETS				
Cash and cash equivalents	\$ 67,554	\$ 931,165	\$ 241,024	\$ 738,925
Investments:				
Certificates of deposit	-	-	96,931	-
U.S. Treasury securities	106,810	-	-	-
Corporate bonds	102,300	-	-	-
Fixed insurance contracts	17,833,720	-	-	-
Variable insurance contracts	42,717,003	-	-	-
Common stock	726,950	-	-	-
Mutual funds	604,393	-	124,364	-
Receivables	-	17,492	33,548	8,039
Other assets	-	8,755	-	-
Total assets	<u>62,158,730</u>	<u>957,412</u>	<u>495,867</u>	<u>\$ 746,964</u>
LIABILITIES				
Due to others	-	-	-	\$ 745,376
Payables	20,650	59,155	-	1,588
Unearned revenue	-	4,571	-	-
Total liabilities	<u>20,650</u>	<u>63,726</u>	<u>-</u>	<u>\$ 746,964</u>
NET POSITION				
Restricted for pension, other post-				
employment benefits and other purposes	62,138,080	893,686	495,867	
Total net position	<u>\$ 62,138,080</u>	<u>\$ 893,686</u>	<u>\$ 495,867</u>	

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

TOWN OF VERNON, CONNECTICUT
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
FOR THE YEARS ENDED DECEMBER 31, 2016 AND JUNE 30, 2017

	<u>December 31, 2016</u>	<u>June 30, 2017</u>	
	<u>Pension</u>	<u>Other Post-</u>	<u>Private</u>
	<u>Trust Funds</u>	<u>Employment Benefit</u>	<u>Purpose</u>
		<u>Trust Fund</u>	<u>Trust Fund</u>
ADDITIONS			
Contributions:			
Employer	\$ 4,358,821	\$ 660,185	\$ -
Employee	1,295,754	-	-
Retirees	-	687,811	-
State	-	99,950	-
Private	-	-	11,205
Other	-	5,717	-
Total contributions	<u>5,654,575</u>	<u>1,453,663</u>	<u>11,205</u>
Investment earnings:			
Net investment income	4,197,132	4,205	9,205
Less investment expenses	(251,524)	-	-
Total investment earnings	<u>3,945,608</u>	<u>4,205</u>	<u>9,205</u>
Total additions	<u>9,600,183</u>	<u>1,457,868</u>	<u>20,410</u>
DEDUCTIONS			
Benefit payments	6,295,600	1,248,663	-
Refunds of contributions	30,299	-	-
Awards expense	-	-	28,564
Administrative expenses	203,643	-	-
Total deductions	<u>6,529,542</u>	<u>1,248,663</u>	<u>28,564</u>
Change in net position	3,070,641	209,205	(8,154)
Net position - beginning	<u>59,067,439</u>	<u>684,481</u>	<u>504,021</u>
Net position - ending	<u>\$ 62,138,080</u>	<u>\$ 893,686</u>	<u>\$ 495,867</u>

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

TOWN OF VERNON, CONNECTICUT
NOTES TO THE BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Town of Vernon, Connecticut (the "Town") conform to accounting principles generally accepted in the United States of America, as applicable to governmental organizations. The following is a summary of significant accounting policies:

Financial Reporting Entity

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.

Government-wide and Fund Financial Statements

Government-wide Financial Statements

The statement of net position and the statement of activities display information about the Town and include the financial activities of the overall government, except for fiduciary activities. Eliminations have been made to minimize the double-counting of internal activities. Interfund services provided and used are not eliminated in the process of consolidation. The statements are intended to distinguish between governmental and business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties.

The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. 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 and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other items not properly included among program revenues are reported as general revenues.

Fund Financial Statements

The fund financial statements provide information about the Town's funds, including its fiduciary funds. Separate statements for each fund category – governmental, proprietary and fiduciary - are presented. The emphasis of fund financial statements is on major governmental funds and enterprise funds, each displayed in a separate column. All remaining governmental funds and enterprise funds are aggregated and reported as nonmajor funds.

TOWN OF VERNON, CONNECTICUT
NOTES TO THE BASIC FINANCIAL STATEMENTS *(Continued)*
AS OF AND FOR THE YEAR ENDED JUNE 30, 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Government-wide and Fund Financial Statements *(Continued)*

Fund Financial Statements *(Continued)*

The Town reports the following major governmental funds:

General Fund – This fund is the Town’s primary operating fund. It accounts for all financial resources of the general government, except those accounted for in another fund.

Road Improvements Bond Fund – This fund is used to account for the financial activity of reconstruction and improvements to certain town roads, as authorized by Town referendum and financed with debt proceeds.

School Roof Replacements and Renovations Fund – This fund is used to account for the financial activity to replace roofs at three Vernon schools, as authorized by Town Council and financed through school construction grants.

Senior Center Acquisition and Renovations Fund – This fund is used to account for the financial activity for the acquisition and construction of a new Senior Citizen Center, as authorized by Town referendum and financed with debt proceeds.

The Town reports the following major proprietary fund:

Sewer User Fund – This fund is used to account for the operations of the Town’s wastewater treatment facility.

In addition, the Town reports the following fund types:

Special Revenue Funds – These 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 – This fund accounts for the resources accumulated and payments made for principal and interest on long-term general obligation debt.

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

Permanent Funds – These funds account for 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.

Enterprise Fund – This fund accounts for operations that are financed in a manner similar to private business enterprises, where the intent is that costs of providing goods and services to the general public on a continuing basis be financed or recovered primarily through user charges.

Internal Service Funds – These funds accounts for activities that provide goods or services to other funds, departments, or agencies of the Town on a cost-reimbursement basis.

Pension Trust Funds – These funds are used to account for resources held in trust for the members and beneficiaries of the Town’s retirement and other post-employment benefit plans.

TOWN OF VERNON, CONNECTICUT
NOTES TO THE BASIC FINANCIAL STATEMENTS *(Continued)*
AS OF AND FOR THE YEAR ENDED JUNE 30, 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Government-wide and Fund Financial Statements *(Continued)*

Fund Financial Statements *(Continued)*

Private Purpose Trust Funds - These funds are used to account for trust arrangements under which principal and income benefit individuals, private organizations, or other governments.

Agency Funds – These funds are used to account for resources held by the Town in a purely custodial capacity.

Measurement Focus and Basis of Accounting

The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured such as current financial resources or economic resources. The basis of accounting indicates the timing of transactions or events for recognition in the financial statements.

The government-wide financial statements are reported using the economic resources measurement focus and 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.

The 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. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences, and claims and judgments, are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Issuance of long-term debt and acquisitions under capital lease are reported as other financing sources.

Property taxes, expenditure reimbursement 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 when available. For this purpose, the Town considers property tax revenues to be available if they are collected within 60 days of the end of the current fiscal year. For expenditure reimbursement grants, the Town considers revenues to be available if they are collected within one year of the end of the current fiscal year. All other revenue items are considered to be measurable and available only when the cash is received.

The proprietary, pension trust and private-purpose trust funds are reported using the economic resources measurement focus and the accrual basis of accounting. The agency fund has no measurement focus but utilizes the accrual basis of accounting for reporting its assets and liabilities.

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 connections 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 non-operating revenues and expenses.

TOWN OF VERNON, CONNECTICUT
NOTES TO THE BASIC FINANCIAL STATEMENTS *(Continued)*
AS OF AND FOR THE YEAR ENDED JUNE 30, 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Assets, Liabilities, Deferred Outflows/Inflows of Resources and Net Position/Fund Equity

Cash Equivalents

The Town's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition.

Investments

Investments are measured by the Town at fair value (generally based on quoted market prices), except for investments in certain external investment pools and insurance contracts as described below.

Investments in certain external investment pools consist of money market mutual funds and the Short-Term Investment Fund (STIF), which is managed by the State of Connecticut Treasurer's Office. Investments in these types of funds, which are permitted to measure their investment holdings at amortized costs, are measured by the Town at the net asset value per share as determined by the pool/fund.

Investments in pooled separate accounts consist of insurance contracts. Investments in these types of contracts are measured by the Town at contract value, which approximate fair value.

Property Taxes

Property taxes are assessed as of October 1. Real estate and personal property taxes are billed in the following July and are due in two installments, July 1 and January 1. Motor vehicle taxes are billed in July and are due in one installment, July 1, and supplemental motor vehicle taxes are due in full January 1. Taxes become delinquent thirty days after the installment is due. Liens are effective on the assessment date and are continued by filing before the end of the year following the due date. Based on historical collection experience and other factors, the Town has established an allowance for uncollectible taxes and interest as of June 30, 2017 of \$169,000 and \$259,000, respectively.

Sewer Assessments

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.

Loans

The Town administers a federally funded rehabilitation loan program for eligible applicants. The loans do not accrue interest and repayment of the loans is deferred. The loans become due and payable upon sale or transfer of the property, the owner's demise, or when the subject property is no longer the applicant's principal place of residence/business. The loans may be paid in full or in part by the borrower at any time without penalty. As of June 30, 2017, loans receivable totaled \$608,759 under this program.

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.

TOWN OF VERNON, CONNECTICUT
NOTES TO THE BASIC FINANCIAL STATEMENTS *(Continued)*
AS OF AND FOR THE YEAR ENDED JUNE 30, 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Assets, Liabilities, Deferred Outflows/Inflows of Resources and Net Position/Fund Equity *(Continued)*

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 \$300 for the Town and \$1,000 for the Board of Education and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition 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.

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

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

Capital assets acquired under capital lease are amortized over the life of the lease term or estimated useful life of the asset, as applicable.

Unearned Revenue

This liability represents resources that have been received but not yet earned.

Deferred Outflows/Inflows of Resources

Deferred outflows and inflows of resources represent either an acquisition or consumption of net position that applies to a future period(s) and so will not be recognized as an outflow or inflow of resources until that time.

Deferred outflows and inflows of resources include deferred charges on pensions in the government-wide financial statements. Deferred charges on pensions relate to changes in assumptions and differences between expected and actual plan experience and between projected and actual earnings on plan investments. Deferred charges on pensions resulting from differences between projected and actual earnings on plan investments are amortized as a component of pension expense over a 5 year period. All other deferred charges on pensions are amortized as a component of pension expense on a systematic and rational basis.

TOWN OF VERNON, CONNECTICUT
NOTES TO THE BASIC FINANCIAL STATEMENTS *(Continued)*
AS OF AND FOR THE YEAR ENDED JUNE 30, 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Assets, Liabilities, Deferred Outflows/Inflows of Resources and Net Position/Fund Equity *(Continued)*

Deferred Outflows/Inflows of Resources *(Continued)*

Deferred inflows of resources also include deferred charges on refundings in the government-wide financial statements and unavailable revenues in the governmental funds financial statements. Deferred charges on refundings resulted from the difference in the carrying value of refunded debt and its reacquisition price. This amount has been deferred and is being amortized as a component of interest expense over the life of the related debt. Unavailable revenue is deferred and recognized as an inflow of resources in the period that the amounts become available.

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, 2017 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 has also been estimated and added to the compensated absences accrual. The General Fund is the primary source of funding for compensated absences. Compensated absences are only reported in governmental funds if they are due and payable to an employee who has resigned or retired before or at fiscal yearend.

Long-term Obligations

In the government-wide financial statements and proprietary fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are expensed when incurred.

In the fund financial statements, governmental funds recognize bond premiums and discounts 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.

Net Position and Fund Balance

The government-wide statement of net position presents the Town's assets, deferred outflows and inflows of resources and liabilities, with net position as the residual of these other elements. Net position is reported in three categories:

Net investment in capital assets – This component of net position consists of capital assets, net of accumulated depreciation and amortization and reduced by outstanding balances for bonds, notes and other debt that are attributed to the acquisition, construction or improvement of capital assets.

Restricted net position – This component of net position consists of amounts restricted either through external restrictions imposed by creditors, grantors, contributors, and the like, or through restrictions imposed by law through constitutional provisions or enabling legislation.

TOWN OF VERNON, CONNECTICUT
NOTES TO THE BASIC FINANCIAL STATEMENTS *(Continued)*
AS OF AND FOR THE YEAR ENDED JUNE 30, 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Assets, Liabilities, Deferred Outflows/Inflows of Resources and Net Position/Fund Equity *(Continued)*

Net Position and Fund Balance *(Continued)*

Unrestricted net position – This component of net position is the net amount of the assets, liabilities, and deferred outflows/inflows of resources that do not meet the definition of the two preceding categories.

The Town's governmental funds report the following fund balance categories:

Nonspendable – Amounts that cannot be spent because they are not in spendable form or they are legally or contractually required to be maintained intact.

Restricted – Constraints are placed on the use of resources that are either externally imposed by creditors, grantors, contributors or laws and regulations of other governments or imposed by law through enabling legislation.

Committed – Amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the highest level of decision making authority of the Town and cannot be used for any other purpose unless the Town removes or changes the specified use by taking the same formal action. Commitments may be established, modified, or rescinded through resolutions approved by the Town Council.

Assigned – Amounts are constrained by the government's intent to be used for specific purposes, but are not restricted or committed. Amounts may be constrained to be used for a specific purpose by a governing board or body or official that has been delegated authority to assign amounts. Intent is expressed by the passing of a resolution by the Town Council or from a properly approved purchase order.

Unassigned - Residual classification for the General Fund or amounts necessary in other governmental funds to eliminate otherwise negative fund balance amounts in the other four categories.

Net Position Flow Assumption

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

Fund Balance Flow Assumption

Sometimes the Town will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements a flow assumption must be made about the order in which the resources are considered to be applied. It is the Town's policy, when committed, assigned and unassigned resources are available for use, that the Town will use committed resources first, then assigned resources and then unassigned resources as they are needed.

TOWN OF VERNON, CONNECTICUT
NOTES TO THE BASIC FINANCIAL STATEMENTS *(Continued)*
AS OF AND FOR THE YEAR ENDED JUNE 30, 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Interfund Activities

Interfund activities are reported as follows:

Interfund Receivables and Payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either “due to/from other funds” (i.e. the current portion of interfund loans) or “advances to/from other funds” (i.e. the non-current portion of interfund loans). All other outstanding balances between funds are reported as “due to/from other funds”. Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as “internal balances”.

Interfund Services Provided and Used

Sales and purchases of goods and services between funds for a price approximating their external exchange value are reported as revenues and expenditures, or expenses, in the applicable funds.

Interfund Transfers

Interfund transfers represent flows of assets without equivalent flows of assets in return and without a requirement for repayment. In governmental funds, transfers are reported as other financing uses in the funds making transfers and other financing sources in the funds receiving transfers. In proprietary funds, transfers are reported after non-operating revenues and expenses.

Interfund Reimbursements

Interfund reimbursements represent repayments from the funds responsible for particular expenditures or expenses to the funds that initially paid for them.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts and disclosures in the financial statements. Actual results could differ from those estimates.

Implementation of Accounting Standards

Effective July 1, 2016, the Town adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 74, *Financial Reporting for Postemployment Benefit Plans other than Pension Plans*, GASB Statement No. 77, *Tax Abatement Disclosures*, GASB Statement No. 78, *Pensions Provided through Certain Multiple Employer Defined Benefit Pension Plans*, GASB Statement No. 79, *Certain External Investment Pools and Pool Participants*, GASB Statement No. 80, *Blending Requirements for Certain Component Units an amendment of GASB Statement No. 14*, and GASB Statement No. 82, *Pension Issues—an amendment of GASB Statements No. 67, No. 68, and No. 73*. The implementation of GASB Statement No. 74 resulted in changes to the disclosures and required supplementary information relating to the Town’s other post-employment benefit plan. The implementation of GASB Statement No. 74 had no impact on the Town’s financial position or on the financial position of the Town’s other post-employment benefit trust fund. The adoption of GASB Statement No. 77 resulted in additional disclosures relating to certain tax abatements provided by the Town. The adoption of the other statements did not have a material effect on the Town’s financial statements.

TOWN OF VERNON, CONNECTICUT
NOTES TO THE BASIC FINANCIAL STATEMENTS *(Continued)*
AS OF AND FOR THE YEAR ENDED JUNE 30, 2017

NOTE 2 - BUDGETARY INFORMATION, COMPLIANCE AND DEFICIT FUND EQUITY

Budgetary Information

The Town adheres to the following procedures in establishing the budgetary data included in the General Fund statement of revenues, expenditures and changes in fund balance on a budgetary basis:

- 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.
- 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 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 \$847,429 were authorized during the fiscal year along with re-appropriations of \$2,206,390. 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 re-appropriated and honored during the subsequent year.

TOWN OF VERNON, CONNECTICUT
NOTES TO THE BASIC FINANCIAL STATEMENTS *(Continued)*
AS OF AND FOR THE YEAR ENDED JUNE 30, 2017

NOTE 2 - BUDGETARY INFORMATION, COMPLIANCE AND DEFICIT FUND EQUITY *(Continued)*

Budgetary Information *(Continued)*

As described above, accounting principles applied for purposes of developing data on a budgetary basis differ from those used to present financial statements in conformity with accounting principles generally accepted in the United States of America ("GAAP basis"). A reconciliation of General Fund amounts presented on the budgetary basis to amounts presented on the GAAP basis is as follows for the year ended June 30, 2017:

	Total Revenues	Total Expenditures	Other Financing Sources (Uses), Net	Net Change in Fund Balance
Budgetary basis	\$ 90,295,874	\$ 88,453,477	\$ (2,474,223)	\$ (631,826)
"On-behalf" payments - State Teachers Retirement Fund	6,030,310	6,030,310	-	-
Encumbrances outstanding as of June 30, 2017	-	(2,879,676)	-	2,879,676
GAAP basis	<u>\$ 96,326,184</u>	<u>\$ 91,604,111</u>	<u>\$ (2,474,223)</u>	<u>\$ 2,247,850</u>

Donor-Restricted Endowments

The Town has received certain endowments for perpetual care of the cemetery maintenance. The amounts are reflected in net position as restricted for endowments. Investment income, including appreciation of \$169,358 for the Cemetery Fund is approved for expenditure by the Cemetery Committee.

Deficit Fund Balances

The following funds have deficit equity balances as of June 30, 2017, which do not constitute a violation of statutory provisions:

Fund	Amount
Workers' Compensation Fund	\$ (1,750,082)
Senior Center Acquisition and Renovations Fund	(1,211,111)
Public Safety Complex Grant-In-Aid Fund	(780,500)
Cafeteria Fund	(42,498)
West Main Street Bridge Renovations Fund	(7,460)

The deficit in the Cafeteria Fund will be funded by future increases in food sale prices, other revenue and reducing operating costs. The deficit in the Public Safety Complex Grant-in-Aid Fund will be eliminated through future charges for services. The deficit in the West Main Street Bridge Reconstruction Fund will be funded with available current resources from other funds. The deficit in the Senior Center Acquisition and Renovations Fund will be funded by the issuance of general obligation bonds. The deficit in the Workers' Compensation Fund will be eliminated by future charges to other funds.

TOWN OF VERNON, CONNECTICUT
NOTES TO THE BASIC FINANCIAL STATEMENTS *(Continued)*
AS OF AND FOR THE YEAR ENDED JUNE 30, 2017

NOTE 2 - BUDGETARY INFORMATION, COMPLIANCE AND DEFICIT FUND EQUITY *(Continued)*

Expenditures which exceed appropriations

The legal level of control at which expenditures may not legally exceed appropriations is at the department level. During the year ended June 30, 2017, expenditures exceeded appropriations in the following amounts.

<u>Department</u>	<u>Amount</u>
Education	\$ 128

Capital Project Authorizations

The following is a summary of authorized capital projects:

<u>Project</u>	<u>Project Authorization</u>	<u>Expended To Date</u>	<u>Remaining Authorization</u>
General Government:			
ADA Building and Grounds Improvements	\$ 64,519	\$ -	\$ 64,519
Town Hall Renovations	1,293,402	643,546	649,856
Planning and Community Development:			
Citizens Block Building Renovations	749,098	442,098	307,000
Public Safety:			
Animal Control Shelter Renovations	123,100	104,633	18,467
Fox Hill Tower Communication Center Renovations	225,000	1,250	223,750
Firehouse Building Renovations	91,018	47,736	43,282
Police Station Parking Lot Paving	99,083	99,083	-
Streetlight Acquisition	912,462	850,051	62,411
Prospect Street Firehouse Roof Replacement	50,000	-	50,000
Maintenance and Development:			
Road Reconstruction	30,107,238	16,102,821	14,004,417
Storm Drainage	66,000	-	66,000
Bridges	3,323,200	106,495	3,216,705
Sidewalk Reconstruction	370,000	23,950	346,050
Land Improvements	84,367	46,566	37,801
Waste Treatment Plant Facilities Studies	882,020	803,999	78,021
Parks and Recreation:			
Valley Falls Park Dam Design and Reconstruction	844,500	34,558	809,942
Walkers Reservoir Dam Design and Reconstruction	115,000	-	115,000
Fox Hill Tower Renovations	16,000	15,348	652
Camp Newhoca / Lodge Roof Replacements	21,247	21,246	1
Valley Falls Barn Improvements	25,000	-	25,000
Fitness Trail	45,000	40,572	4,428

Continued

TOWN OF VERNON, CONNECTICUT
NOTES TO THE BASIC FINANCIAL STATEMENTS *(Continued)*
AS OF AND FOR THE YEAR ENDED JUNE 30, 2017

NOTE 2 - BUDGETARY INFORMATION, COMPLIANCE AND DEFICIT FUND EQUITY *(Continued)*

Capital Project Authorizations *(Continued)*

<u>Project</u>	<u>Project Authorization</u>	<u>Expended To Date</u>	<u>Remaining Authorization</u>
Human Services:			
Senior Center Parking Lot Improvements	\$ 139,975	\$ -	\$ 139,975
Senior Center Acquisition and Renovations	3,245,000	1,211,111	2,033,889
Education:			
School Security Enhancements	651,694	651,391	303
Safe Routes to Schools	541,470	-	541,470
VCMS Parking Lot Paving *	332,000	320,661	11,339
School Roof Replacements	3,761,100	3,256,326	504,774
RHS Athletic Area Ventilation Improvements	15,000	15,000	-
RHS Remediation	20,000	6,773	13,227
Alliance 20 School Improvements and Equipment	1,225,000	1,200,438	24,562
Alliance 30 School Improvements and Equipment	580,000	6,438	573,562
RHS Erosion and Sediment Control Improvements	100,000	400	99,600
Total	<u>\$ 50,118,493</u>	<u>\$ 26,052,490</u>	<u>\$ 24,066,003</u>
			<i>Concluded</i>

* Project completed during the fiscal year.

NOTE 3 - CASH DEPOSITS AND INVESTMENTS

Cash Deposits

A reconciliation of the Town's cash deposits as of June 30, 2017 is as follows:

Government-wide statement of net position:

Cash and cash equivalents \$ 37,246,076

Statement of fiduciary net position:

Cash and cash equivalents 1,978,668
39,224,744

Add: certificates of deposit presented as investments 125,660

Less: investments presented as cash equivalents (10,642,131)

\$ 28,708,273

TOWN OF VERNON, CONNECTICUT
NOTES TO THE BASIC FINANCIAL STATEMENTS *(Continued)*
AS OF AND FOR THE YEAR ENDED JUNE 30, 2017

NOTE 3 - CASH DEPOSITS AND INVESTMENTS *(Continued)*

Cash Deposits *(Continued)*

Custodial Credit Risk

Custodial credit risk is the risk that, in the event of a bank failure, the Town will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The Town does not have a deposit policy for custodial credit risk. As of June 30, 2017, \$31,006,460 of the Town's bank balance of \$31,518,095 was exposed to custodial credit risk as follows:

Uninsured and uncollateralized	\$ 27,905,814
Uninsured and collateralized with securities held by the pledging bank's trust department or agent but not in the Town's name	<u>3,100,646</u>
	<u><u>\$ 31,006,460</u></u>

All of the Town's deposits were in qualified public institutions as defined by Connecticut state statute. Under this statute, any bank holding public deposits must at all times maintain, segregated from its other assets, eligible collateral in an amount equal to a certain percentage of its public deposits. The applicable percentage is determined based on the bank's risk-based capital ratio. The amount of public deposits is determined based on either the public deposits reported on the most recent quarterly call report, or the average of the public deposits reported on the four most recent quarterly call reports, whichever is greater. The collateral is kept in the custody of the trust department of either the pledging bank or another bank in the name of the pledging bank.

Investments

A reconciliation of the Town's investments as of June 30, 2017 is as follows:

Government-wide statement of net position:	
Investments	\$ 1,731,413
Statement of fiduciary net position:	
Investments	<u>62,312,471</u>
	64,043,884
Less: certificates of deposit presented as investments	(125,660)
Add: investments presented as cash equivalents	<u>10,642,131</u>
	<u><u>\$ 74,560,355</u></u>

TOWN OF VERNON, CONNECTICUT
NOTES TO THE BASIC FINANCIAL STATEMENTS *(Continued)*
AS OF AND FOR THE YEAR ENDED JUNE 30, 2017

NOTE 3 - CASH DEPOSITS AND INVESTMENTS *(Continued)*

Investments *(Continued)*

As of June 30, 2017, the Town's investments consist of the following:

Investment Type	Valuation Basis	Value	Investment Maturities (In Years)		
			Less Than 1	1 to 5	6 to 10
Debt Securities:					
Governmental Activities:					
Short-Term Investment Fund	Net asset value	\$ 6,381,634	\$ 6,381,634	\$ -	\$ -
Money market mutual funds	Net asset value	33,965	33,965	-	-
Corporate bonds	Fair value	86,643	-	14,653	71,990
U.S. Treasury securities	Fair value	174,955	-	73,427	101,528
Business-Type Activities:					
Short-Term Investment Fund	Fair value	3,333,410	3,333,410	-	-
Fiduciary Funds:					
Short-Term Investment Fund	Net asset value	893,686	893,686	-	-
Money market mutual funds	Net asset value	33,401	33,401	-	-
Corporate bonds	Fair value	102,300	-	29,351	72,949
U.S. Treasury securities	Fair value	106,810	-	63,260	43,550
		11,146,804	\$ 10,676,096	\$ 180,691	\$ 290,017
Other Investments:					
Governmental Activities:					
Common stock	Fair value	623,044			
Mutual funds	Fair value	784,076			
Fiduciary Funds:					
Common stock	Fair value	727,950			
Mutual funds	Fair value	728,757			
Variable insurance contracts	Contract value	42,716,004			
Fixed insurance contracts	Contract value	17,833,720			
		\$ 74,560,355			

Interest Rate Risk

The Town does not have a formal investment policy that limits Town investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. However, its practice is to structure the investment portfolio so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities on the open market prior to maturity, and investing operating funds primarily in shorter-term securities, money market mutual funds, or similar investment pools.

Credit Risk

The Town has no investment policy that would further limit its investment choices beyond those limited by Connecticut state statutes. Connecticut state statutes permit the Town to invest in obligations of the United States, including its instrumentalities and agencies; in obligations of any state or of any political subdivision, authority or agency thereof, provided such obligations are rated within one of the top two rating categories of any recognized rating service; or in obligations of the State of Connecticut or of any political subdivision thereof, provided such obligations are rated within one of the top three rating categories of any recognized rating service.

TOWN OF VERNON, CONNECTICUT
NOTES TO THE BASIC FINANCIAL STATEMENTS *(Continued)*
AS OF AND FOR THE YEAR ENDED JUNE 30, 2017

NOTE 3 - CASH DEPOSITS AND INVESTMENTS *(Continued)*

Investments *(Continued)*

The Town's investments in debt securities, whose ratings are required to be disclosed, were rated by Standard & Poor's as follows:

Investment Type	AAA	AA	A	BBB	Unrated
Debt Securities:					
<i>Governmental Activities:</i>					
Short-Term Investment Fund	\$ 6,381,634	\$ -	\$ -	\$ -	\$ -
Money market mutual funds	-	-	-	-	33,965
Corporate bonds	14,828	14,653	28,668	28,494	-
<i>Business-Type Activities:</i>					
Short-Term Investment Fund	3,333,410	-	-	-	-
<i>Fiduciary Funds:</i>					
Short-Term Investment Fund	893,686	-	-	-	-
Money market mutual funds	-	-	-	-	33,401
Corporate bonds	14,708	14,484	43,955	29,153	-

Custodial Credit Risk

For an investment, custodial credit risk is the risk that, in the event of the failure of a counterparty, the Town will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Town's investments in external investment pools and mutual funds are not evidenced by securities and are therefore not exposed to custodial credit risk. The Town's other investments are held in book entry form in the name of the Town and are therefore also not exposed to custodial credit risk.

Concentrations of Credit Risk

The Town's policy states credit risk will be minimized by limiting investments to the safest types of securities and pre-qualifying the financial institution with which the Town will do business. The Town is only allowed to invest in those types of investments that are covered by the state of Connecticut Municipal Investment Act. The investment portfolio must be diversified so that potential losses on individual securities will be minimized. As of June 30, 2017, more than 10% of the Town's investments within its governmental activities, business-type activities and fiduciary funds were invested in the following:

Issuer	Investment	Value	% of Investments
<i>Governmental Activities:</i>			
State of CT Treasurer	Short-Term Investment Fund	\$ 6,381,634	78.9%
<i>Business-type Activities:</i>			
State of CT Treasurer	Short-Term Investment Fund	3,333,410	100.0%
<i>Fiduciary Funds:</i>			
Prudential Retirement Insurance and Annuity Company	Variable Separate Accounts	42,716,004	67.7%
Prudential Retirement Insurance and Annuity Company	Guaranteed Deposit Accounts	17,833,720	28.2%

TOWN OF VERNON, CONNECTICUT
NOTES TO THE BASIC FINANCIAL STATEMENTS *(Continued)*
AS OF AND FOR THE YEAR ENDED JUNE 30, 2017

NOTE 4 - FAIR VALUE MEASUREMENTS

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants, as of the measurement date. Authoritative guidance establishes a hierarchy of valuation techniques based upon whether the inputs to those valuation techniques reflect assumptions other market participants would use based upon market data obtained from independent sources (also referred to as observable inputs). The Town classifies its assets and liabilities measured at fair value into Level 1 (securities valued using quoted prices from active markets for identical assets), Level 2 (securities not traded on an active market for which market inputs are observable, either directly or indirectly, and Level 3 (securities valued based on unobservable inputs). Assets and liabilities are classified in their entirety based on the lowest level of input that is significant to the fair value measurement.

The Town's financial assets that are accounted for at fair value on a recurring basis as of June 30, 2017, by level within the fair value hierarchy are presented in the table below.

Financial Assets Measured at Fair Value	Prices in Active Market (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
<i>Governmental Activities:</i>			
Common stock	\$ 623,044	\$ -	\$ -
Mutual funds	784,076	-	-
Corporate bonds	-	86,643	-
U.S. Treasury securities	174,955	-	-
<i>Fiduciary Funds:</i>			
Common stock	727,950	-	-
Mutual funds	728,757	-	-
Corporate bonds	-	102,300	-
U.S. Treasury securities	106,810	-	-
	<u>\$ 3,145,592</u>	<u>\$ 188,943</u>	<u>\$ -</u>

TOWN OF VERNON, CONNECTICUT
NOTES TO THE BASIC FINANCIAL STATEMENTS *(Continued)*
AS OF AND FOR THE YEAR ENDED JUNE 30, 2017

NOTE 5 - CAPITAL ASSETS

Capital asset activity for governmental activities for the year ended June 30, 2017 consisted of the following:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities				
Capital assets, not being depreciated:				
Land	\$ 8,666,728	\$ 1,200,000	\$ -	\$ 9,866,728
Construction in progress	14,550,371	11,182,264	(6,925,106)	18,807,529
Total capital assets, not being depreciated	<u>23,217,099</u>	<u>12,382,264</u>	<u>(6,925,106)</u>	<u>28,674,257</u>
Capital assets, being depreciated:				
Land improvements	6,552,311	944,292	-	7,496,603
Buildings and improvements	111,743,566	4,328,005	-	116,071,571
Machinery and equipment	44,409,530	1,569,922	(58,452)	45,921,000
Intangibles - computer software	387,279	-	-	387,279
Infrastructure	79,801,736	98,381	-	79,900,117
Total capital assets, being depreciated	<u>242,894,422</u>	<u>6,940,600</u>	<u>(58,452)</u>	<u>249,776,570</u>
Less accumulated depreciation and amortization for:				
Land improvements	4,613,517	217,879	-	4,831,396
Buildings and improvements	34,508,195	2,293,179	-	36,801,374
Machinery and equipment	34,861,785	1,633,650	(58,452)	36,436,983
Intangibles - computer software	387,279	-	-	387,279
Infrastructure	31,299,156	1,803,109	-	33,102,265
Total accumulated depreciation and amortization	<u>105,669,932</u>	<u>5,947,817</u>	<u>(58,452)</u>	<u>111,559,297</u>
Total capital assets, being depreciated, net	<u>137,224,490</u>	<u>992,783</u>	<u>-</u>	<u>138,217,273</u>
Governmental activities capital assets, net	<u>\$ 160,441,589</u>	<u>\$ 13,375,047</u>	<u>\$ (6,925,106)</u>	<u>\$ 166,891,530</u>

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

Governmental Activities:	
General government	\$ 222,477
Community development	7,202
Public safety	853,959
Maintenance and development	2,406,557
Human services	28,417
Parks, recreation and culture	293,666
Education	2,135,539
Total depreciation and amortization expense - governmental activities	<u>\$ 5,947,817</u>

TOWN OF VERNON, CONNECTICUT
NOTES TO THE BASIC FINANCIAL STATEMENTS *(Continued)*
AS OF AND FOR THE YEAR ENDED JUNE 30, 2017

NOTE 5 - CAPITAL ASSETS

Capital asset activity for business-type activities for the year ended June 30, 2017 consisted of the following:

	Beginning Balance	Increases	Decreases	Ending Balance
Business-type Activities				
Capital assets, not being depreciated:				
Land	\$ 1,267,840	\$ -	\$ -	\$ 1,267,840
Total capital assets, not being depreciated	<u>1,267,840</u>	<u>-</u>	<u>-</u>	<u>1,267,840</u>
Capital assets, being depreciated:				
Buildings and system	6,464,561	43,257	-	6,507,818
Improvements other than building	217,871	-	-	217,871
Machinery and equipment	8,807,332	276,319	-	9,083,651
Intangibles - computer software	85,800	-	-	85,800
Infrastructure	11,342,466	51,086	-	11,393,552
Total capital assets, being depreciated	<u>26,918,030</u>	<u>370,662</u>	<u>-</u>	<u>27,288,692</u>
Less accumulated depreciation and amortization for:				
Buildings and system	5,123,660	141,172	-	5,264,832
Improvements other than building	191,614	3,541	-	195,155
Machinery and equipment	7,315,335	238,987	-	7,554,322
Intangibles - computer software	56,540	10,860	-	67,400
Infrastructure	5,694,068	213,752	-	5,907,820
Total accumulated depreciation and amortization	<u>18,381,217</u>	<u>608,312</u>	<u>-</u>	<u>18,989,529</u>
Total capital assets, being depreciated, net	<u>8,536,813</u>	<u>(237,650)</u>	<u>-</u>	<u>8,299,163</u>
Business-type activities capital assets, net	<u>\$ 9,804,653</u>	<u>\$ (237,650)</u>	<u>\$ -</u>	<u>\$ 9,567,003</u>

Depreciation and amortization expense was charged to the enterprise funds of the Town as follows:

Business-Type Activities:	
Sewer Use	\$ 565,364
Rental of building	<u>42,948</u>
Total depreciation and amortization expense - business-type activities	<u>\$ 608,312</u>

TOWN OF VERNON, CONNECTICUT
NOTES TO THE BASIC FINANCIAL STATEMENTS *(Continued)*
AS OF AND FOR THE YEAR ENDED JUNE 30, 2017

NOTE 6 - INTERFUND RECEIVABLES AND PAYABLES

Interfund receivable and payable balances at June 30, 2017 are as follows:

Receivable Fund	Payable Fund	Amount
Governmental Funds:		
General Fund	Sewer User Fund	\$ 305,875
	Center 375	14,282
	Internal Service Funds	810,941
	Road Improvements Bond Fund	470,776
	Senior Center Acquisitions and Renovations Fund	1,209,917
	School Roof Replacements and Renovations Fund	247,204
	Other Governmental Funds	2,206,474
	Fiduciary Funds	43,949
		<u>5,309,418</u>
Other Governmental Funds	General Fund	767,767
	Other Governmental Funds	369,946
		<u>1,137,713</u>
		<u>\$ 6,447,131</u>

Except as discussed below, the above balances resulted from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made.

NOTE 7 - INTERFUND TRANSFERS

Interfund transfers for the year ended June 30, 2017 consisted of the following:

Transfers In	Transfers Out	Amount
Governmental Funds:		
General Fund	Other Governmental Funds	\$ 73,286
Other Governmental Funds	General Fund	2,547,509
	Other Governmental Funds	510,997
		<u>3,058,506</u>
		<u>\$ 3,131,792</u>

Transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, and (2) move unrestricted revenues collected in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

TOWN OF VERNON, CONNECTICUT
NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)
AS OF AND FOR THE YEAR ENDED JUNE 30, 2017

NOTE 8 - BOND ANTICIPATION NOTES PAYABLE

The following is a summary of terms and changes in bond anticipation notes payable for the year ended June 30, 2017:

	Interest Rate	Maturity Date	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities						
Bond anticipation notes payable	1.0%	August 2016	\$ 6,350,000	\$ -	\$ (6,350,000)	\$ -
Bond anticipation notes payable	1.0%	August 2017	-	2,200,000	-	2,200,000
			<u>\$ -</u>	<u>\$ 2,200,000</u>	<u>\$ -</u>	<u>\$ 2,200,000</u>

In August 2016, the Town retired \$6,350,000 in previously outstanding bond anticipation notes through proceeds from the issuance of general obligation bonds (see Note 9). In addition, the Town issued \$2,200,000 in bond anticipation notes that matured in August 2017. The \$2,200,000 in bond anticipation notes were subsequently retired through proceeds from the issuance of general obligation bonds (see Note 9). Accordingly, this amount has been recognized as an other financing source in the governmental funds statement of revenues, expenditures and changes in fund balances. The purpose of the notes were to provide short-term financing to fund authorized capital projects.

NOTE 9 - LONG-TERM LIABILITIES

The following is a summary of changes in long-term liabilities for the year ended June 30, 2017:

	Beginning Balance	Increases	Decreases	Ending Balance	Due Within One Year
Governmental Activities					
Bonds and notes payable:					
General obligation bonds	\$ 37,760,000	\$ 6,350,000	\$ (3,150,000)	\$ 40,960,000	\$ 3,715,000
Unamortized premiums	-	228,933	-	228,933	-
Total bonds payable	37,760,000	6,578,933	(3,150,000)	41,188,933	3,715,000
Note payable	826,194	-	(826,194)	-	-
Total bonds and note payable	38,586,194	6,578,933	(3,976,194)	41,188,933	3,715,000
Other liabilities:					
Capital lease obligations:					
Fire trucks	907,915	-	(145,087)	762,828	147,525
Asphalt box reclaimers	231,833	-	(76,145)	155,688	77,272
Total capital lease obligations	1,139,748	-	(221,232)	918,516	224,797
Compensated absences:					
Town	2,750,284	548,255	(360,901)	2,937,638	712,281
Board of Education ("BOE")	1,065,773	-	(267,816)	797,957	282,631
Internal Service Fund	64,197	618	(658)	64,157	43,886
Total compensated absences	3,880,254	548,873	(629,375)	3,799,752	1,038,798
Termination benefits:					
BOE estimated retirement pay	1,825,364	145,837	(220,019)	1,751,182	196,600
BOE early retirement pay	487,470	218,492	(256,548)	449,414	170,000
BOE healthcare termination	5,323	-	(2,712)	2,611	2,611
Total termination benefits	2,318,157	364,329	(479,279)	2,203,207	369,211
Risk management:					
Claims payable	1,316,647	2,147,903	(783,711)	2,680,839	775,364
Heart and hypertension	324,247	111,824	(13,223)	422,848	10,200
Total risk management	1,640,894	2,259,727	(796,934)	3,103,687	785,564
Net pension liability	54,752,836	12,156,940	(9,018,731)	57,891,045	-
Net OPEB obligation	2,393,870	712,140	(640,185)	2,465,825	-
Total long-term liabilities	<u>\$ 104,711,953</u>	<u>\$ 22,620,942</u>	<u>\$ (15,761,930)</u>	<u>\$ 111,570,965</u>	<u>\$ 6,133,370</u>

TOWN OF VERNON, CONNECTICUT
NOTES TO THE BASIC FINANCIAL STATEMENTS *(Continued)*
AS OF AND FOR THE YEAR ENDED JUNE 30, 2017

NOTE 9 - LONG-TERM LIABILITIES *(Continued)*

	Beginning Balance	Increases	Decreases	Ending Balance	Due Within One Year
Business-type Activities					
<i>Other liabilities:</i>					
Compensated absences	\$ 349,430	\$ 40,956	\$ -	\$ 390,386	\$ 111,001
Net pension liability	3,209,631	396,703	(208,371)	3,397,963	-
Net OPEB liability	47,121	20,576	(20,000)	47,697	-
	<u>\$ 3,606,182</u>	<u>\$ 458,235</u>	<u>\$ (228,371)</u>	<u>\$ 3,836,046</u>	<u>\$ 111,001</u>

Long-term liabilities above typically have been liquidated by the General Fund for governmental activities and the Sewer and Water Fund for business-type activities.

General Obligation Bonds

A summary of general obligation bonds outstanding at June 30, 2017 is as follows:

Purpose of Bonds	Fiscal Date of Issue	Original Issue	Interest Rates	Fiscal Maturity Date	Amount Outstanding
Governmental Activities:					
Bonds Payable:					
General Obligation Bonds	2011	\$ 3,755,000	2.00% - 3.75%	2026	\$ 2,295,000
General Obligation Refunding Bonds	2012	33,892,000	2.00% - 4.50%	2028	26,072,000
General Obligation Refunding Bonds	2012	793,000	2.00% - 4.50%	2028	523,000
General Obligation Bonds	2016	6,130,000	2.00% - 3.13%	3031	5,720,000
General Obligation Bonds	2017	6,350,000	2.00% - 4.00%	3032	6,350,000
					<u>\$ 40,960,000</u>

Annual debt service requirements to maturity on general obligation bonds and the notes payable are as follows as of June 30, 2017:

Year ending June 30:	Governmental Activities		
	Bonds Payable		
	Principal	Interest	Total
2018	\$ 3,715,000	\$ 1,326,083	\$ 5,041,083
2019	3,875,000	1,219,684	5,094,684
2020	3,865,000	1,093,833	4,958,833
2021	3,875,000	947,095	4,822,095
2022	3,880,000	798,619	4,678,619
2023-2027	16,755,000	1,956,580	18,711,580
2028-2032	4,995,000	229,351	5,224,351
	<u>\$ 40,960,000</u>	<u>\$ 7,571,245</u>	<u>\$ 48,531,245</u>

TOWN OF VERNON, CONNECTICUT
NOTES TO THE BASIC FINANCIAL STATEMENTS *(Continued)*
AS OF AND FOR THE YEAR ENDED JUNE 30, 2017

NOTE 9 - LONG-TERM LIABILITIES *(Continued)*

General Obligation Bonds *(Continued)*

Legal Debt Limit

Connecticut General Statutes Section 7-374(b) provides that debt of the Town shall not exceed seven times base receipts, as defined in the Statute. Further, the Statute limits the amount of debt that may be authorized by the Town for general purposes, schools, sewers, urban renewal and pension deficit. The Town did not exceed any of the statutory debt limitations at June 30, 2017.

Advanced Debt Refunding

In prior years, the Town defeased general obligation bonds by creating separate irrevocable trusts. New debt has been issued and the proceeds have been used to purchase U.S. government securities that were placed in the trusts. The investments and fixed earnings from the investments are sufficient to fully service the defeased debt until the debt is called or matures. For financial reporting purposes, the debt has been considered defeased and, therefore, is no longer counted in computing the Town's debt for statutory debt limit purposes. As year end, the amount of defeased debt outstanding amounted to \$20,500,000 (net of \$7,500,000 called debt).

Authorized/Unissued Debt

The amount of authorized, unissued bonds at June 30, 2017 totaled to \$16,766,690 for general purposes, \$5,051,504 for schools and \$57,946 for sewers as disclosed below.

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, the remaining unissued Public Bond Improvements authorization as of June 30, 2017 is \$741,690 for general purposes and \$57,946 for sewers.

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, the remaining unissued School Bond Improvements authorization as of June 30, 2017 is \$5,051,504 for schools.

On January 28, 2014, a referendum was held that appropriated \$27,637,000 for Road Reconstruction and Improvements. Of the \$27,637,000 authorization, the remaining unissued Road Reconstruction and Improvements authorization as of June 30, 2017 is \$12,780,000 for general purposes.

On February 21, 2017, a referendum was held that appropriated \$3,245,000 for the acquisition of property known as 135 Bolton Road and for design, reconstruction and improvements to such property for use as a Senior Center. No bonds have been issued against this appropriation and, therefore, the remaining unissued Public Bond Improvements authorization as of June 30, 2017 is \$3,245,000 for general purposes.

Overlapping Debt

A Bolton Lakes Regional Water Pollution Control Authority (BLRWPCA) sewer project was completed in 2016 with approximately \$6,291,000, or 29% of project costs attributable to the Town of Vernon. This proportionate cost was reduced by BLRWPCA grants and benefit assessments to \$2,701,277. In June 2016, the BLRWPCA issued a State of Connecticut Clean Water Fund loan obligation to finance project costs, allocating \$2,701,277 to Vernon, considered overlapping debt. At June 30, 2017, the overlapping debt balance is \$2,431,149.

TOWN OF VERNON, CONNECTICUT
NOTES TO THE BASIC FINANCIAL STATEMENTS *(Continued)*
AS OF AND FOR THE YEAR ENDED JUNE 30, 2017

NOTE 9 - LONG-TERM LIABILITIES *(Continued)*

Capital Leases

A summary of assets acquired through capital leases is as follows as of June 30, 2017:

	Governmental Activities
Equipment	\$ 1,972,354
Less: accumulated amortization	1,067,442
	<u>\$ 904,912</u>

Amortization expense relative to leased property under capital leases totaled \$230,914 for the year ended June 30, 2017 and is included in depreciation and amortization expense disclosed in Note 5.

Future minimum lease obligations and the net present value of the minimum lease payments as of June 30, 2017 is as follows:

	Governmental Activities
Year Ending June 30:	
2018	\$ 239,917
2019	239,917
2020	160,340
2021	160,340
2022	160,340
Total minimum lease payments	960,854
Less: amount representing interest	42,338
Present value of minimum lease payments	<u>\$ 918,516</u>

Heart and Hypertension Claims

Heart and hypertension outstanding claims, including an estimated \$164,280 of incurred, but not reported claims, totaled \$422,848 as of June 30, 2017. There are three heart and hypertension claims outstanding at year-end. Medical claims of \$13,223 of were made during the year ended June 30, 2017.

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.

TOWN OF VERNON, CONNECTICUT
NOTES TO THE BASIC FINANCIAL STATEMENTS *(Continued)*
AS OF AND FOR THE YEAR ENDED JUNE 30, 2017

NOTE 9 - LONG-TERM LIABILITIES *(Continued)*

Termination Benefits *(Continued)*

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 is 1 former school administrator receiving this benefit. The cost to the Town, net of participant contributions, for the fiscal year is \$2,323. A liability of \$2,611, 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 8.96% and an investment yield of 1.00%.

In addition to healthcare termination benefits, cash payments are available to school administrator early retirees. Also, there are 3 former school administrators receiving this benefit. The cost to the Town for the fiscal year is \$46,548. An early retirement liability of \$135,975, presented in government-wide financial statements, for this benefit is calculated based upon the discounted present value of expected future benefits and an .44% 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 42 former teachers receiving this benefit. The cost to the Town for the fiscal year is \$210,000. An early retirement liability of \$313,440, presented in government-wide financial statements, for this benefit is calculated based upon the discounted present value of expected future benefits and an 1.00% yield of investments that are expected to be used to finance such benefit payments.

Estimated Retirement Pay

Upon retirement, members of the School Administrators, Teachers, Librarians, Nurses and Supervisors bargaining units are eligible to receive up to 3 days of compensation for each year of service. Based upon historical evidence, approximately 75% of members of these bargaining units will become eligible for retirement pay. It is estimated that retirement pay liability at year end totaled \$1,751,182. Paid benefits for the current fiscal year were \$220,019.

TOWN OF VERNON, CONNECTICUT
NOTES TO THE BASIC FINANCIAL STATEMENTS *(Continued)*
AS OF AND FOR THE YEAR ENDED JUNE 30, 2017

NOTE 10 - EMPLOYEE RETIREMENT PLANS

Pension Trust Fund

Plan Description

Plan Administration

The Town administers three single employer contributory defined benefit plans, the Town of Vernon Pension Plan (Town), the Town of Vernon Police Pension Plan (Police) and the Vernon Length of Service Award Program (LOSAP). These plans 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 criterion. 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. Plan benefits are established by the Town and may be amended only by the Town Council. The plans are considered to be a part of the Town's financial reporting entity and are included in the Town's financial statements as a pension trust fund. The plans do not issue stand-alone financial statements. The Town may terminate the LOSAP at any time.

Management of each plan is vested in the Board of Trustees (Pension Board), which consists of 4 individuals appointed by the Mayor, including a staff liaison.

Plan Membership

As of December 31, 2016, plan membership consisted of the following:

	<u>Town</u>	<u>Police</u>	<u>LOSAP</u>
Retirees and beneficiaries receiving benefits	215	54	17
Terminated plan members entitled to but not yet receiving benefits	232	2	43
Active plan members	348	50	113
	<u>795</u>	<u>106</u>	<u>173</u>

Benefits Provided

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

Police Employees

The plan provides retirement and death benefits. Police officers receive 2.5% of their monthly average earnings times credited service up to a maximum of 28 years capped at 70%.

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

TOWN OF VERNON, CONNECTICUT
NOTES TO THE BASIC FINANCIAL STATEMENTS *(Continued)*
AS OF AND FOR THE YEAR ENDED JUNE 30, 2017

NOTE 10 - EMPLOYEE RETIREMENT PLANS *(Continued)*

Pension Trust Fund *(Continued)*

Plan Description *(Continued)*

Benefits Provided (Continued)

Town Employees

The normal retirement date for members of the Public Works (P.W.) and Parks and Water Pollution Control unions is attained at age 55 and 5 years of 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 of 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 of 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 of service. The normal retirement date for all other participants is attained at age 65 and 10 years of service.

Non-bargaining Town employees receive 2.2% of their monthly average earnings times credited service with a maximum of 32 years capped at 70%. Professional, P.W. Supervisors and Water Pollution Control Supervisors receive 2.2% of their monthly average earnings times credited service with a maximum of 35 years capped at 70%. Police civilian employees receive 2% of their monthly average earnings times credited service, with a maximum of 25 years capped at 50%. P.W. and Parks and Water Pollution Control receive 2.0% of their monthly average earnings times credited service with a maximum of 40 years capped at 70%. P.W. clerical and Education School Nurses receive 2.0% of their monthly average earnings times credited service, with a maximum of 30 years. Education Supervisors, Education Library and Education Secretarial and Maintenance receive 2.0% of their monthly average earnings times credited service with a maximum of 35 years capped at 70%. Education Cafeteria and Education Paraprofessionals receive 1.5% of their monthly average earnings times credited service for a maximum of 20 years.

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. A volunteer shall not be credited with more than 30 years of service. The benefit at normal retirement is equal to \$8 per month for each year of credited service to a maximum of \$240 per month. Effective July 1, 2017, the maximum years of credited service will increase to 35 years. Also effective July 1, 2017, the normal retirement benefit will be as follows: Years of service under 20 years, the benefit will be \$8 per month for each year of service; years of service from 20 to 29 years, the benefit will be \$10 per month for each year of service; years of service from 30 to 35 years, the benefit will be \$12 per month for each year of service.

Early Retirement

Participants of the Town and Police Pension Plans may, upon 10 years of service, elect early retirement on a date which shall be within 10 years of normal retirement age. For the P.W. and Parks and the Water Pollution Control unions, this means a minimum age 55 or 25 years of credited service. 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 THE BASIC FINANCIAL STATEMENTS *(Continued)*
AS OF AND FOR THE YEAR ENDED JUNE 30, 2017

NOTE 10 - EMPLOYEE RETIREMENT PLANS *(Continued)*

Pension Trust Fund *(Continued)*

Plan Description *(Continued)*

Benefits Provided (Continued)

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 non-vested 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 volunteer firefighter department 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 and had elected to receive a 50% Joint and Survivor Annuity.

Disability Benefits

In the event of participant disability in the line of duty, volunteer fire department members may elect payment of an actuarial reduced retirement benefit commencing any time prior to the date of normal retirement.

Contributions

Contributions rates are established by the Town and may be amended only with Town Council approval. The Town is required to contribute the amount determined by the actuary, considering the member contributions.

Town of Vernon Police Officers' Pension Plan - Effective July 1, 2012, Police officers hired before July 1, 2012 are required to contribute 7.5% of their W-2 earnings to the plan and police officers hired after July 1, 2012 are required to contribute 8.5% of such earnings. Such contributions are credited with interest at a rate of 5.5% per annum. Effective July 1, 2017, new hires will be required to contribute 9.5% of earnings.

For the year ended June 30, 2017, the average active member contribution rate was 8.50% of annual base compensation, and the Town's average contribution rate was 35.57% of annual payroll.

Town of Vernon Pension Plan - Non-bargaining Town Hall employees, P.W. Supervisors, School Librarians, School Supervisors, and Education Custodial, Secretarial and Maintenance and the Water Pollution Control nonunion members are required to contribute 7.0% of their earnings (pre-tax). The Professional, P.W. and Parks union, Public Works Clerical, and the Water Pollution Control Supervisors are required to contribute 7.5% of their earnings (pre-tax). Police Civilian Support union members are required to contribute 7.9% of their earnings (pre-tax). Members of the Education Nurses unions are required to contribute 6.5% of earnings (pre-tax). All other participants are required to contribute 4% of their earnings (post-tax). Such contributions are credited with interest at a rate of 6% per annum.

For the current fiscal year, the average active member contribution rate was 6.98% of annual base compensation, and the Town's average contribution rate was 16.39% of annual payroll.

TOWN OF VERNON, CONNECTICUT
NOTES TO THE BASIC FINANCIAL STATEMENTS *(Continued)*
AS OF AND FOR THE YEAR ENDED JUNE 30, 2017

NOTE 10 - EMPLOYEE RETIREMENT PLANS

Pension Trust Fund (Continued)

Plan Description (Continued)

Contributions (Continued)

Town of Vernon LOSAP Pension Plan - Members of the volunteer fire department are not required to contribute to the plan.

Summary of Significant Accounting Policies

The Town Plan is accounted for using the accrual basis of accounting. Plan member contributions are recognized in the period in which the contributions are due. Employer contributions to the Town Plan are recognized when due and the employer has made a formal commitment to provide contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of the Town Plan.

Investments - Investments are generally reported at fair value, except for investments in external investment pools and insurance contracts. Securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates. Investment income is recognized when earned and gains and losses on sales or exchanges are recognized on the transaction date. Investments in external investment pools, which are permitted to measure their investment holdings at amortized costs, are measured by the Plan at the net asset value per share as determined by the pools. Investments in pooled separate accounts consist of insurance contracts. Investments in these types of contracts are measured by the Town at contract value, which approximate fair value.

Investment policy - The Town and Police pension plans' policy in regard to the allocation of invested assets is established and may be amended by the Pension Board by a majority vote of its members. The allocation for the LOSAP plan is developed by Town management and the investment advisor. It is the policy of the Town's Pension Board to pursue an investment strategy that reduces risk through the prudent diversification of the portfolio across a broad selection of distinct asset classes.

Concentrations - There were no investments in any one organization that represent 5% or more of the pension plans' net position.

Rate of return - For the year ended December 31, 2016, the annual money-weighted rate of return on the pension plan investments was as follows:

<u>Plan</u>	<u>Money-Weighted Rate of Return</u>
Police Plan	6.80%
Town Plan	6.20%
LOSAP Plan	8.10%

The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

TOWN OF VERNON, CONNECTICUT
NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)
AS OF AND FOR THE YEAR ENDED JUNE 30, 2017

NOTE 10 - EMPLOYEE RETIREMENT PLANS

Pension Trust Fund (Continued)

Plan Statements

The following presents the statement of fiduciary net position and the statement of changes in fiduciary net position for each of the Town's plans as of and for the year ended December 31, 2016:

	Town Plan	Police Plan	Volunteer Firefighters LOSAP	Total
ASSETS				
Cash and cash equivalents	\$ 27,610	\$ 6,543	\$ 33,401	\$ 67,554
Investments	40,414,692	20,135,031	1,541,453	62,091,176
Total assets	40,442,302	20,141,574	1,574,854	62,158,730
LIABILITIES				
Payables	12,062	8,588	-	20,650
Total liabilities	12,062	8,588	-	20,650
NET POSITION				
Held in trust for pension benefits	40,430,240	20,132,986	1,574,854	62,138,080
	<u>\$ 40,430,240</u>	<u>\$ 20,132,986</u>	<u>\$ 1,574,854</u>	<u>\$ 62,138,080</u>
ADDITIONS				
Contributions:				
Employer	\$ 2,575,719	\$ 1,730,812	\$ 52,290	\$ 4,358,821
Plan members	930,892	364,862	-	1,295,754
Total contributions	3,506,611	2,095,674	52,290	5,654,575
Investment earnings:				
Net investment income	2,622,187	1,439,252	135,693	4,197,132
Less: value of investments	(165,149)	(86,375)	-	(251,524)
Total investment earnings	2,457,038	1,352,877	135,693	3,945,608
Total additions	5,963,649	3,448,551	187,983	9,600,183
DEDUCTIONS				
Benefit payments	3,751,057	2,508,006	36,537	6,295,600
Refund of contributions	30,299	-	-	30,299
Administrative expenses	114,432	70,666	18,545	203,643
Total deductions	3,895,788	2,578,672	55,082	6,529,542
Change in net position	2,067,861	869,879	132,901	3,070,641
Net position - beginning	38,362,379	19,263,107	1,441,953	59,067,439
Net position - ending	<u>\$ 40,430,240</u>	<u>\$ 20,132,986</u>	<u>\$ 1,574,854</u>	<u>\$ 62,138,080</u>

TOWN OF VERNON, CONNECTICUT
NOTES TO THE BASIC FINANCIAL STATEMENTS *(Continued)*
AS OF AND FOR THE YEAR ENDED JUNE 30, 2017

NOTE 10 - EMPLOYEE RETIREMENT PLANS

Pension Trust Fund (Continued)

Net Pension Liability

The components of the net pension liability for each of the Town's plans were as follows:

	<u>Town</u>	<u>Police</u>	<u>LOSAP</u>
Total pension liability	\$ 78,820,895	\$ 43,031,339	\$ 1,447,013
Plan fiduciary net position	40,430,240	20,132,986	1,574,854
Net pension liability (asset)	<u>\$ 38,390,655</u>	<u>\$ 22,898,353</u>	<u>\$ (127,841)</u>

Plan fiduciary net position as a percentage of the total pension liability	51.29%	46.79%	108.83%
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The Town's net pension liability was measured at December 31, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of January 1, 2016. The changes in net pension liability for each of the Town's plans were as follows:

	<u>Increase (Decrease)</u>		
	<u>Total Pension Liability (a)</u>	<u>Plan Fiduciary Net Position (b)</u>	<u>Net Pension Liability (a) - (b)</u>
Town Plan			
Balance as of January 1, 2016	\$ 74,529,518	\$ 38,362,379	\$ 36,167,139
Changes for the year:			
Service cost	1,510,406	-	1,510,406
Interest	5,055,024	-	5,055,024
Differences between expected and actual experience	1,507,303	-	1,507,303
Change in assumption	-	-	-
Contributions - employer	-	2,575,719	(2,575,719)
Contributions - employee	-	930,892	(930,892)
Net investment income	-	2,457,038	(2,457,038)
Benefit payments, including refunds	(3,781,356)	(3,781,356)	-
Administrative expense	-	(114,432)	114,432
Net changes	<u>4,291,377</u>	<u>2,067,861</u>	<u>2,223,516</u>
Balance as of December 31, 2016	<u>\$ 78,820,895</u>	<u>\$ 40,430,240</u>	<u>\$ 38,390,655</u>

TOWN OF VERNON, CONNECTICUT
NOTES TO THE BASIC FINANCIAL STATEMENTS *(Continued)*
AS OF AND FOR THE YEAR ENDED JUNE 30, 2017

NOTE 10 - EMPLOYEE RETIREMENT PLANS

Pension Trust Fund (Continued)

Net Pension Liability (Continued)

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Police Plan			
Balance as of January 1, 2016	\$ 41,058,435	\$ 19,263,107	\$ 21,795,328
Changes for the year:			
Service cost	812,060	-	812,060
Interest	2,790,349	-	2,790,349
Differences between expected and actual experience	878,501	-	878,501
Change in assumption	-	-	-
Contributions - employer	-	1,730,812	(1,730,812)
Contributions - employee	-	364,862	(364,862)
Net investment income	-	1,352,877	(1,352,877)
Benefit payments, including refunds	(2,508,006)	(2,508,006)	-
Administrative expense	-	(70,666)	70,666
Net changes	<u>1,972,904</u>	<u>869,879</u>	<u>1,103,025</u>
Balance as of December 31, 2016	<u>\$ 43,031,339</u>	<u>\$ 20,132,986</u>	<u>\$ 22,898,353</u>

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
LOSAP Plan			
Balance as of January 1, 2016	\$ 1,397,364	\$ 1,441,953	\$ (44,589)
Changes for the year:			
Service cost	21,190	-	21,190
Interest	92,540	-	92,540
Differences between expected and actual experience	(27,545)	-	(27,545)
Change in assumption	-	-	-
Contributions - employer	-	52,289	(52,289)
Contributions - employee	-	-	-
Net investment income	-	135,693	(135,693)
Benefit payments, including refunds	(36,536)	(36,536)	-
Administrative expense	-	(18,545)	18,545
Net changes	<u>49,649</u>	<u>132,901</u>	<u>(83,252)</u>
Balance as of December 31, 2016	<u>\$ 1,447,013</u>	<u>\$ 1,574,854</u>	<u>\$ (127,841)</u>

TOWN OF VERNON, CONNECTICUT
NOTES TO THE BASIC FINANCIAL STATEMENTS *(Continued)*
AS OF AND FOR THE YEAR ENDED JUNE 30, 2017

NOTE 10 - EMPLOYEE RETIREMENT PLANS

Pension Trust Fund (Continued)

Net Pension Liability (Continued)

Actuarial assumptions - The total pension liability was determined by an actuarial valuation as of January 1, 2016, using the following actuarial assumptions, applied to all periods included in the measurement:

	Town	Police	LOSAP
Inflation	1.50%	1.50%	N/A
Salary increases, including inflation	3.00%	2.50%	N/A
Investment rate of return, including inflation	7.00%	7.00%	6.50%
Discount rate	7.00%	7.00%	6.50%

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in each plan's target asset allocation as of December 31, 2016 are summarized in the following table:

Asset Class	Town Long-term Expected Real Rate of Return	Police Long-term Expected Real Rate of Return	LOSAP Long-term Expected Real Rate of Return
Large Cap Equity	8.00%	8.00%	8.50%
Mid Cap Equity	8.75%	8.75%	9.00%
Small Cap Equity	8.50%	8.50%	9.25%
International Equity	7.50%	7.50%	8.25%
Fixed Income	5.00%	5.00%	4.90%
Stable Value	4.60%	4.60%	N/A
Real Estate/Commodities	N/A	N/A	3.75%

Discount rate - The discount rate used to measure the total pension liability was 7.00% for the Town and Police plans and 6.50% for the LOSAP Plan. The projection of cash flows used to determine the discount rate assumed plan member contributions will be made at the current contribution rate and that the Town contributes at rates equal to the actuarially determined contribution rates. For this purpose, only employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs of future plan members and their beneficiaries, as well as projected contributions from future plan members, are not included. Based on those assumptions, each plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

TOWN OF VERNON, CONNECTICUT
NOTES TO THE BASIC FINANCIAL STATEMENTS *(Continued)*
AS OF AND FOR THE YEAR ENDED JUNE 30, 2017

NOTE 10 - EMPLOYEE RETIREMENT PLANS

Pension Trust Fund (Continued)

Net Pension Liability (Continued)

Sensitivity of the net pension liability to changes in the discount rate - The following presents the net pension liability, calculated using the discount rate of 7.00%, for the Police and Town plans, as well as what the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.00%) or 1-percentage-point higher (8.00%) than the current rate:

	Discount Rate		
	1% Decrease	Current	1% Increase
Town Plan's net pension liability	\$ 46,701,218	\$ 38,390,655	\$ 31,014,134
Police Plan's net pension liability	28,129,505	22,898,353	18,320,707

The following presents the net pension (asset) liability, calculated using the discount rate of 6.50%, for the LOSAP plan, as well as what the net pension (asset) liability would be if it were calculated using a discount rate that is 1-percentage-point lower (5.50%) or 1-percentage-point higher (7.50%) than the current rate:

	Discount Rate		
	1% Decrease	Current	1% Increase
LOSAP Plan's net pension (asset) liability	\$ 72,819	\$ (127,841)	\$ (319,787)

Pension Expense and Deferred Outflows/Inflows of Resources

For the year ended June 30, 2017, the Town recognized pension expense of \$7,690,627. The Town reported deferred outflows and inflows of resources as of June 30, 2017 related to all plans from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources	Net Deferred Outflows (Inflows) of Resources
Difference between expected and actual experience	\$ 2,842,903	\$ 758,604	\$ 2,084,299
Changes of assumptions and demographics	4,546,119	-	4,546,119
Difference between projected and actual earnings on plan investments	1,787,691	969,405	818,286
Total	\$ 9,176,713	\$ 1,728,009	\$ 7,448,704

TOWN OF VERNON, CONNECTICUT
NOTES TO THE BASIC FINANCIAL STATEMENTS *(Continued)*
AS OF AND FOR THE YEAR ENDED JUNE 30, 2017

NOTE 10 - EMPLOYEE RETIREMENT PLANS

Pension Trust Fund (Continued)

Pension Expense and Deferred Outflows/Inflows of Resources *(Continued)*

Amounts reported as deferred outflows and inflows of resources related to all plans will be recognized as a component of pension expense in future years as follows:

	Amortization
Year ended June 30,	<u>Pension Expense</u>
2018	\$ 3,265,460
2019	2,632,424
2020	1,416,041
2021	170,153
2022	(6,190)
Thereafter	<u>(29,184)</u>
	<u><u>\$ 7,448,704</u></u>

State of Connecticut Teachers' Retirement System

The faculty and professional personnel of the Town's Board of Education participate in the Teachers' Retirement System ("TRS"), which is a cost-sharing multiple-employer defined benefit pension plan established under Chapter 167a of the Connecticut General Statutes. The TRS is administered by the Connecticut State Teachers' Retirement Board (the "Board") and is included as a fiduciary pension trust fund in the State of Connecticut's basic financial statements.

Plan benefits, cost-of-living allowances, required contributions of plan members and the State, and other plan provisions are described in Sections 10-183b to 10-183ss of the Connecticut General Statutes. The plan provides retirement, disability, death benefits, and annual cost-of-living adjustments to plan members and their beneficiaries.

The contribution requirements of plan members and the State are established and may be amended by the State legislature. In accordance with Section 10-183z of the General Statutes, the Town does not and is not legally responsible to contribute to the plan as a special funding situation exists that requires the State to contribute one hundred percent of employer's contributions on-behalf of its participating municipalities at an actuarially determined rate. Plan members are currently required to contribute 7.25% of their annual earnings to the plan. After five years of service, teachers are fully vested in their own contributions. After ten years of service, teachers are fully vested in the monthly pension benefit which is payable at the age of sixty.

The Town has recognized on-behalf payments of \$6,030,310 made by the State of Connecticut into the plan as intergovernmental revenues, and related expenditures of the General Fund in the accompanying statement of revenues, expenditures and changes in fund balances of the governmental funds.

Administrative costs of the plan are funded by the State.

TOWN OF VERNON, CONNECTICUT
NOTES TO THE BASIC FINANCIAL STATEMENTS *(Continued)*
AS OF AND FOR THE YEAR ENDED JUNE 30, 2017

NOTE 10 - EMPLOYEE RETIREMENT PLANS

State of Connecticut Teachers' Retirement System (Continued)

The total estimated net pension liability of the TRS as of June 30, 2016 was approximately \$14.245 billion, the most recent available reporting provided by the Board. The portion that was associated with the Town totaled approximately \$88.052 million or approximately 0.62% of the total estimated net pension liability. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2016. The portion of the net pension liability associated with the Town was based on a projection of the long-term share of contributions to the plan related to the Town relative to the projected contributions of all participating employers, actuarially determined. The portion of the pension expense attributed to the Town totaled approximately \$9.602 million for the year ended June 30, 2017.

The total pension liability in the June 30, 2016 actuarial valuation was determined using the following actuarial assumptions, applied to all periods in the measurement:

Inflation	2.75%
Salary increases	3.25-6.50%, including inflation
Investment rate of return	8.00%, net of pension plan investment expense, including inflation

For healthy retirees and beneficiaries, the RPH-2014 White Collar table with employee and annuitant rates blended from ages 50 to 80, projected to the year 2020 using the BB improvement scale.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long-term Expected Real Rate of Return
Large Cap U.S. Equities	21.0%	8.55%
Developed Non-U.S. Equities	18.0%	9.35%
Private Equity	11.0%	10.35%
Emerging Markets (Non-U.S.)	9.0%	11.05%
Core Fixed Income	7.0%	4.05%
Real Estate	7.0%	7.85%
Alternative investments	8.0%	6.85%
Liquidity fund	6.0%	3.15%
Emerging Market Bonds	5.0%	6.45%
High Yield Bonds	5.0%	6.65%
Inflation Linked Bonds	3.0%	3.75%
	<u>100%</u>	

TOWN OF VERNON, CONNECTICUT
NOTES TO THE BASIC FINANCIAL STATEMENTS *(Continued)*
AS OF AND FOR THE YEAR ENDED JUNE 30, 2017

NOTE 10 - EMPLOYEE RETIREMENT PLANS

State of Connecticut Teachers' Retirement System (Continued)

The discount rate used to measure the total pension liability was 8.0%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that State contributions will be made at the actuarially determined rates in future years. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

The following presents the Town's proportionate share of the net pension liability calculated using the discount rate of 8.0%, as well as what the Town's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (7.0%) or 1-percentage-point higher (9.0%) than the current rate:

	Discount Rates		
	1% Decrease (7.00%)	Current (8.00%)	1% Increase (9.00%)
Proportionate share of the net pension liability attributed to the Town	\$108.632 million	\$88.052 million	\$70.656 million

Detailed information about the plan's fiduciary net position is included in the State of Connecticut's basic financial statements.

Defined Contribution Plans

Establishment and Amendment

The Vernon Town Council has authorized the establishment of 12 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 dates for these twelve plans are as follows:

<u>Effective Date</u>	<u>Plan</u>
July 1, 2009	Department of Public Works Clerical Bargaining Unit
January 1, 2010	Professional Employees Bargaining Unit
January 1, 2010	DPW Supervisors Bargaining Unit
January 1, 2010	Water Pollution Control Supervisors Bargaining Unit
August 4, 2010	Town Non-Union Employees
July 1, 2011	DPW Laborers/Parks/WPC Bargaining Unit
July 1, 2013	Police civilians Bargaining Unit
June 4, 2014	Board of Education No-Union Employees
July 1, 2014	Board of Education Cafeteria Employees
July 1, 2015	Board of Education Supervisors
July 1, 2016	Board of Education Nurses
July 1, 2016	Board of Education Librarians

TOWN OF VERNON, CONNECTICUT
NOTES TO THE BASIC FINANCIAL STATEMENTS *(Continued)*
AS OF AND FOR THE YEAR ENDED JUNE 30, 2017

NOTE 10 - EMPLOYEE RETIREMENT PLANS *(Continued)*

Defined Contribution Plans *(Continued)*

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:

Plan	Employee Contribution	Employer Contribution
DPW Clerical	0% - 7.5% of wages	2% of wages
	7.5% or more of wages	4% of wages
Professionals	0% - 7.5% of wages	2% of wages
	7.5% or more of wages	4% of wages
DPW Supervisors	0% - 7.5% of wages	2% of wages
	7.5% or more of wages	4% of wages
WPC Supervisors	0% - 7.5% of wages	2% of wages
	7.5% or more of wages	4% of wages
Town Non-Union	0% - 6.0% of wages	3% of wages
	6.0% or more of wages	5% of wages
DPW Laborers	0% - 7.5% of wages	2% of wages
	7.5% or more of wages	4% of wages
Police Civilians	0% - 7.5% of wages	2% of wages
	7.5% or more of wages	4% of wages
Education Non-Union	0% - 6.0% of wages	3% of wages
	6.0% or more of wages	5% of wages
Education Cafeteria	0% - 7.5% of wages	2% of wages
	7.5% or more of wages	4% of wages
Education Supervisors	0% - 7.5% of wages	2% of wages
	7.5% or more of wages	4% of wages
Education Nurses	0% - 7.5% of wages	2% of wages
	7.5% or more of wages	4% of wages
Education Librarians	0% - 7.5% of wages	2% of wages
	7.5% or more of wages	4% of wages

TOWN OF VERNON, CONNECTICUT
NOTES TO THE BASIC FINANCIAL STATEMENTS *(Continued)*
AS OF AND FOR THE YEAR ENDED JUNE 30, 2017

NOTE 10 - EMPLOYEE RETIREMENT PLANS *(Continued)*

Defined Contribution Plans *(Continued)*

Contributions *(Continued)*

Employee contributions and pension expense recognized by the employer for the year ended June 30, 2017 are as follows:

<u>Plan</u>	<u>Employee Contribution</u>	<u>Employer Pension Expense</u>
Professionals	\$ 50,641	\$ 33,448
Town Non-Union	41,543	35,384
DPW Laborers/Parks/WPC	81,497	44,048
Police Civilians	12,328	6,769
Education Non-Union	28,532	24,576
Education Cafeteria	1,092	437
Education Supervisors	5,164	4,601
Education Nurses	100	53

Vesting

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

Normal Retirement Age

DPW Supervisors become eligible to retire upon age 58 and 27 years of service. DPW Laborers / Parks / WPC employees are eligible to retire at age 55 and 5 years of service. All other participants become eligible to retire at age 62 with 10 years of service, with the exception of Cafeteria employees who become eligible to retire at age 65 with 10 years of service.

Assets

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

NOTE 11 - OTHER POST-EMPLOYMENT BENEFITS (OPEB)

Plan Description

Plan Administration

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

TOWN OF VERNON, CONNECTICUT
NOTES TO THE BASIC FINANCIAL STATEMENTS *(Continued)*
AS OF AND FOR THE YEAR ENDED JUNE 30, 2017

NOTE 11 - OTHER POST-EMPLOYMENT BENEFITS (OPEB) *(Continued)*

Plan Description *(Continued)*

Plan Membership

At July 1, 2016, plan membership consisted of the following:

	<u>Police</u>	<u>Town</u>	<u>Board of Education</u>	<u>Total</u>
Retired members	14	3	43	60
Spouses of retired members	2	1	10	13
Active employees	38	147	555	740
Beneficiaries	1	1	3	5
Total	<u>55</u>	<u>152</u>	<u>611</u>	<u>818</u>

Benefits Provided

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 agreements.

Contributions

Contribution requirements of the plan members and the Town are established in the provisions of the program and in accordance with State Statutes. The Town funds these benefits through contributions to an Other Post-Employment Benefits Trust Fund. Town contributions are based on an actuarially determined amount. Active employees are not required to contribute to the plan, however, retirees are required to contribute a portion of the cost of the benefits. For the year ended June 30, 2017, the Police, Town and Board of Education's contribution totaled \$660,185, which represented 1.26% of covered-employee payroll.

Summary of Significant Accounting Policies

The OPEB Plan is accounted for using the accrual basis of accounting. Plan member contributions are recognized in the period in which the contributions are due. Employer contributions to the OPEB Plan are recognized when due and the employer has made a formal commitment to provide contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of the OPEB Plan.

Investments - Investments are generally reported at fair value, except for investments in external investment pools. Securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates. Investment income is recognized when earned and gains and losses on sales or exchanges are recognized on the transaction date. Investments in external investment pools, which are permitted to measure their investment holdings at amortized costs, are measured by the OPEB Plan at the net asset value per share as determined by the pools.

TOWN OF VERNON, CONNECTICUT
NOTES TO THE BASIC FINANCIAL STATEMENTS *(Continued)*
AS OF AND FOR THE YEAR ENDED JUNE 30, 2017

NOTE 11 - OTHER POST-EMPLOYMENT BENEFITS (OPEB) *(Continued)*

Summary of Significant Accounting Policies *(Continued)*

Investment policy - The Town's policy in regard to the allocation of invested assets is established and may be amended by the Pension Board. The Town's Pension Board pursues an investment strategy that reduces risk through the prudent diversification of the portfolio across a broad selection of distinct asset classes, discourages the use of cash equivalents, except for liquidity purposes, and aims to refrain from dramatically shifting asset class allocations over short time spans.

Concentrations - As of June 30, 2017, more than 10% of the OPEB Plan's investments were invested in the Short-term Investment Fund (100%).

Rate of return - For the year ended June 30, 2017, the annual money-weighted rate of return on the OPEB Plan's investments, net of pension plan investment expense was 0.61%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Annual OPEB Cost and Net OPEB Obligation

The Town's annual OPEB cost (expense) is calculated based on the annual required contribution ("ARC"), an amount actuarially determined. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed thirty years. The following table shows the components of the Town's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the Town's net OPEB liability.

Annual required contribution	\$ 719,304
Interest on net OPEB obligation	170,869
Adjustment to annual required contribution	<u>(157,457)</u>
Annual OPEB cost (expense)	732,716
Contributions made	<u>(660,185)</u>
Increase in net OPEB obligation	72,531
Net OPEB obligation, beginning of year	<u>2,440,991</u>
Net OPEB obligation, end of year	<u><u>\$ 2,513,522</u></u>

The Town's annual OPEB cost, the percentage of annual OPEB cost contributed to the OPEB Plan, and the net OPEB obligation for the last three years is as follows:

Year Ended June 30	Annual OPEB Cost (A)	Total Contribution (B)	Percentage of Annual OPEB Cost Contributed (B/(A))	Net OPEB Obligation
2017	\$ 732,716	\$ 660,185	90.1%	\$ 2,513,522
2016	702,458	642,059	91.4%	2,440,991
2015	917,389	821,913	89.6%	2,380,592

TOWN OF VERNON, CONNECTICUT
NOTES TO THE BASIC FINANCIAL STATEMENTS *(Continued)*
AS OF AND FOR THE YEAR ENDED JUNE 30, 2017

NOTE 11 - OTHER POST-EMPLOYMENT BENEFITS (OPEB) *(Continued)*

Funded Status and Funding Progress

The funded status of the OPEB Plan as of July 1, 2016 was as follows:

Actuarial Valuation Date	Actuarial Value of Assets (A)	Actuarial Accrued Liability (AAL) - Entry Age Normal Cost Method (B)	Unfunded AAL (UAAL) (B-A)	Funded Ratio (A/B)	Covered Payroll (C)	Unfunded AAL as a % of Covered Payroll [(A-B)/C]
July 1, 2016	\$ 684,481	\$ 7,847,638	\$ (7,163,157)	8.7%	52,602,048	-13.6%

The projection of future benefit payments for an ongoing plan involves estimates of the value of reported amounts and assumptions about the probability of events in the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the Town are subject to continual revision, as actual results are compared with past expectations and new estimates are made about the future. The schedules of funding progress, presented as required supplementary information (RSI) following the notes to the financial statements, present multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Net OPEB Liability

The components of the Town's net OPEB liability related to its OPEB Plan as of June 30, 2017, was as follows:

Total OPEB liability	\$ 8,202,469
Plan fiduciary net position	893,686
Net OPEB liability	<u><u>\$ 7,308,783</u></u>
Plan fiduciary net position as a percentage of the total pension liability	10.90%

Actuarial Methods and Assumptions

Projections of benefits are based on the substantive plan (the plan as understood by the Town and plan members) and include the types of benefits in force at the valuation date and the pattern of sharing benefit costs between the Town and the 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 Town and plan members in the future. Actuarial calculations reflect a long-term perspective and employ methods and assumptions that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets.

TOWN OF VERNON, CONNECTICUT
NOTES TO THE BASIC FINANCIAL STATEMENTS *(Continued)*
AS OF AND FOR THE YEAR ENDED JUNE 30, 2017

NOTE 11 - OTHER POST-EMPLOYMENT BENEFITS (OPEB) *(Continued)*

Actuarial Methods and Assumptions *(Continued)*

The total OPEB liability was determined by an actuarial valuation date as of July 1, 2016, using the following actuarial assumptions, applied to all periods included in the measurement:

Investment rate of return	6.50%
Salary increases	3.50%
Healthcare cost trend rate:	
Initial	5.70%
Ultimate	4.70%

Mortality rates were based on the RP-2000 Combined Healthy Mortality Table for males and females projected forward 19 year using Scale AA, with a two year age setback, for all teachers and administrators and the RP-2000 Combined Healthy Mortality Table for males and females projected forward using Scale AA for all other employees.

The long-term expected rate of returns on OPEB Plan investments were determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the OPEB Plan's target asset allocation as of June 30, 2017 are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Arithmetic Rate of Return	Long-Term Expected Real Geometric Rate of Return
U.S. Cash	3.10%	0.59%	0.58%
U.S. Core Bonds	19.80%	2.56%	2.39%
Non-U.S. Bonds	3.40%	1.60%	1.01%
U.S. Large Caps	52.50%	4.86%	3.61%
Non-U.S. Equity	20.30%	6.34%	4.59%
Hedge FOF Conservative	0.90%	1.69%	1.51%

Discount rate - The discount rate used to measure the total OPEB liability was 6.5%. The projection of cash flows used to determine the discount rates assumed that plan member contributions will be made at the current contribution rates and that the Town's contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rates. Based on those assumptions, the OPEB Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rates of return on the OPEB Plan's investments were applied to all periods of projected benefit payments to determine the OPEB Plan's total OPEB liability.

TOWN OF VERNON, CONNECTICUT
NOTES TO THE BASIC FINANCIAL STATEMENTS *(Continued)*
AS OF AND FOR THE YEAR ENDED JUNE 30, 2017

NOTE 11 - OTHER POST-EMPLOYMENT BENEFITS (OPEB) *(Continued)*

Actuarial Methods and Assumptions *(Continued)*

Sensitivity of the net OPEB asset to changes in the discount rate - The following presents the Town's net OPEB asset for the OPEB Plan, calculated using the discount rate disclosed above, as well as what the Town's net OPEB liability would be for the OPEB Plan if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate:

	Discount Rates		
	1% Decrease (5.50%)	Current (6.50%)	1% Increase (7.50%)
Net OPEB liability as of June 30, 2017	\$ 8,279,131	\$ 7,308,783	\$ 6,475,428

Sensitivity of the net OPEB asset to changes in the healthcare cost trend rates - The following presents the Town's net OPEB asset for the OPEB Plan, calculated using the discount rate disclosed above, as well as what the Town's net OPEB liability would be for the OPEB Plan if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate:

	Healthcare Cost Trend Rates		
	1% Decrease (4.70% decreasing to 3.70%)	Current (5.70% decreasing to 4.70%)	1% Increase (6.70% decreasing to 5.70%)
Net OPEB liability as of June 30, 2017	\$ 6,283,951	\$ 7,308,783	\$ 8,535,306

NOTE 12 - 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 probable 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.

TOWN OF VERNON, CONNECTICUT
NOTES TO THE BASIC FINANCIAL STATEMENTS *(Continued)*
AS OF AND FOR THE YEAR ENDED JUNE 30, 2017

NOTE 12 - RISK MANAGEMENT *(Continued)*

A summary of claims activity for Workers' Compensation claims transactions the years ended June 30, 2017 and 2016 are as follows:

Year Ended June 30	Claims Payable, Beginning of Year	Claims and Changes in Estimates	Claims Paid	Claims Payable, End of Year
2017	\$ 1,312,820	\$ 1,931,050	\$ 574,971	\$ 2,668,899
2016	1,375,645	452,292	515,117	1,312,820

Claims payable at June 30, 2017 includes incurred, but not reported claims of \$669,766. Based on historical payment data, approximately 28.6% of claims payable will be paid during the following fiscal year. Thus, \$763,424 of claims payable is considered as a current liability and the remaining \$1,905,475 is considered as a long-term liability. Claims payable includes \$108,974 of estimated incremental claims adjustment expenses, net of estimated subrogation recoveries.

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, Vernon Cemetery Fund (Special Revenue Fund), 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 and Anthem for the costs of the claims and administrative expenses. At year end, claims payable represents the cost of claims incurred and paid by Maxor and Anthem that require reimbursement from the Town.

A summary of claims activity for Medical Self-Insurance claims transactions the years ended June 30, 2017 and 2016 are as follows:

Year Ended June 30	Claims Payable, Beginning of Year	Claims and Changes in Estimates	Claims Paid	Claims Payable, End of Year
2017	\$ 3,827	\$ 216,853	\$ 208,740	\$ 11,940
2016	13,311	209,036	218,520	3,827

TOWN OF VERNON, CONNECTICUT
NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)
AS OF AND FOR THE YEAR ENDED JUNE 30, 2017

NOTE 13 - FUND BALANCE

As of June 30, 2017, fund balances have been classified based on the following purposes:

	General Fund	Road Improvements Bond Fund	School Roof Replacements and Renovations Fund	Senior Center Acquisition and Renovations Fund	Nonmajor Governmental Funds	Total Governmental Funds
Nonspendable:						
Cemetery Trust	\$ -	\$ -	\$ -	\$ -	\$ 1,743,985	\$ 1,743,985
Inventories and prepaid items	595,917	-	-	-	31,507	627,424
	<u>595,917</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,775,492</u>	<u>2,371,409</u>
Restricted for:						
Donor purpose restrictions	-	-	-	-	712,370	712,370
Grant programs	-	-	-	-	550,518	550,518
Sewer assessment	-	-	-	-	28	28
Cemeteries	-	-	-	-	74,513	74,513
Housing and community development	-	-	-	-	119,000	119,000
Education grants	-	-	-	-	557,736	557,736
Adult education	-	-	-	-	41,238	41,238
Capital outlays	-	113,858	-	-	-	113,858
	<u>-</u>	<u>113,858</u>	<u>-</u>	<u>-</u>	<u>2,055,403</u>	<u>2,169,261</u>
Committed to:						
Sewer repairs and maintenance	-	-	-	-	1,821,903	1,821,903
Insurance and medical	-	-	-	-	535,321	535,321
Community development	-	-	-	-	287,712	287,712
Police	-	-	-	-	51,273	51,273
Ambulance	-	-	-	-	251,186	251,186
Animal control	-	-	-	-	47,453	47,453
Human services	-	-	-	-	85,845	85,845
Maintenance for water runoff	-	-	-	-	51,726	51,726
Parks and recreation programs	-	-	-	-	279,233	279,233
Sidewalk development	-	-	-	-	2,701	2,701
Capital outlays	-	-	146,149	-	2,710,871	2,857,020
	<u>-</u>	<u>-</u>	<u>146,149</u>	<u>-</u>	<u>6,125,224</u>	<u>6,271,373</u>
Assigned to:						
General government:						
Administration and finance	231,138	-	-	-	-	231,138
Data processing	178,033	-	-	-	-	178,033
Pension	66,828	-	-	-	-	66,828
Insurance	116,060	-	-	-	-	116,060
Community development:						
Planning	14,681	-	-	-	-	14,681
Public safety:						
Police	50,283	-	-	-	-	50,283
Fire	79,250	-	-	-	-	79,250
Street lights	79,126	-	-	-	-	79,126
Maintenance and development:						
Buildings, streets, grounds	274,707	-	-	-	-	274,707
Refuse and recycling	129,463	-	-	-	-	129,463
Human services:						
Social services	245	-	-	-	-	245
Youth services	2	-	-	-	-	2
Senior services	50	-	-	-	-	50
Health services	12,249	-	-	-	-	12,249
Parks and recreation:						
Parks supervision and maintenance	47,008	-	-	-	-	47,008
Education	1,069,248	-	-	-	-	1,069,248
Compensated absences	322,000	-	-	-	-	322,000
Debt payments	512,449	-	-	-	-	512,449
Miscellaneous	18,856	-	-	-	-	18,856
	<u>3,201,676</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,201,676</u>
Unassigned	15,410,513	-	-	(1,211,111)	(861,965)	13,337,437
	<u>\$ 19,208,106</u>	<u>\$ 113,858</u>	<u>\$ 146,149</u>	<u>\$ (1,211,111)</u>	<u>\$ 9,094,154</u>	<u>\$ 27,351,156</u>

TOWN OF VERNON, CONNECTICUT
NOTES TO THE BASIC FINANCIAL STATEMENTS *(Continued)*
AS OF AND FOR THE YEAR ENDED JUNE 30, 2017

NOTE 14 - COMMITMENTS AND CONTINGENCIES

There are several lawsuits pending against the Town. The outcome and eventual liability to the Town, if any, in these cases is not known by management. The Town's management believes it has meritorious defenses against these lawsuits and estimates that potential claims against the Town, not covered by insurance, resulting from such litigation would not have a material adverse effect on the financial condition of the Town.

The Town has received state and federal grants for specific purposes that are subject to review and audit by the grantor agencies. Such audits could lead to requests for reimbursement to the grantor agency for any expenditure disallowed under terms of the grant. Based on prior experience, Town management believes such disallowances, if any, would not have a material adverse effect on the financial condition of the Town.

NOTE 15 - TAX ABATEMENTS

By Ordinance, the Town established a Reduction in Assessment Program pursuant to Connecticut General Statute 12-121(e), as amended, authorizing the Town Council to enter into a tax abatement agreement with any party owning or proposing to acquire an interest in real property in town that is on the town's certified vacant buildings list. Applicants to the program are required to provide a business plan for the property to be renovated and submit a fiscal impact study to the Town Administrator who makes a recommendation to the Town Council as to the amount and duration of the tax abatement. The Town Council may approve the abatement recommendation by a majority vote. The abatement becomes effective upon renovation completion and issuance of a certificate of occupancy.

The following table indicates the minimum value of an improvement that qualifies for a reduction and the maximum reduction period. The Town Council shall determine the specific reduction of the tax assessment for each project based upon the benefits to the town.

<u>Cost of Improvements</u>	<u>Assessment Reduction</u>	<u>Term</u>
\$10 million and higher	Up to 100% of increased assessment	Up to 25 years
\$5 million - \$10 million	Up to 75% of increased assessment	Up to 15 years
\$1 million - \$5 million	Up to 50% of increased assessment	Up to 10 years
Less than \$1 million	Up to 25% of increased assessment	Up to 5 years

The Town has entered into the following active tax abatement agreements:

- Loom City Lofts LLC, with a 25-year duration. The amount of abated taxes range from \$7,500 in year 1 to \$15,246 in year 25. The amount of abated taxes for fiscal year 2016/17 were \$7,725. The abated taxes are per the 2nd year of the agreement.
- Shoppes at Eastview LLC, with a 7-year duration. The tax abatement for improvements will be 50% for the first four years of the agreement and 25% for the last three years of the agreement. The amount of abated taxes for fiscal year 2016/17 was \$16,514. The abated taxes are per the fourth year of the agreement.
- Olender Family Limited Partnership, with a 3-year duration. The tax abatement for improvements will be 50% in the first year of the agreement, 40% in the second year and 25% in the third year. The amount of abated taxes for fiscal year 2016/17 was \$3,815. The abated taxes are per the third year of the agreement.

TOWN OF VERNON, CONNECTICUT
NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)
AS OF AND FOR THE YEAR ENDED JUNE 30, 2017

NOTE 15 - TAX ABATEMENTS (Continued)

- Talcott Mill Landlord LLC, with a 20-year duration. The tax abatement for improvements will be 100% for the first 10 years of the agreement, 75% for years 11 to 15 and 50% for years 16 to 20. The effective date for tax abatement will be in fiscal year 2018/19.

Total tax abatements for year ended June 30, 2017 were \$28,054.

NOTE 16 - RECENTLY ISSUED ACCOUNTING STANDARDS

In June 2015, the GASB issued Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits other than Pensions*. This statement establishes new accounting and financial reporting requirements for OPEB plans and replaces the requirements of GASB Statements No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions, as amended*, and GASB Statement No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans, for OPEB*. The requirements of this statement are effective for the Town's reporting period beginning July 1, 2017. The Town has not yet determined the impact that this statement will have on its financial statements.

In March 2016, the GASB issued Statement No. 81, *Irrevocable Split-Interest Agreements*. This statement addresses accounting and financial reporting for irrevocable split-interest agreements by providing recognition and measurement guidance for situations in which a government is a beneficiary of the agreement. The requirements of this statement are effective for the Town's reporting period beginning July 1, 2017. The Town does not expect this statement to have a material effect on its financial statements.

In November 2016, the GASB issued Statement No. 83, *Certain Asset Retirement Obligations*. This Statement addresses accounting and financial reporting for certain asset retirement obligations. (AROs). An ARO is a legally enforceable liability associated with the retirement of a tangible capital asset. A government that has legal obligations to perform future asset retirement activities related to its tangible capital assets should recognize a liability based on the guidance in this Statement which (1) establishes criteria for determining the timing and pattern of recognition of a liability and a corresponding deferred outflow of resources for AROs, (2) requires the measurement of an ARO to be based on the best estimate of the current value of outlays expected to be incurred, and (3) requires the current value of a government's AROs to be adjusted for the effects of general inflation or deflation at least annually. The requirements of this statement are effective for the Town's reporting period beginning July 1, 2019. The Town does not expect this statement to have a material effect on its financial statements.

In January 2017, the GASB issued Statement No. 84, *Fiduciary Activities*. The objective of this Statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. This Statement establishes criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities. The requirements of this statement are effective for the Town's reporting period beginning July 1, 2019. The Town has not yet determined the impact that this statement might have on its financial statements.

TOWN OF VERNON, CONNECTICUT
NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)
AS OF AND FOR THE YEAR ENDED JUNE 30, 2017

NOTE 16 - RECENTLY ISSUED ACCOUNTING STANDARDS (Continued)

In March 2017, the GASB issued Statement No. 85, *Omnibus*. The objective of this Statement is to address practice issues that have been identified during implementation and application of certain GASB Statements. This Statement addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits (pensions and other postemployment benefits). The requirements of this statement are effective for the Town's reporting period beginning July 1, 2017. The Town does not expect this statement to have a material effect on its financial statements.

In May 2017, the GASB issued Statement No. 86, *Certain Debt Extinguishment Issues*. The primary objective of this Statement is to improve consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources—resources other than the proceeds of refunding debt—are placed in an irrevocable trust for the sole purpose of extinguishing debt. This Statement also improves accounting and financial reporting for prepaid insurance on debt that is extinguished and notes to financial statements for debt that is defeased in substance. The requirements of this statement are effective for the Town's reporting period beginning July 1, 2017. The Town does not expect this statement to have a material effect on its financial statements.

In June 2017, the GASB issued Statement No. 87, *Leases*. The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. The requirements of this statement are effective for the Town's reporting period beginning July 1, 2020. The Town has not yet determined the impact that this statement might have on its financial statements.

NOTE 17 - SUBSEQUENT EVENTS

On August 3, 2017, the Town issued \$4,400,000 of general obligation bonds at a net premium of \$199,166 to provide \$3,130,000 funding for Road Reconstruction and Improvements as authorized on January 28, 2014 at referendum and \$1,270,000 of funding for the Acquisition and Improvements to property known as 135 Bolton Road for use as a Senior Center as authorized on February 21, 2017 at referendum. The bonds, payable in installments over 15 years and maturing on August 1, 2032, were issued at a net interest cost of 2.30%. The \$3,130,000 of bond proceeds were used to retire a \$2,200,000 bond anticipation note that matured on August 3, 2017. Also on August 3, 2017, under the same authorizations and funding purposes, the Town issued \$3,325,000 of general obligation bond anticipation notes at a net interest cost of 1.025% with a maturity date of August 2, 2018. The notes were issued with a net premium of \$32,319. Of the \$3,325,000, \$1,525,000 were issued for Road Reconstruction and \$1,800,000 for Senior Center renovations and improvements.

REQUIRED SUPPLEMENTARY INFORMATION

TOWN OF VERNON, CONNECTICUT
SCHEDULE OF CHANGES IN NET PENSION LIABILITY - UNAUDITED
POLICE PENSION PLAN
LAST FOUR PLAN YEARS

	December 31,			
	2016	2015	2014	2013
Total pension liability				
Service cost	\$ 812,060	\$ 767,633	\$ 760,493	\$ 759,496
Interest	2,790,349	2,711,068	2,663,012	2,620,600
Differences between expected and actual experience	878,501	(304,928)	(288,635)	-
Changes of assumptions	-	1,833,919	1,214,064	-
Benefit payments, including refunds	(2,508,006)	(2,473,575)	(2,434,432)	(2,385,303)
Net change in total pension liability	1,972,904	2,534,117	1,914,502	994,793
Total pension liability - beginning	41,058,435	38,524,318	36,609,816	35,615,023
Total pension liability - ending	43,031,339	41,058,435	38,524,318	36,609,816
Plan fiduciary net position				
Contributions - employer	1,730,812	1,639,455	1,515,199	1,348,338
Contributions - members	364,862	370,334	358,642	368,533
Net investment income	1,352,877	176,500	1,092,203	2,874,222
Benefit payments, including refunds	(2,508,006)	(2,473,575)	(2,434,432)	(2,210,603)
Administrative expense	(70,666)	(49,744)	(70,783)	(67,398)
Net change in plan fiduciary net position	869,879	(337,030)	460,829	2,313,092
Plan fiduciary net position - beginning	19,263,107	19,600,137	19,139,308	16,826,216
Plan fiduciary net position - ending	20,132,986	19,263,107	19,600,137	19,139,308
Town's net pension liability	<u>\$ 22,898,353</u>	<u>\$ 21,795,328</u>	<u>\$ 18,924,181</u>	<u>\$ 17,470,508</u>
Plan fiduciary net position as a percentage of total pension liability	46.79%	46.92%	50.88%	52.28%
Covered employee payroll	\$ 4,866,463	\$ 4,747,257	\$ 4,549,520	\$ 4,390,111
Town's net pension liability as a percentage of covered employee payroll	470.53%	459.11%	415.96%	397.95%

NOTES TO SCHEDULE:

The Town began to report the schedule of changes in net pension liability when it implemented GASB Statement No. 67 in fiscal year 2014. This schedule is intended to present information for 10 years. Additional years will be presented as they become available. The plan year end is December 31.

Benefit Changes - None noted

Assumption Changes - There have been no changes to the actuarial assumptions for the current year. In 2015, the expected investment rate of return was decreased from 7.25% to 7.00% and in 2014 the expected investment rate of return was decreased from 7.5% to 7.25%.

See accompanying Independent Auditor's Report.

TOWN OF VERNON, CONNECTICUT
SCHEDULE OF CHANGES IN NET PENSION LIABILITY - UNAUDITED
TOWN PENSION PLAN
LAST FOUR PLAN YEARS

	December 31,			
	2016	2015	2014	2013
Total pension liability				
Service cost	\$ 1,510,406	\$ 1,464,780	\$ 1,396,502	\$ 1,355,480
Interest	5,055,024	4,604,469	4,540,614	4,472,890
Differences between expected and actual experience	1,507,303	135,086	(3,083,615)	-
Changes of assumptions	-	5,959,086	3,200,987	-
Benefit payments, including refunds	(3,781,356)	(3,280,576)	(2,935,096)	(2,814,688)
Net change in total pension liability	4,291,377	8,882,845	3,119,392	3,013,682
Total pension liability - beginning	74,529,518	65,646,673	62,527,281	59,513,599
Total pension liability - ending	78,820,895	74,529,518	65,646,673	62,527,281
Plan fiduciary net position				
Contributions - employer	2,575,719	2,383,370	2,135,571	1,883,779
Contributions - members	930,892	1,032,684	1,031,071	1,001,400
Net investment income	2,457,038	352,500	1,981,432	4,782,653
Benefit payments, including refunds	(3,781,356)	(3,280,577)	(2,935,096)	(2,664,672)
Administrative expense	(114,432)	(89,656)	(101,919)	(93,140)
Net change in plan fiduciary net position	2,067,861	398,321	2,111,059	4,910,020
Plan fiduciary net position - beginning	38,362,379	37,964,058	35,852,999	30,942,979
Plan fiduciary net position - ending	40,430,240	38,362,379	37,964,058	35,852,999
Town's net pension liability	<u>\$ 38,390,655</u>	<u>\$ 36,167,139</u>	<u>\$ 27,682,615</u>	<u>\$ 26,674,282</u>
Plan fiduciary net position as a percentage of total pension liability	51.29%	51.47%	57.83%	57.34%
Covered employee payroll	\$ 15,411,202	\$ 14,789,154	\$ 14,933,089	\$ 14,895,476
Town's net pension liability as a percentage of covered employee payroll	249.11%	244.55%	185.38%	179.08%

NOTES TO SCHEDULE:

The Town began to report the schedule of changes in net pension liability when it implemented GASB Statement No. 67 in fiscal year 2014. This schedule is intended to present information for 10 years. Additional years will be presented as they become available. The plan year end is December 31.

Benefit Changes - None noted

Assumption Changes - There have been no changes to the actuarial assumptions for the current year. In 2015, the expected investment rate of return was decreased from 7.25% to 7.00% and in 2014 the expected investment rate of return was decreased from 7.5% to 7.25%.

See accompanying Independent Auditor's Report.

TOWN OF VERNON, CONNECTICUT
SCHEDULE OF CHANGES IN NET PENSION LIABILITY - UNAUDITED
LOSAP RETIREMENT PLAN
LAST FOUR PLAN YEARS

	December 31,			
	2016	2015	2014	2013
Total pension liability				
Service cost	\$ 21,190	\$ 24,830	\$ 26,292	\$ 19,751
Interest	92,540	85,622	82,620	78,483
Differences between expected and actual experience	(27,545)	(13,707)	(31,211)	-
Benefit payments, including refunds	(36,536)	(33,270)	(29,764)	(19,718)
Net change in total pension liability	49,649	63,475	47,937	78,516
Total pension liability - beginning	1,397,364	1,333,889	1,285,952	1,207,436
Total pension liability - ending	1,447,013	1,397,364	1,333,889	1,285,952
Plan fiduciary net position				
Contributions - employer	52,289	39,924	37,752	34,172
Net investment income	135,693	(54,768)	54,828	204,365
Benefit payments, including refunds	(36,536)	(33,270)	(29,764)	(26,184)
Administrative expense	(18,545)	(18,745)	(18,516)	(15,668)
Net change in plan fiduciary net position	132,901	(66,859)	44,300	196,685
Plan fiduciary net position - beginning	1,441,953	1,508,812	1,464,512	1,267,827
Plan fiduciary net position - ending	1,574,854	1,441,953	1,508,812	1,464,512
Town's net pension liability	<u>\$ (127,841)</u>	<u>\$ (44,589)</u>	<u>\$ (174,923)</u>	<u>\$ (178,560)</u>
Plan fiduciary net position as a percentage of total pension liability	108.83%	103.19%	113.11%	113.89%
Covered employee payroll	Not applicable	Not applicable	Not applicable	Not applicable
Town's net pension liability as a percentage of covered employee payroll	Not applicable	Not applicable	Not applicable	Not applicable

NOTES TO SCHEDULE:

The Town began to report the schedule of changes in net pension liability when it implemented GASB Statement No. 67 in fiscal year 2014. This schedule is intended to present information for 10 years. Additional years will be presented as they become available. The plan year end is December 31.

Benefit Changes - None noted

Assumption Changes - There have been no changes to the actuarial assumptions for the current year.

See accompanying Independent Auditor's Report.

TOWN OF VERNON, CONNECTICUT
SCHEDULE OF CONTRIBUTIONS AND INVESTMENT RETURNS - UNAUDITED
POLICE PENSION PLAN
LAST FOUR FISCAL YEARS

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Actuarially determined contribution	\$ 1,730,812	\$ 1,639,455	\$ 1,515,199	\$ 1,348,338
Contributions in relation to the actuarially determined contribution	<u>1,730,812</u>	<u>1,639,455</u>	<u>1,515,199</u>	<u>1,348,338</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered employee payroll	\$ 4,866,463	\$ 4,747,257	\$ 4,549,520	\$ 4,390,111
Contributions as a percentage of covered employee payroll	35.57%	34.53%	33.30%	30.71%
Annual money-weighted rate of return, net of investment expense	6.80%	0.20%	5.90%	14.60%

NOTES TO SCHEDULE:

The Town began to report the schedule of contributions and investment returns when it implemented GASB Statement No. 67 in fiscal year 2014. This schedule is intended to present information for 10 years. Additional years will be presented as they become available.

Actuarially determined contribution rates are calculated as of January 1, six months prior to the end of the fiscal year in which contributions are reported.

Methods and assumptions used to determine contribution rates:

Actuarial cost method:	Projected Unit Credit
Amortization method:	Level dollar, closed
Remaining amortization period:	26 years
Asset valuation method:	5-year smoothed market
Inflation:	1.50%
Investment rate of return:	7.00%
Salary increases, including inflation:	2.50%

See accompanying Independent Auditor's Report.

TOWN OF VERNON, CONNECTICUT
SCHEDULE OF CONTRIBUTIONS AND INVESTMENT RETURNS - UNAUDITED
TOWN PENSION PLAN
LAST FOUR FISCAL YEARS

	2017	2016	2015	2014
Actuarially determined contribution	\$ 2,525,719	\$ 2,383,370	\$ 2,135,571	\$ 1,883,779
Contributions in relation to the actuarially determined contribution	<u>2,575,719</u>	<u>2,383,370</u>	<u>2,135,571</u>	<u>1,883,779</u>
Contribution deficiency (excess)	<u>\$ (50,000)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered employee payroll	\$ 15,411,202	\$ 14,789,154	\$ 14,933,089	\$ 14,895,476
Contributions as a percentage of covered employee payroll	16.71%	16.12%	14.30%	12.65%
Annual money-weighted rate of return, net of investment expense	6.20%	0.20%	7.00%	13.50%

NOTES TO SCHEDULE:

The Town began to report the schedule of contributions and investment returns when it implemented GASB Statement No. 67 in fiscal year 2014. This schedule is intended to present information for 10 years. Additional years will be presented as they become available.

Actuarially determined contribution rates are calculated as of January 1, six months prior to the end of the fiscal year in which contributions are reported.

Methods and assumptions used to determine contribution rates:

Actuarial cost method:	Projected Unit Credit
Amortization method:	Level dollar, closed
Remaining amortization period:	26 years
Asset valuation method:	5-year smoothed market
Inflation:	1.50%
Investment rate of return:	7.00%
Salary increases, including inflation:	3.00%

See accompanying Independent Auditor's Report.

TOWN OF VERNON, CONNECTICUT
SCHEDULE OF CONTRIBUTIONS AND INVESTMENT RETURNS - UNAUDITED
LOSAP RETIREMENT PLAN
LAST FOUR FISCAL YEARS

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Actuarially determined contribution	\$ 52,289	\$ 39,924	\$ 37,752	\$ 34,172
Contributions in relation to the actuarially determined contribution	<u>52,289</u>	<u>39,924</u>	<u>37,752</u>	<u>34,172</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered employee payroll	Not applicable	Not applicable	Not applicable	Not applicable
Contributions as a percentage of covered employee payroll	Not applicable	Not applicable	Not applicable	Not applicable
Annual money-weighted rate of return, net of investment expense	8.10%	-4.87%	2.48%	12.39%

NOTES TO SCHEDULE:

The Town began to report the schedule of contributions and investment returns when it implemented GASB Statement No. 67 in fiscal year 2014. This schedule is intended to present information for 10 years. Additional years will be presented as they become available.

Actuarially determined contribution rates are calculated as of July 1, prior to the end of the fiscal year in which contributions are reported.

Methods and assumptions used to determine contribution rates:

Actuarial cost method:	Frozen entry age
Amortization method:	Level dollar, closed
Remaining amortization period:	0 years
Asset valuation method:	Fair Value
Inflation:	N/A
Investment rate of return:	6.50%
Salary increases, including inflation:	N/A

See accompanying Independent Auditor's Report.

TOWN OF VERNON, CONNECTICUT
SCHEDULE OF THE TOWN'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY - UNAUDITED
CONNECTICUT STATE TEACHERS' RETIREMENT SYSTEM
LAST THREE FISCAL YEARS
(Dollar amounts rounded to nearest thousand)

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Proportion of the net pension liability attributed to the Town	0.62%	0.67%	0.67%
Town's proportionate share of the net pension liability	\$ -	\$ -	\$ -
State's proportionate share of the net pension liability attributed to the Town	88,052,000	73,579,000	68,009,000
Total	<u>\$ 88,052,000</u>	<u>\$ 73,579,000</u>	<u>\$ 68,009,000</u>
Town's covered payroll	(1) Not applicable	Not applicable	Not applicable
Town's proportionate share of the net pension liability as a percentage of its covered payroll	0.0%	0.0%	0.0%
Plan fiduciary net position as a percentage of the total pension liability	52.26%	59.50%	61.51%

(1) Not applicable since 0.0% proportional share of the net pension liability.

NOTES TO SCHEDULE:

The Town began to report this schedule when it implemented GASB Statement No. 68 in fiscal year 2015. This schedule is intended to present information for 10 years. Additional years will be presented as they become available.

The total pension liability reported for each fiscal year is based on a measurement date as of the end of the prior fiscal year (i.e. the total pension liability reported for 2017 is based on a June 30, 2016 measurement date).

Benefit Changes - There were no changes in benefit terms that affected the measurement of the total pension liability.

Changes in assumptions : Since the prior valuation in 2015, new assumptions were adopted. Specifically:

1. Inflation rate reduced from 3.00% to 2.75%.
2. Real rate of return assumption was reduced from 5.50% to 5.25%, which when combined with the inflation assumption change results in a decrease in the investment rate of return assumption from 8.50% to 8.00%.
3. The annual rate of wage increase assumption was reduced from 0.75% to 0.50%.
4. The payroll growth assumption was reduced from 3.75% to 3.25%.
3. Various demographic assumption changes utilizing the RPH-2014 mortality tables.

See accompanying Independent Auditor's Report.

TOWN OF VERNON, CONNECTICUT
SCHEDULES OF FUNDING PROGRESS AND EMPLOYER CONTRIBUTIONS - UNAUDITED
OTHER POST-EMPLOYMENT BENEFITS PLAN
LAST FIVE ACTUARIAL VALUATIONS

Schedule of Funding Progress						
Actuarial Valuation Date	Actuarial Value of Assets (A)	Actuarial Accrued Liability (AAL) - Entry Age normal (B)	Unfunded AAL (UAAL) (B-A)	Funded Ratio (A/B)	Covered Payroll (C)	UAAL as a Percentage of Covered Payroll ((B-A)/C)
July 1, 2008	\$ -	\$ 13,393,000	\$ (13,393,000)	0.0%	Unavailable	Unavailable
July 1, 2010	-	10,355,000	(10,355,000)	0.0%	Unavailable	Unavailable
July 1, 2012	77,009	8,200,976	(8,123,967)	0.9%	Unavailable	Unavailable
July 1, 2014	237,033	6,451,198	(6,214,165)	3.7%	42,337,825	-14.7%
July 1, 2016	684,481	7,847,638	(7,163,157)	8.7%	52,602,048	-13.6%

Schedule of Employer Contributions				
Year Ended June 30	Annual		Percentage	
	Required Contribution	Actual Contribution	Contribution	
2009	\$ 1,073,000	\$ 545,000	51%	
2010	1,117,000	649,000	58%	
2011	1,162,000	739,000	64%	
2012	1,023,000	722,000	71%	
2013	1,074,000	791,000	74%	
2014	852,522	640,029	75%	
2015	896,019	821,913	92%	
2016	684,579	642,059	94%	
2017	719,304	660,185	92%	

See accompanying Independent Auditor's Report.

TOWN OF VERNON, CONNECTICUT
SCHEDULE OF CHANGES IN NET OPEB LIABILITY - UNAUDITED
OTHER POST-EMPLOYMENT BENEFITS PLAN
LAST FISCAL YEAR

	2017
Total OPEB liability	
Service cost	\$ 295,287
Interest	514,729
Changes in benefit terms	-
Differences between expected and actual experience	-
Changes of assumptions	-
Benefit payments, including refunds	(455,185)
Net change in total OPEB liability	354,831
Total OPEB liability - beginning	7,847,638
Total OPEB liability - ending	8,202,469
Plan fiduciary net position	
Contributions - employer	660,185
Contributions - active members	-
Contributions - retirees' subsidies	-
Net investment income	4,205
Benefit payments, including refunds	(455,185)
Net change in plan fiduciary net position	209,205
Plan fiduciary net position - beginning	684,481
Plan fiduciary net position - ending	893,686
Town's net OPEB liability	\$ 7,308,783
Plan fiduciary net position as a percentage of total OPEB liability	10.90%
Covered employee payroll	\$ 52,602,048
Town's net OPEB liability as a percentage of covered employee payroll	13.89%

NOTES TO THE SCHEDULE:

The Town began to report this schedule when it implemented GASB Statement No. 74 in fiscal year 2017. This schedule is intended to present information for 10 years. Additional years will be presented as they become available.

See accompanying Independent Auditor's Report.

TOWN OF VERNON, CONNECTICUT
SCHEDULE OF CONTRIBUTIONS AND INVESTMENT RETURNS - UNAUDITED
OTHER POST-EMPLOYMENT BENEFITS PLAN
LAST FISCAL YEAR

	<u>2017</u>
Actuarially determined contribution	\$ 719,304
Contributions in relation to the actuarially determined contribution	<u>660,185</u>
Contribution deficiency (excess)	<u><u>\$ 59,119</u></u>
Covered employee payroll	\$ 52,602,048
Contributions as a percentage of covered employee payroll	1.26%
Annual money-weighted rate of return, net of investment expense	0.61%

NOTES TO THE SCHEDULE:

The Town began to report this schedule when it implemented GASB Statement No. 74 in fiscal year 2017. This schedule is intended to present information for 10 years. Additional years will be presented as they become available.

Actuarially determined contribution rates are calculated as of July 1, two years prior to the end of the fiscal year in which contributions are reported.

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry Age Normal
Amortization method	Level percentage of salary, closed
Remaining amortization period	21 years (as of July 1, 2016)
Asset valuation method	Market Value
Inflation	2.75%
Investment rate of return	6.50%
Healthcare cost trend rates	5.70%, current 4.70%, final
Mortality	RP-2000 Combined Health Mortality Table for males and females projected forward 19 years using Scale AA, with a two-year age setback

See accompanying Independent Auditor's Report.

COMBINING AND INDIVIDUAL FUND STATEMENTS AND 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 SHEETS
JUNE 30, 2017 AND 2016

	<u>2017</u>	<u>2016</u>
ASSETS		
Cash and cash equivalents	\$ 15,394,454	\$ 13,861,671
Receivables:		
Property taxes, net	1,285,423	1,491,096
Grants and contracts	20,537	28,005
Other	25,159	41,488
Due from other funds	5,309,418	5,417,912
Prepaid items	595,917	-
Total assets	<u><u>\$ 22,630,908</u></u>	<u><u>\$ 20,840,172</u></u>
LIABILITIES		
Accounts payable	\$ 958,331	\$ 1,374,472
Accrued liabilities	341,339	672,962
Due to other funds	767,767	667,277
Unearned revenue	311,535	-
Total liabilities	<u><u>2,378,972</u></u>	<u><u>2,714,711</u></u>
DEFERRED INFLOWS OF RESOURCES		
Unavailable revenues	<u>1,043,830</u>	<u>1,165,205</u>
FUND BALANCES		
Nonspendable	595,917	-
Assigned	3,201,676	2,729,466
Unassigned	15,410,513	14,230,790
Total fund balances	<u>19,208,106</u>	<u>16,960,256</u>
Total liabilities, deferred inflows of resources, and fund balances	<u><u>\$ 22,630,908</u></u>	<u><u>\$ 20,840,172</u></u>

See accompanying Independent Auditor's Report .

TOWN OF VERNON, CONNECTICUT
SCHEDULE OF REVENUES AND OTHER FINANCING SOURCES
BUDGET AND ACTUAL - BUDGETARY BASIS - GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2017

	Budgeted Amounts			Variance With Final Budget Over (Under)
	Original	Final	Actual	
Property Taxes:				
Current year taxes	\$ 65,338,608	\$ 65,338,608	\$ 65,949,050	\$ 610,442
Prior year taxes	390,400	390,400	618,654	228,254
Supplemental motor vehicle tax	687,300	687,300	987,808	300,508
Interest and lien fees	360,700	360,700	394,169	33,469
Warrant revenue	7,000	7,000	6,636	(364)
Liens	4,000	4,000	6,288	2,288
Proceeds from tax lien sale	-	-	31	31
Total property taxes	66,788,008	66,788,008	67,962,636	1,174,628
Intergovernmental:				
Civil preparedness grant	14,250	14,250	13,111	(1,139)
Bullet Proof Vest grant	2,000	2,000	4,757	2,757
Education cost sharing	17,643,727	17,643,727	17,626,225	(17,502)
Vocational Agriculture	107,667	107,667	107,667	-
Special Education Excess Student Based	-	-	75,347	75,347
Regular Education State Agency Placement	-	-	181,272	181,272
Medicaid reimbursement	100,000	100,000	100,000	-
PILOT - Colleges and hospitals	317,760	317,760	317,760	-
PILOT - State owned property	113,496	113,496	113,496	-
PILOT - Shelter rent	68,000	68,000	76,521	8,521
Tax relief - Elderly circuit breaker	142,000	142,000	130,566	(11,434)
Tax relief - Disability exemption	3,300	3,300	3,070	(230)
Tax relief - Veterans exemption	20,000	20,000	20,512	512
Mashantucket Pequot and Mohegan grant	158,914	158,914	158,914	-
Telephone tax sharing	56,000	56,000	52,773	(3,227)
MRSA Sales Tax Sharing	641,027	641,027	641,027	-
Judicial reimbursements - Parking	50	50	250	200
Judicial reimbursements	530	530	1,080	550
Special reimbursements - Permits	120	120	110	(10)
Drug Enforcement Grant	-	-	17,753	17,753
Driving Under the Influence grant	20,000	20,000	8,173	(11,827)
Motor Vehicle Violation surcharge	10,000	10,000	12,810	2,810
Historic Document Preservation Grant	5,000	5,000	5,000	-
Other - State grants	9,438	9,438	20,436	10,998
Total intergovernmental revenue	19,433,279	19,433,279	19,688,630	255,351
Charges for Services:				
Town Clerk recording fees	425,000	425,000	540,017	115,017
Historic document preservation	10,000	10,000	9,591	(409)
Farmland Preservation surcharge	-	-	122,369	122,369
State Treasurer - MERS	20,655	20,655	80,863	60,208
Printing and copying fees	600	600	530	(70)
Finance administration fee	11,000	11,000	11,000	-
Planning and zoning fees	7,000	7,000	8,855	1,855
Conservation fees	2,000	2,000	931	(1,069)
Assessor fees	800	800	744	(56)
Police - Special services	10,000	10,000	178,826	168,826
Fingerprint fees	3,000	3,000	7,230	4,230
Other Public Safety	1,000	1,000	-	(1,000)
Fire Marshal - services	200	200	224	24
Refuse Energy Community Outreach	-	-	20,000	20,000
Recycling	25,000	25,000	21,791	(3,209)

Continued

See accompanying Independent Auditor's Report.

TOWN OF VERNON, CONNECTICUT
SCHEDULE OF REVENUES AND OTHER FINANCING SOURCES
BUDGET AND ACTUAL - BUDGETARY BASIS - GENERAL FUND (Continued)
FOR THE YEAR ENDED JUNE 30, 2017

	Budgeted Amounts			Variance With Final Budget Over (Under)
	Original	Final	Actual	
Charges for services <i>(continued)</i> :				
Recycling bin promotion	\$ 3,000	\$ 3,000	\$ 3,240	\$ 240
Bulky waste pickup	14,000	14,000	17,145	3,145
Other maintenance and development	7,500	7,500	3,636	(3,864)
Client Reimbursements	-	-	4,000	4,000
Yankee Gas - administrative allocation	600	600	1,420	820
Energy application administration	9,271	9,271	8,850	(421)
Housing Rehab Administration	600	600	578	(22)
Tuition - Special education	82,000	82,000	-	(82,000)
Tuition - Vo-ag	220,000	220,000	195,318	(24,682)
Tuition - Special education Vo-ag	35,000	35,000	57,980	22,980
Other - Education community	20,000	20,000	41,920	21,920
Total charges for services	908,226	908,226	1,337,058	428,832
Licenses and permits:				
Building permits	550,000	550,000	698,968	148,968
Zoning Review	500	500	900	400
ZBA Fees	1,400	1,400	2,605	1,205
Zoning Permits	5,000	5,000	7,225	2,225
Town Clerk - License surcharge	2,000	2,000	1,786	(214)
Refuse licensing	6,000	6,000	8,000	2,000
Transfer station permits	72,000	72,000	66,960	(5,040)
Driveway & road cut permits	8,000	8,000	14,300	6,300
Total licenses and permits	644,900	644,900	800,744	155,844
Fines and penalties:				
Parking tags	8,000	8,000	4,691	(3,309)
Zoning citations	35,000	35,000	17,025	(17,975)
Total fines and penalties	43,000	43,000	21,716	(21,284)
Investment income:				
General Fund	20,000	20,000	28,277	8,277
Teachers' Retirement Board	10	10	-	(10)
Total investment income	20,010	20,010	28,277	8,267
Other revenue:				
Purchasing Card Reimbursement	20,000	20,000	20,550	550
Rental income - Annex	24,000	24,000	24,000	-
Rental management fee	50,000	50,000	50,000	-
Rental income other	16,000	16,000	8,912	(7,088)
Proceeds from sale of property	20,000	20,000	4,332	(15,668)
Medical insurance reimbursement	206,611	206,611	202,280	(4,331)
Vision insurance reimbursements	7,200	7,200	6,180	(1,020)
Insurance reimbursements	-	-	19,798	19,798
Gasoline reimbursement	100,000	100,000	58,617	(41,383)
Lease - Ellington pump station	6,600	6,600	6,952	352
Education	36,200	36,200	36,400	200
Miscellaneous	20,000	20,000	18,792	(1,208)
Total other revenues	506,611	506,611	456,813	(49,798)
Total revenues	88,344,034	88,344,034	90,295,874	1,951,840

Continued

See accompanying Independent Auditor's Report.

TOWN OF VERNON, CONNECTICUT
SCHEDULE OF REVENUES AND OTHER FINANCING SOURCES
BUDGET AND ACTUAL - BUDGETARY BASIS - GENERAL FUND (Concluded)
FOR THE YEAR ENDED JUNE 30, 2017

	Budgeted Amounts		Actual	Variance With Final Budget Over (Under)
	Original	Final		
Other Financing Sources:				
Appropriation of Fund Balance	\$ 422,225	\$ 1,269,654	\$ -	\$ (1,269,654)
Reappropriation of Prior Year Encumbrances	-	2,206,390	-	(2,206,390)
Transfers in:				
Special Revenue Funds	144,550	144,550	72,366	(72,184)
Debt Service Fund	150	150	920	770
Total other financing sources	<u>566,925</u>	<u>3,620,744</u>	<u>73,286</u>	<u>(3,547,458)</u>
Total revenues and other financing sources	<u>\$ 88,910,959</u>	<u>\$ 91,964,778</u>	<u>\$ 90,369,160</u>	<u>\$ (1,595,618)</u>
				<i>Concluded</i>

See accompanying Independent Auditor's Report.

TOWN OF VERNON, CONNECTICUT
SCHEDULE OF EXPENDITURES AND OTHER FINANCING USES
BUDGET AND ACTUAL - BUDGETARY BASIS - GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2017

	Budgeted Amounts		Actual	Outstanding	Total	Variance With
	Original	Final	Expenditures	Encumbrances	Expenditures and Encumbrances	Final Budget Over (Under)
General Government:						
Town Council	\$ 12,165	\$ 14,691	\$ 6,742	\$ 1,960	\$ 8,702	\$ (5,989)
Probate court	13,655	16,688	11,242	4,791	16,033	(655)
Executive and administrative	692,365	743,919	696,244	28,978	725,222	(18,697)
Law	167,000	209,410	180,244	26,806	207,050	(2,360)
Registration	79,475	85,575	77,425	6,297	83,722	(1,853)
Elections - general	42,700	51,383	50,022	1,184	51,206	(177)
Elections - primary	1	2,037	-	2,036	2,036	(1)
Elections - referendum	6,500	6,200	5,302	600	5,902	(298)
Finance administration	507,619	543,998	532,845	9,022	541,867	(2,131)
Independent audit	54,775	55,135	55,135	-	55,135	-
Treasury	6,360	51,234	6,360	44,874	51,234	-
Purchasing	9,745	15,617	9,446	6,045	15,491	(126)
Assessment	276,969	291,997	280,076	8,538	288,614	(3,383)
Refunds - tax adjustments	17,000	46,500	41,225	-	41,225	(5,275)
Collector of Revenue	230,779	252,525	217,704	30,720	248,424	(4,101)
Revaluation	1,988	23,570	23,570	-	23,570	-
Town Clerk	266,442	494,903	425,164	59,287	484,451	(10,452)
Board of Assessment Appeals	2,800	2,800	2,798	-	2,798	(2)
Water Pollution Control Authority	7,235	7,235	7,235	-	7,235	-
Greater Hartford Transit District	4,085	4,085	4,085	-	4,085	-
Data processing	1,007,942	1,194,549	1,013,018	178,033	1,191,051	(3,498)
Total General Government	3,407,600	4,114,051	3,645,882	409,171	4,055,053	(58,998)
Community Development:						
Town planner - administrator	168,793	177,368	161,591	14,681	176,272	(1,096)
Community & economic development	88,273	97,629	97,628	-	97,628	(1)
Total Community Development	257,066	274,997	259,219	14,681	273,900	(1,097)
Public Safety:						
Police	6,206,462	6,487,964	6,356,733	50,283	6,407,016	(80,948)
School crossing guards	62,120	62,120	57,600	-	57,600	(4,520)
Traffic authority	206,000	267,017	179,966	79,126	259,092	(7,925)
Fire fighting and administration	580,465	605,501	550,855	30,770	581,625	(23,876)
Fire hydrants	688,000	766,307	717,730	48,330	766,060	(247)
Fire Marshal	140,437	155,344	154,939	150	155,089	(255)

Continued

See accompanying Independent Auditor's Report.

TOWN OF VERNON, CONNECTICUT
SCHEDULE OF EXPENDITURES AND OTHER FINANCING USES
BUDGET AND ACTUAL - BUDGETARY BASIS - GENERAL FUND (Continued)
FOR THE YEAR ENDED JUNE 30, 2017

	Budgeted Amounts		Actual	Outstanding	Total	Variance With
	Original	Final	Expenditures	Encumbrances	Expenditures and Encumbrances	Final Budget Over (Under)
Public Safety (Continued) :						
Building inspection	\$ 404,944	\$ 367,254	\$ 334,683	\$ 1,283	\$ 335,966	\$ (31,288)
Emergency Management	56,470	57,470	44,871	1,000	45,871	(11,599)
Animal control	131,804	135,736	135,665	-	135,665	(71)
Total Public Safety	8,476,702	8,904,713	8,533,042	210,942	8,743,984	(160,729)
Maintenance and Development:						
Public Works administration	692,802	704,229	697,444	2,796	700,240	(3,989)
General maintenance	1,323,950	1,366,131	1,281,170	37,809	1,318,979	(47,152)
Equipment maintenance	754,718	813,676	704,103	35,928	740,031	(73,645)
Maintenance of gov't buildings	776,455	791,805	772,373	16,338	788,711	(3,094)
Snow removal	186,970	377,557	362,035	11,836	373,871	(3,686)
Refuse collection and disposal	1,016,571	1,040,250	934,097	101,140	1,035,237	(5,013)
Recycling	333,323	381,222	349,123	28,323	377,446	(3,776)
Condominium refuse	4,724	4,724	4,646	-	4,646	(78)
Tree Warden	15,150	16,650	14,379	1,659	16,038	(612)
Leaf collection program	123,289	123,777	119,250	522	119,772	(4,005)
Engineering admin. services	299,530	319,311	265,962	5,642	271,604	(47,707)
Total Maintenance and Development	5,527,482	5,939,332	5,504,582	241,993	5,746,575	(192,757)
Human Services:						
North Central Health District	135,888	135,888	135,888	-	135,888	-
Visiting Nurses and Health Services	12,249	14,433	2,184	12,249	14,433	-
Hockanum Valley Community Council	180,000	180,000	180,000	-	180,000	-
Child Guidance Clinic	5,500	5,500	5,500	-	5,500	-
Exchange Club-Prevent Child Abuse	6,000	6,000	6,000	-	6,000	-
MARC, Inc. of Manchester	5,000	5,000	5,000	-	5,000	-
Shelter Services	7,200	7,200	3,850	-	3,850	(3,350)
Hartford Interval House	2,500	2,500	2,500	-	2,500	-
YWCA Sexual Assault Services	2,000	2,000	2,000	-	2,000	-
Social services administration	253,810	253,841	224,267	245	224,512	(29,329)
Youth services	209,580	233,818	216,113	2	216,115	(17,703)
Senior center	142,208	142,208	132,488	50	132,538	(9,670)
Total Human Services	961,935	988,388	915,790	12,546	928,336	(60,052)
						Continued

See accompanying Independent Auditor's Report.

TOWN OF VERNON, CONNECTICUT
SCHEDULE OF EXPENDITURES AND OTHER FINANCING USES
BUDGET AND ACTUAL - BUDGETARY BASIS - GENERAL FUND (Continued)
FOR THE YEAR ENDED JUNE 30, 2017

	Budgeted Amounts		Actual	Outstanding	Total	Variance With
	Original	Final	Expenditures	Encumbrances	Expenditures and Encumbrances	Final Budget Over (Under)
Parks, Recreation and Culture:						
Recreation administration	\$ 358,292	\$ 360,159	\$ 314,450	\$ 1,018	\$ 315,468	\$ (44,691)
Public celebration	14,500	23,840	22,427	-	22,427	(1,413)
Parks maintenance	696,289	709,372	679,704	24,620	704,324	(5,048)
Art commission	4,840	4,840	4,784	-	4,784	(56)
Historical Society	6,300	6,300	6,300	-	6,300	-
Rockville Public Library	460,000	460,000	460,000	-	460,000	-
Invasive aquatic plant management	14,000	29,770	8,400	21,370	29,770	-
Total Parks, Recreation and Culture	1,554,221	1,594,281	1,496,065	47,008	1,543,073	(51,208)
Townwide:						
Social Security and Medicare	1,030,390	1,011,690	978,251	-	978,251	(33,439)
Pension	3,168,190	3,182,175	3,115,347	66,828	3,182,175	-
Group insurance	2,699,948	2,719,859	2,595,280	103,157	2,698,437	(21,422)
Unemployment compensation	24,000	29,826	16,923	12,903	29,826	-
Municipal insurance	1,020,692	1,077,590	1,075,139	-	1,075,139	(2,451)
Contingency	221,700	63,680	345	-	345	(63,335)
Housing Authority sewer subsidy	50,450	56,086	47,336	8,750	56,086	-
Vernon Cemetery Commission	188,603	188,603	188,603	-	188,603	-
Total Townwide	8,403,973	8,329,509	8,017,224	191,638	8,208,862	(120,647)
Debt Service:						
Principal	3,907,392	4,099,456	3,505,186	335,064	3,840,250	(259,206)
Interest	1,559,644	1,629,730	1,405,678	177,385	1,583,063	(46,667)
Total Debt Service	5,467,036	5,729,186	4,910,864	512,449	5,423,313	(305,873)
Capital Improvements - Town	308,475	437,615	257,845	170,000	427,845	(9,770)
Education:						
Regular instruction	17,670,290	17,065,066	17,081,640	23,417	17,105,057	39,991
Special Education instruction	5,885,634	5,838,514	5,729,754	5,066	5,734,820	(103,694)
Continuing Education	226,371	226,371	226,371	-	226,371	-
Special Education program support	3,256,217	3,032,769	3,280,481	300	3,280,781	248,012
Social Work services	800	800	1,378	-	1,378	578

Continued

See accompanying Independent Auditor's Report.

TOWN OF VERNON, CONNECTICUT
SCHEDULE OF EXPENDITURES AND OTHER FINANCING USES
BUDGET AND ACTUAL - BUDGETARY BASIS - GENERAL FUND (Concluded)
FOR THE YEAR ENDED JUNE 30, 2017

	Budgeted Amounts		Actual	Outstanding	Total	Variance With
	Original	Final	Expenditures	Encumbrances	Expenditures and Encumbrances	Final Budget Over (Under)
Education (Continued) :						
Guidance services	\$ 656,512	\$ 686,130	\$ 679,934	\$ -	\$ 679,934	\$ (6,196)
Health services	454,266	502,268	497,578	861	498,439	(3,829)
Psychological services	545,154	579,393	579,361	-	579,361	(32)
Speech pathology & audio services	483,796	538,690	538,402	-	538,402	(288)
Instructional program support	157,530	87,592	81,350	-	81,350	(6,242)
Library / Media services	356,779	356,985	336,829	-	336,829	(20,156)
Curriculum development	742,235	1,460,455	1,170,971	293,522	1,464,493	4,038
Superintendent's office	710,758	741,326	737,790	552	738,342	(2,984)
Board of Education - Elected	130,805	116,485	111,660	3,500	115,160	(1,325)
Principal office services	2,449,597	2,346,529	2,313,757	2,500	2,316,257	(30,272)
Business office	784,858	1,021,610	968,103	16,555	984,658	(36,952)
Building / Plant operations	4,266,290	5,519,339	4,810,849	657,919	5,468,768	(50,571)
Logistics and safety	-	288,352	223,314	62,365	285,679	(2,673)
Student transportation services	2,492,612	2,713,585	2,697,493	2,552	2,700,045	(13,540)
General control	66,924	64,068	66,719	-	66,719	2,651
Information systems	863,879	1,007,569	1,007,569	-	1,007,569	-
System-wide fringe benefits	9,185,529	8,323,115	8,331,545	-	8,331,545	8,430
Extra curricular student activities	555,673	553,601	528,644	139	528,783	(24,818)
Reserve for negotiation	176,756	31,796	31,796	-	31,796	-
Total Education	<u>52,119,265</u>	<u>53,102,408</u>	<u>52,033,288</u>	<u>1,069,248</u>	<u>53,102,536</u>	<u>128</u>
Total Expenditures	<u>86,483,755</u>	<u>89,414,480</u>	<u>85,573,801</u>	<u>2,879,676</u>	<u>88,453,477</u>	<u>(961,003)</u>
Other Financing Uses:						
Transfers Out:						
Special Revenue Funds	44,500	55,072	55,071	-	55,071	(1)
Capital Projects Funds	1,730,559	1,843,081	1,840,294	-	1,840,294	(2,787)
Debt Service Fund	652,145	652,145	652,144	-	652,144	(1)
Total Other Financing Uses	<u>2,427,204</u>	<u>2,550,298</u>	<u>2,547,509</u>	<u>-</u>	<u>2,547,509</u>	<u>(2,789)</u>
Total Expenditures and Other Financing Uses	<u>\$ 88,910,959</u>	<u>\$ 91,964,778</u>	<u>\$ 88,121,310</u>	<u>\$ 2,879,676</u>	<u>\$ 91,000,986</u>	<u>\$ (963,792)</u>

Concluded

See accompanying Independent Auditor's Report.

TOWN OF VERNON, CONNECTICUT
SCHEDULE OF PROPERTY TAXES LEVIED, COLLECTED AND OUTSTANDING
FOR THE YEAR ENDED JUNE 30, 2017

Grand List Year	Balance Uncollected June 30, 2016	Current Levy	Lawful Corrections		Transfers To (From) Suspense	Balance To Be Collected	Collections			Balance Uncollected June 30, 2017
			Additions	Deductions			Taxes	Interest Liens and Fees	Total	
2015	\$ -	\$ 67,980,089	\$ 202,031	\$ 360,462	\$ 43,613	\$ 67,778,045	\$ 66,936,857	\$ 193,654	\$ 67,130,511	\$ 841,188
2014	737,489	-	31,309	19,351	107,248	642,199	446,736	86,464	533,200	195,463
2013	288,587	-	9,055	3,658	80,005	213,979	137,937	46,217	184,154	76,042
2012	140,932	-	5,063	79	12,307	133,609	77,626	41,529	119,155	55,983
2011	50,161	-	-	-	(2,953)	53,114	20,994	14,516	35,510	32,120
2010	44,167	-	-	-	(2,427)	46,594	6,051	6,203	12,254	40,543
2009	42,305	-	-	-	(897)	43,202	4,555	4,569	9,124	38,647
2008	39,279	-	270	-	(521)	40,070	4,032	4,464	8,496	36,038
2007	32,059	-	-	-	(382)	32,441	382	597	979	32,059
2006	29,998	-	-	-	(797)	30,795	797	1,297	2,094	29,998
2005	24,275	-	-	-	(2,271)	26,546	2,271	4,231	6,502	24,275
2004	16,665	-	-	-	(915)	17,580	915	1,889	2,804	16,665
2003	13,914	-	-	-	(632)	14,546	632	1,402	2,034	13,914
2002	10,848	-	98	-	(2)	10,948	2	3	5	10,946
2001	10,424	-	117	-	(22)	10,563	22	56	78	10,541
2000	9,993	-	-	9,993	-	-	-	-	-	-
	<u>\$ 1,491,096</u>	<u>\$ 67,980,089</u>	<u>\$ 247,943</u>	<u>\$ 393,543</u>	<u>\$ 231,354</u>	<u>\$ 69,094,231</u>	<u>\$ 67,639,809</u>	<u>\$ 407,091</u>	<u>\$ 68,046,900</u>	<u>\$ 1,454,422</u>

See accompanying Independent Auditor's Report.

TOWN OF VERNON, CONNECTICUT
SCHEDULE OF DEBT LIMITATION
CONNECTICUT GENERAL STATUTES, SECTION 7-374(b)
FOR THE YEAR ENDED JUNE 30, 2017

Total cash collections for the year ended
June 30, 2017:

Town:	
Taxes	\$ 67,639,809
Interest and lien fees	407,091
Subtotal	<u>68,046,900</u>
Reimbursement for revenue loss:	
Tax relief for elderly (CGS 12-129d)	130,566
Base	<u><u>\$ 68,177,466</u></u>

	General Purposes	Schools	Sewers	Urban Renewal	Pension Deficit
Debt limitation:					
2-1/4 times base	\$ 153,399,299	\$ -	\$ -	\$ -	\$ -
4-1/2 times base	-	306,798,597	-	-	-
3-3/4 times base	-	-	255,665,498	-	-
3-1/4 times base	-	-	-	221,576,765	-
3 times base	-	-	-	-	204,532,398
Total debt limitation	<u>153,399,299</u>	<u>306,798,597</u>	<u>255,665,498</u>	<u>221,576,765</u>	<u>204,532,398</u>
Indebtedness:					
Bonds payable	21,704,000	18,733,000	523,000	-	-
Bond anticipation notes payable	2,200,000	-	-	-	-
Authorized and unissued debt	<u>16,766,690</u>	<u>5,051,504</u>	<u>57,946</u>	<u>-</u>	<u>-</u>
Total indebtedness	<u>40,670,690</u>	<u>23,784,504</u>	<u>580,946</u>	<u>-</u>	<u>-</u>
Overlapping debt:					
Bolton Lakes Regional Water Pollution Control Authority:					
Notes payable	-	-	2,431,149	-	-
Authorized and unissued debt	<u>-</u>	<u>-</u>	<u>3,591,000</u>	<u>-</u>	<u>-</u>
	<u>-</u>	<u>-</u>	<u>6,022,149</u>	<u>-</u>	<u>-</u>
Net indebtedness	<u>40,670,690</u>	<u>23,784,504</u>	<u>6,603,095</u>	<u>-</u>	<u>-</u>
Debt limitation in excess of outstanding and authorized debt	<u><u>\$ 112,728,609</u></u>	<u><u>\$ 283,014,093</u></u>	<u><u>\$ 249,062,403</u></u>	<u><u>\$ 221,576,765</u></u>	<u><u>\$ 204,532,398</u></u>
Total capacity of borrowing (7 times base)	\$ 477,242,262				
Total present indebtedness	<u>71,058,289</u>				
Margin for additional borrowing	<u><u>\$ 406,183,973</u></u>				

See accompanying Independent Auditor's Report.

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 DEEP
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
Special Education Excess Cost Reserve	State grant	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 programs
Downstream	Developer fees	Improvements to storm drainage system
Sidewalk Development	Developer fees	Town sidewalks
Sewer Assessment	Levied sewer assessments	Sewer bonded debt service
Sewer Connections	Sewer construction and permit fees	Sewer repairs, maintenance and related expenditures
Medical Savings Reserve	Town and demutualization proceeds	Medical claims and expenses
Brownfield Mills Remediation Projects	State grants	Community and Economic development programs
Parks and Recreation Programs	Program Fees	Parks and Recreation programs
Miscellaneous Grants	Local, state and federal grants	Youth Service Bureau, State Asset Forfeiture and other grant programs
Miscellaneous Special Revenue	Various	Federal Forfeiture, Public Celebration and Special Youth Activities Funds

NONMAJOR GOVERNMENTAL FUNDS (Continued)

DEBT SERVICE FUND

This fund is used to account for resources used to pay off the sewer related bonds.

CAPITAL PROJECTS FUND

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

Fund	Funding Source	Function
River Street Bridge Renovations Project 146-160	State and Federal grants	Renovation of bridge
Spring Street Bridge Renovations Project 146-159	State and Federal grants	Renovation of bridge
Phoenix Street Bridge Renovations Project 146-181	State and Federal grants	Renovation of bridge
Town Capital and Nonrecurring	Grants and General Fund appropriation	Capital projects or equipment acquisition.
Education Capital and Nonrecurring	Town Council appropriations, State grants	Capital improvements in school system
Alliance 20 Improvements	State Alliance District grant	School building and grounds improvements and equipment
South Street Reconstruction	Federal grant and local funds	Roadway reconstruction
West Main Street Bridge Reconstruction	Federal grant and local funds	Renovation of bridge
Town and School Improvement Projects	Local re-designated available funds	Various public and school projects
Main Street Bridge Reconstruction	Federal grant and local funds	Renovation of bridge
Citizens Block Renovations	State grant and local funds	Renovations to Citizens Block Building
Waste Treatment Plant Facilities Upgrade	State grant, contributions from neighboring town and local funding	Improvements to waste water discharge 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, 2017

	Nonmajor Special Revenue Funds						
	Cafeteria Fund	Town Clerk Special Fund	Insurance Exchange Fund	Town Aid Road Fund	Dog License Fund	Ambulance Medical Services Fund	Public Safety Complex Grant-In-Aid Fund
ASSETS							
Cash and cash equivalents	\$ 44,744	\$ 328	\$ 151,065	\$ 496,937	\$ 59,181	\$ 338,597	\$ -
Investments	24,845	-	-	-	-	-	-
Receivables:							
Grants and contracts	167,525	-	-	-	-	-	-
Loans	-	-	-	-	-	-	-
Assessments	-	-	-	-	-	-	-
Other	-	-	2,416	-	-	445,575	-
Due from other funds	549	66	-	-	2,669	-	-
Inventories	31,507	-	-	-	-	-	-
Prepaid items	17,070	-	-	-	-	-	-
Total assets	<u>\$ 286,240</u>	<u>\$ 394</u>	<u>\$ 153,481</u>	<u>\$ 496,937</u>	<u>\$ 61,850</u>	<u>\$ 784,172</u>	<u>\$ -</u>
LIABILITIES							
Accounts payable	\$ 44,389	\$ 394	\$ 2,489	\$ 42,271	\$ 12,801	\$ 12,838	\$ -
Accrued payroll	-	-	-	-	-	-	-
Due to other funds	284,349	-	29,336	4,826	1,596	74,574	780,500
Total liabilities	<u>328,738</u>	<u>394</u>	<u>31,825</u>	<u>47,097</u>	<u>14,397</u>	<u>87,412</u>	<u>780,500</u>
DEFERRED INFLOWS OF RESOURCES							
Unavailable revenue	-	-	-	-	-	445,575	-
FUND BALANCES							
Nonspendable	31,507	-	-	-	-	-	-
Restricted	-	-	-	449,840	-	-	-
Committed	-	-	121,656	-	47,453	251,185	-
Unassigned	(74,005)	-	-	-	-	-	(780,500)
Total fund balances	<u>(42,498)</u>	<u>-</u>	<u>121,656</u>	<u>449,840</u>	<u>47,453</u>	<u>251,185</u>	<u>(780,500)</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 286,240</u>	<u>\$ 394</u>	<u>\$ 153,481</u>	<u>\$ 496,937</u>	<u>\$ 61,850</u>	<u>\$ 784,172</u>	<u>\$ -</u>
							<i>Continued</i>

See accompanying Independent Auditor's Report.

TOWN OF VERNON, CONNECTICUT
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS (Continued)
JUNE 30, 2017

	Nonmajor Special Revenue Funds						
	Vernon Cemetery Commission Fund	Special Education Grants Fund	Special Education Excess Cost Reserve Fund	Adult Basic Education Tuition Fund	CDBG Small Cities Fund	Housing and Community Development Fund	Downstream Fund
ASSETS							
Cash and cash equivalents	\$ 75,366	\$ 256,049	\$ 368,316	\$ 68,125	\$ 112,340	\$ 29,450	\$ 51,726
Investments	-	-	-	-	-	-	-
Receivables:							
Grants and contracts	-	9,042	100,242	-	-	-	-
Loans	-	-	-	-	510,604	98,155	-
Assessments	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-
Due from other funds	19,640	4,889	-	2,083	-	-	-
Inventories	-	-	-	-	-	-	-
Prepaid items	4,200	-	-	-	-	-	-
Total assets	<u>\$ 99,206</u>	<u>\$ 269,980</u>	<u>\$ 468,558</u>	<u>\$ 70,208</u>	<u>\$ 622,944</u>	<u>\$ 127,605</u>	<u>\$ 51,726</u>
LIABILITIES							
Accounts payable	\$ -	\$ 109,261	\$ 12,348	\$ 24,649	\$ 22,212	\$ -	\$ -
Accrued payroll	-	-	-	4,321	-	-	-
Due to other funds	24,693	90,611	106,210	-	578	-	-
Total liabilities	<u>24,693</u>	<u>199,872</u>	<u>118,558</u>	<u>28,970</u>	<u>22,790</u>	<u>-</u>	<u>-</u>
DEFERRED INFLOWS OF RESOURCES							
Unavailable revenue	-	-	-	-	510,604	98,155	-
FUND BALANCES							
Nonspendable	-	-	-	-	-	-	-
Restricted	74,513	70,108	350,000	41,238	89,550	29,450	-
Committed	-	-	-	-	-	-	51,726
Unassigned	-	-	-	-	-	-	-
Total fund balances	<u>74,513</u>	<u>70,108</u>	<u>350,000</u>	<u>41,238</u>	<u>89,550</u>	<u>29,450</u>	<u>51,726</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 99,206</u>	<u>\$ 269,980</u>	<u>\$ 468,558</u>	<u>\$ 70,208</u>	<u>\$ 622,944</u>	<u>\$ 127,605</u>	<u>\$ 51,726</u>
							<i>Continued</i>

See accompanying Independent Auditor's Report.

TOWN OF VERNON, CONNECTICUT
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS (Continued)
JUNE 30, 2017

	Nonmajor Special Revenue Funds						
	Sidewalk Development Fund	Sewer Assessment Fund	Sewer Connections Fund	Medical Savings Reserve Fund	Brownfield Mills Remediation Projects Fund	Parks and Recreation Programs Fund	Miscellaneous Grants Fund
ASSETS							
Cash and cash equivalents	\$ 2,701	\$ 9,780	\$ 1,910,976	\$ 413,665	\$ -	\$ 219,836	\$ 254,959
Investments	-	-	-	-	-	-	-
Receivables:							
Grants and contracts	-	-	-	-	348,352	-	12,939
Loans	-	-	-	-	-	-	-
Assessments	-	508	-	-	-	-	-
Other	-	28	1,707	-	-	2,221	78,110
Due from other funds	-	86	45	-	-	-	15,000
Inventories	-	-	-	-	-	-	-
Prepaid items	-	-	-	-	-	-	-
Total assets	<u>\$ 2,701</u>	<u>\$ 10,402</u>	<u>\$ 1,912,728</u>	<u>\$ 413,665</u>	<u>\$ 348,352</u>	<u>\$ 222,057</u>	<u>\$ 361,008</u>
LIABILITIES							
Accounts payable	\$ -	\$ -	\$ 9,350	\$ -	\$ 89,003	\$ 14,187	\$ 96,047
Accrued payroll	-	-	-	-	-	-	285
Due to other funds	-	9,866	79,768	-	259,349	120,966	26,369
Total liabilities	<u>-</u>	<u>9,866</u>	<u>89,118</u>	<u>-</u>	<u>348,352</u>	<u>135,153</u>	<u>122,701</u>
DEFERRED INFLOWS OF RESOURCES							
Unavailable revenue	-	508	1,707	-	-	-	-
FUND BALANCES							
Nonspendable	-	-	-	-	-	-	-
Restricted	-	28	-	-	-	-	238,307
Committed	2,701	-	1,821,903	413,665	-	86,904	-
Unassigned	-	-	-	-	-	-	-
Total fund balances	<u>2,701</u>	<u>28</u>	<u>1,821,903</u>	<u>413,665</u>	<u>-</u>	<u>86,904</u>	<u>238,307</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 2,701</u>	<u>\$ 10,402</u>	<u>\$ 1,912,728</u>	<u>\$ 413,665</u>	<u>\$ 348,352</u>	<u>\$ 222,057</u>	<u>\$ 361,008</u>
							<i>Continued</i>

See accompanying Independent Auditor's Report.

TOWN OF VERNON, CONNECTICUT
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS (Continued)
JUNE 30, 2017

	Nonmajor Special Revenue Funds			Nonmajor Capital Projects Funds			
	Miscellaneous Special Revenue Fund	Total	Nonmajor Debt Service Fund	River Street Bridge Renovations Project 146-160 Fund	Spring Street Bridge Renovations Project 146-159 Fund	Phoenix Street Bridge Renovations Project 146-181 Fund	Town Capital and Nonrecurring Fund
ASSETS							
Cash and cash equivalents	\$ 631,803	\$ 5,495,944	\$ 920	\$ -	\$ 904	\$ 6,999	\$ 718,419
Investments	-	24,845	-	-	-	-	-
Receivables:							
Grants and contracts	-	638,100	-	-	-	-	37,300
Loans	-	608,759	-	-	-	-	-
Assessments	-	508	-	-	-	-	-
Other	6,000	536,057	-	-	-	-	35,566
Due from other funds	3,500	48,527	-	-	-	-	866,078
Inventories	-	31,507	-	-	-	-	-
Prepaid items	-	21,270	-	-	-	-	-
Total assets	<u>\$ 641,303</u>	<u>\$ 7,405,517</u>	<u>\$ 920</u>	<u>\$ -</u>	<u>\$ 904</u>	<u>\$ 6,999</u>	<u>\$ 1,657,363</u>
LIABILITIES							
Accounts payable	\$ 7,015	\$ 499,254	\$ -	\$ -	\$ 904	\$ -	\$ 9,900
Accrued payroll	-	4,606	-	-	-	-	-
Due to other funds	17,129	1,910,720	920	-	-	-	272,893
Total liabilities	<u>24,144</u>	<u>2,414,580</u>	<u>920</u>	<u>-</u>	<u>904</u>	<u>-</u>	<u>282,793</u>
DEFERRED INFLOWS OF RESOURCES							
Unavailable revenue	-	1,056,549	-	-	-	-	-
FUND BALANCES							
Nonspendable	-	31,507	-	-	-	-	-
Restricted	-	1,343,034	-	-	-	-	-
Committed	617,159	3,414,352	-	-	-	6,999	1,374,570
Unassigned	-	(854,505)	-	-	-	-	-
Total fund balances	<u>617,159</u>	<u>3,934,388</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>6,999</u>	<u>1,374,570</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 641,303</u>	<u>\$ 7,405,517</u>	<u>\$ 920</u>	<u>\$ -</u>	<u>\$ 904</u>	<u>\$ 6,999</u>	<u>\$ 1,657,363</u>
							<i>Continued</i>

See accompanying Independent Auditor's Report.

TOWN OF VERNON, CONNECTICUT
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS (Continued)
JUNE 30, 2017

Nonmajor Capital Projects Funds

	Education Capital and Nonrecurring Fund	Alliance 20 Improvements Fund	South Street Reconstruction Fund	West Main St Bridge Renovations Fund	Town and School Improvements Projects Fund	Main St Bridge Renovations Fund	Citizens Block Renovations Fund
ASSETS							
Cash and cash equivalents	\$ 246,228	\$ 106,300	\$ 10,786	\$ 2,887	\$ 480,699	\$ 12,009	\$ -
Investments	-	-	-	-	-	-	-
Receivables:							
Grants and contracts	128,424	6,438	656,083	24,095	-	25,173	-
Loans	-	-	-	-	-	-	-
Assessments	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-
Due from other funds	223,108	-	-	-	-	-	-
Inventories	-	-	-	-	-	-	-
Prepaid items	-	-	-	-	-	-	-
Total assets	<u>\$ 597,760</u>	<u>\$ 112,738</u>	<u>\$ 666,869</u>	<u>\$ 26,982</u>	<u>\$ 480,699</u>	<u>\$ 37,182</u>	<u>\$ -</u>
LIABILITIES							
Accounts payable	\$ -	\$ 31,000	\$ 375,697	\$ -	\$ 102,138	\$ 10,481	\$ -
Accrued payroll	-	-	-	-	-	-	-
Due to other funds	-	81,738	-	34,442	-	-	-
Total liabilities	<u>-</u>	<u>112,738</u>	<u>375,697</u>	<u>34,442</u>	<u>102,138</u>	<u>10,481</u>	<u>-</u>
DEFERRED INFLOWS OF RESOURCES							
Unavailable revenue	-	-	-	-	-	-	-
FUND BALANCES							
Nonspendable	-	-	-	-	-	-	-
Restricted	-	-	-	-	-	-	-
Committed	597,760	-	291,172	-	378,561	26,701	-
Unassigned	-	-	-	(7,460)	-	-	-
Total fund balances	<u>597,760</u>	<u>-</u>	<u>291,172</u>	<u>(7,460)</u>	<u>378,561</u>	<u>26,701</u>	<u>-</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 597,760</u>	<u>\$ 112,738</u>	<u>\$ 666,869</u>	<u>\$ 26,982</u>	<u>\$ 480,699</u>	<u>\$ 37,182</u>	<u>\$ -</u>

Continued

See accompanying Independent Auditor's Report.

TOWN OF VERNON, CONNECTICUT
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS (Concluded)
JUNE 30, 2017

	Nonmajor Capital Projects Funds		Nonmajor Permanent Funds			Total Nonmajor Governmental Funds
	Waste Treatment Plant Facilities Upgrade Fund	Total	Cemetery Trust Fund	Memorial Trust Fund	Total	
ASSETS						
Cash and cash equivalents	\$ -	\$ 1,585,231	\$ 752,752	\$ 16,675	\$ 769,427	\$ 7,851,522
Investments	-	-	1,706,568	-	1,706,568	1,731,413
Receivables:						
Grants and contracts	442,199	1,319,712	-	-	-	1,957,812
Loans	-	-	-	-	-	608,759
Assessments	-	-	-	-	-	508
Other	16,263	51,829	-	-	-	587,886
Due from other funds	-	1,089,186	-	-	-	1,137,713
Inventories	-	-	-	-	-	31,507
Prepaid items	-	-	-	-	-	21,270
Total assets	<u>\$ 458,462</u>	<u>\$ 4,045,958</u>	<u>\$ 2,459,320</u>	<u>\$ 16,675</u>	<u>\$ 2,475,995</u>	<u>\$ 13,928,390</u>
LIABILITIES						
Accounts payable	\$ 167,286	\$ 697,406	\$ -	\$ -	\$ -	\$ 1,196,660
Accrued payroll	-	-	-	-	-	4,606
Due to other funds	256,067	645,140	19,640	-	19,640	2,576,420
Total liabilities	<u>423,353</u>	<u>1,342,546</u>	<u>19,640</u>	<u>-</u>	<u>19,640</u>	<u>3,777,686</u>
DEFERRED INFLOWS OF RESOURCES						
Unavailable revenue	-	-	-	-	-	1,056,549
FUND BALANCES						
Nonspendable	-	-	1,738,985	5,000	1,743,985	1,775,492
Restricted	-	-	700,695	11,675	712,370	2,055,404
Committed	35,109	2,710,872	-	-	-	6,125,224
Unassigned	-	(7,460)	-	-	-	(861,965)
Total fund balances	<u>35,109</u>	<u>2,703,412</u>	<u>2,439,680</u>	<u>16,675</u>	<u>2,456,355</u>	<u>9,094,155</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 458,462</u>	<u>\$ 4,045,958</u>	<u>\$ 2,459,320</u>	<u>\$ 16,675</u>	<u>\$ 2,475,995</u>	<u>\$ 13,928,390</u>
						<i>Concluded</i>

See accompanying Independent Auditor's Report.

TOWN OF VERNON, CONNECTICUT
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2017

	Nonmajor Special Revenue Funds						
	Cafeteria Fund	Town Clerk Special Fund	Insurance Exchange Fund	Town Aid Road Fund	Dog License Fund	Ambulance Medical Services Fund	Public Safety Complex Grant-In-Aid Fund
REVENUES							
Intergovernmental	\$ 1,074,944	\$ -	\$ -	\$ 401,696	\$ -	\$ -	\$ -
Charges for services	441,272	5,356	56,122	-	21,281	1,066,256	-
Contributions	-	-	-	-	520	-	-
Interest and dividend income	16	-	-	-	-	-	-
Net appreciation in the fair value of investments	-	-	-	-	-	-	-
Other	1,882	-	-	-	-	-	-
Total revenues	<u>1,518,114</u>	<u>5,356</u>	<u>56,122</u>	<u>401,696</u>	<u>21,801</u>	<u>1,066,256</u>	<u>-</u>
EXPENDITURES							
Current:							
General government	-	5,356	-	-	-	-	-
Community development	-	-	-	-	-	-	-
Public safety	-	-	-	-	22,002	911,404	-
Maintenance and development	-	-	-	231,916	-	-	-
Human services	-	-	-	-	-	-	-
Parks, recreation and culture	-	-	-	-	-	-	-
Education	1,520,373	-	-	-	-	-	-
Debt service	-	-	-	-	-	-	-
Capital outlays	-	-	-	-	-	20,945	-
Total expenditures	<u>1,520,373</u>	<u>5,356</u>	<u>-</u>	<u>231,916</u>	<u>22,002</u>	<u>932,349</u>	<u>-</u>
Excess (deficiency) of revenues over expenditures	(2,259)	-	56,122	169,780	(201)	133,907	-
OTHER FINANCING SOURCES (USES)							
Transfers in	-	-	-	-	-	-	80,000
Transfers out	-	-	-	-	-	(80,000)	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(80,000)</u>	<u>80,000</u>
Net change in fund balances	(2,259)	-	56,122	169,780	(201)	53,907	80,000
Fund balances - beginning	(40,239)	-	65,534	280,060	47,654	197,278	(860,500)
Fund balances - ending	<u>\$ (42,498)</u>	<u>\$ -</u>	<u>\$ 121,656</u>	<u>\$ 449,840</u>	<u>\$ 47,453</u>	<u>\$ 251,185</u>	<u>\$ (780,500)</u>

Continued

See accompanying Independent Auditor's Report.

TOWN OF VERNON, CONNECTICUT
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS *(Continued)*
FOR THE YEAR ENDED JUNE 30, 2017

	Nonmajor Special Revenue Funds						
	Vernon Cemetery Commission Fund	Special Education Grants Fund	Special Education Excess Cost Reserve Fund	Adult Basic Education Tuition Fund	CDBG Small Cities Fund	Housing and Community Development Fund	Downstream Fund
REVENUES							
Intergovernmental	\$ -	\$ 5,001,373	\$ 100,242	\$ 1,055,664	\$ 46,969	\$ -	\$ -
Charges for services	76,052	-	-	-	-	-	-
Contributions	-	-	-	-	-	-	-
Interest and dividend income	137	-	-	-	-	-	-
Net appreciation in the fair value of investments	-	-	-	-	-	-	-
Other	3,300	-	-	-	37,810	-	-
Total revenues	79,489	5,001,373	100,242	1,055,664	84,779	-	-
EXPENDITURES							
Current:							
General government	-	-	-	-	-	-	-
Community development	-	-	-	-	79,763	-	-
Public safety	115,054	-	-	-	-	-	-
Maintenance and development	-	-	-	-	-	-	-
Human services	-	-	-	-	-	-	-
Parks, recreation and culture	-	-	-	-	-	-	-
Education	-	4,951,478	20,204	1,031,724	-	-	-
Debt service	-	-	-	-	-	-	-
Capital outlays	3,399	-	-	-	-	-	-
Total expenditures	118,453	4,951,478	20,204	1,031,724	79,763	-	-
Excess (deficiency) of revenues over expenditures	(38,964)	49,895	80,038	23,940	5,016	-	-
OTHER FINANCING SOURCES (USES)							
Transfers in	19,240	-	-	-	-	-	-
Transfers out	-	-	(103,108)	-	-	-	-
Total other financing sources (uses)	19,240	-	(103,108)	-	-	-	-
Net change in fund balances	(19,724)	49,895	(23,070)	23,940	5,016	-	-
Fund balances - beginning	94,237	20,213	373,070	17,298	84,534	29,450	51,726
Fund balances - ending	\$ 74,513	\$ 70,108	\$ 350,000	\$ 41,238	\$ 89,550	\$ 29,450	\$ 51,726

Continued

See accompanying Independent Auditor's Report.

TOWN OF VERNON, CONNECTICUT
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS *(Continued)*
FOR THE YEAR ENDED JUNE 30, 2017

	Nonmajor Special Revenue Funds						
	Sidewalk Development Fund	Sewer Assessment Fund	Sewer Connections Fund	Medical Savings Reserve Fund	Brownfield Mills Remediation Projects Fund	Parks and Recreation Programs Fund	Miscellaneous Grants Fund
REVENUES							
Intergovernmental	\$ -	\$ -	\$ 6,825	\$ -	\$ 2,617,653	\$ -	\$ 316,804
Charges for services	-	9,810	269,061	-	-	864,264	-
Contributions	-	-	-	-	-	-	-
Interest and dividend income	-	-	8,700	2,186	-	-	-
Net appreciation in the fair value of investments	-	-	-	-	-	-	-
Other	-	-	87,371	-	-	-	391,854
Total revenues	-	9,810	371,957	2,186	2,617,653	864,264	708,658
EXPENDITURES							
Current:							
General government	-	-	-	-	-	-	-
Community development	-	-	-	-	-	-	-
Public safety	-	-	-	-	-	-	27,545
Maintenance and development	-	-	314,500	-	2,617,653	-	-
Human services	-	-	-	-	-	-	83,708
Parks, recreation and culture	-	-	-	-	-	802,185	-
Education	-	-	-	-	-	-	473,339
Debt service	-	-	-	-	-	-	-
Capital outlays	-	-	-	-	-	-	-
Total expenditures	-	-	314,500	-	2,617,653	802,185	584,592
Excess (deficiency) of revenues over expenditures	-	9,810	57,457	2,186	-	62,079	124,066
OTHER FINANCING SOURCES (USES)							
Transfers in	-	-	-	-	-	-	-
Transfers out	-	(9,866)	(76,134)	-	-	(62,500)	-
Total other financing sources (uses)	-	(9,866)	(76,134)	-	-	(62,500)	-
Net change in fund balances	-	(56)	(18,677)	2,186	-	(421)	124,066
Fund balances - beginning	2,701	84	1,840,580	411,479	-	87,325	114,241
Fund balances - ending	\$ 2,701	\$ 28	\$ 1,821,903	\$ 413,665	\$ -	\$ 86,904	\$ 238,307
							Continued

Continued

See accompanying Independent Auditor's Report.

TOWN OF VERNON, CONNECTICUT
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR GOVNERMENTAL FUNDS *(Continued)*
FOR THE YEAR ENDED JUNE 30, 2017

	Nonmajor Special Revenue Funds			Nonmajor Capital Projects Funds			
	Miscellaneous Special Revenue Fund	Total	Nonmajor Debt Service Fund	River Street Bridge Renovations Project 146-160 Fund	Spring Street Bridge Renovations Project 146-159 Fund	Phoenix Street Bridge Renovations Project 146-181 Fund	Town Capital and Nonrecurring Fund
REVENUES							
Intergovernmental	\$ -	\$ 10,622,170	\$ -	\$ -	\$ -	\$ -	\$ 212,252
Charges for services	43,171	2,852,645	178,876	-	-	-	9,591
Contributions	83,097	83,617	-	-	-	-	1,992
Interest and dividend income	-	11,039	920	-	-	-	-
Net appreciation in the fair value of investments	-	-	-	-	-	-	-
Other	12,271	534,488	-	-	-	-	246,573
Total revenues	138,539	14,103,959	179,796	-	-	-	470,408
EXPENDITURES							
Current:							
General government	-	5,356	-	-	-	-	-
Community development	13,395	93,158	-	-	-	-	-
Public safety	46,097	1,122,102	-	-	-	-	-
Maintenance and development	-	3,164,069	-	-	-	-	-
Human services	29,234	112,942	-	-	-	-	-
Parks, recreation and culture	53,670	855,855	-	-	-	-	-
Education	-	7,997,118	-	-	-	-	-
Debt service	-	-	831,020	-	-	-	-
Capital outlays	-	24,344	-	-	-	-	1,414,893
Total expenditures	142,396	13,374,944	831,020	-	-	-	1,414,893
Excess (deficiency) of revenues over expenditures	(3,857)	729,015	(651,224)	-	-	-	(944,485)
OTHER FINANCING SOURCES (USES)							
Transfers in	55,071	154,311	652,144	-	-	-	1,467,332
Transfers out	-	(331,608)	(180,920)	-	-	-	(52,515)
Total other financing sources (uses)	55,071	(177,297)	471,224	-	-	-	1,414,817
Net change in fund balances	51,214	551,718	(180,000)	-	-	-	470,332
Fund balances - beginning	565,945	3,382,670	180,000	-	-	6,999	904,238
Fund balances - ending	\$ 617,159	\$ 3,934,388	\$ -	\$ -	\$ -	\$ 6,999	\$ 1,374,570

Continued

See accompanying Independent Auditor's Report.

TOWN OF VERNON, CONNECTICUT
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR GOVNERMENTAL FUNDS *(Continued)*
FOR THE YEAR ENDED JUNE 30, 2017

	Nonmajor Capital Projects Funds						
	Education Capital and Nonrecurring Fund	Alliance 20 Improvements Fund	South Street Reconstruction Fund	West Main St Bridge Renovations Fund	Town and School Improvements Projects Fund	Main St Bridge Renovations Fund	Citizens Block Renovations Fund
REVENUES							
Intergovernmental	\$ 15,007	\$ 980,904	\$ 806,886	\$ -	\$ -	\$ 65,474	\$ 358,505
Charges for services	-	-	-	-	-	-	-
Contributions	-	-	-	-	-	-	-
Interest and dividend income	-	-	-	-	-	-	-
Net appreciation in the fair value of investments	-	-	-	-	-	-	-
Other	-	-	550	-	-	-	-
Total revenues	15,007	980,904	807,436	-	-	65,474	358,505
EXPENDITURES							
Current:							
General government	-	-	-	-	-	-	-
Community development	-	-	-	-	-	-	-
Public safety	-	-	-	-	-	-	-
Maintenance and development	-	-	-	-	-	-	-
Human services	-	-	-	-	-	-	-
Parks, recreation and culture	-	-	-	-	-	-	-
Education	-	-	-	-	-	-	-
Debt service	-	-	-	-	-	-	-
Capital outlays	24,189	980,904	923,557	-	495,778	81,842	400,603
Total expenditures	24,189	980,904	923,557	-	495,778	81,842	400,603
Excess (deficiency) of revenues over expenditures	(9,182)	-	(116,121)	-	(495,778)	(16,368)	(42,098)
OTHER FINANCING SOURCES (USES)							
Transfers in	258,784	-	177,515	-	-	-	42,098
Transfers out	-	-	-	-	-	-	-
Total other financing sources (uses)	258,784	-	177,515	-	-	-	42,098
Net change in fund balances	249,602	-	61,394	-	(495,778)	(16,368)	-
Fund balances - beginning	348,158	-	229,778	(7,460)	874,339	43,069	-
Fund balances - ending	\$ 597,760	\$ -	\$ 291,172	\$ (7,460)	\$ 378,561	\$ 26,701	\$ -

Continued

See accompanying Independent Auditor's Report.

TOWN OF VERNON, CONNECTICUT
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR GOVNERMENTAL FUNDS *(Concluded)*
FOR THE YEAR ENDED JUNE 30, 2017

	Nonmajor Capital Projects Funds		Nonmajor Permanent Funds			Total Nonmajor Governmental Funds
	Waste Treatment Plant Facilities Upgrade Fund	Total	Cemetery Trust Fund	Memorial Trust Fund	Total	
REVENUES						
Intergovernmental	\$ 442,199	\$ 2,881,227	\$ -	\$ -	\$ -	\$ 13,503,397
Charges for services	-	9,591	-	-	-	3,041,112
Contributions	90,587	92,579	14,400	-	14,400	190,596
Interest and dividend income	-	-	40,755	42	40,797	52,756
Net appreciation in the fair value of investments	-	-	163,904	-	163,904	163,904
Other	-	247,123	-	-	-	781,611
Total revenues	532,786	3,230,520	219,059	42	219,101	17,733,376
EXPENDITURES						
Current:						
General government	-	-	-	-	-	5,356
Community development	-	-	-	-	-	93,158
Public safety	-	-	-	-	-	1,122,102
Maintenance and development	-	-	20,030	-	20,030	3,184,099
Human services	-	-	-	-	-	112,942
Parks, recreation and culture	-	-	-	-	-	855,855
Education	-	-	-	-	-	7,997,118
Debt service	-	-	-	-	-	831,020
Capital outlays	803,999	5,125,765	-	-	-	5,150,109
Total expenditures	803,999	5,125,765	20,030	-	20,030	19,351,759
Excess (deficiency) of revenues over expenditures	(271,213)	(1,895,245)	199,029	42	199,071	(1,618,383)
OTHER FINANCING SOURCES (USES)						
Transfers in	306,322	2,252,051	-	-	-	3,058,506
Transfers out	-	(52,515)	(19,240)	-	(19,240)	(584,283)
Total other financing sources (uses)	306,322	2,199,536	(19,240)	-	(19,240)	2,474,223
Net change in fund balances	35,109	304,291	179,789	42	179,831	855,840
Fund balances - beginning	-	2,399,121	2,259,891	16,633	2,276,524	8,238,315
Fund balances - ending	\$ 35,109	\$ 2,703,412	\$ 2,439,680	\$ 16,675	\$ 2,456,355	\$ 9,094,155

Concluded

See accompanying Independent Auditor's Report.

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
COMBINING STATEMENT OF NET POSITION
INTERNAL SERVICE FUNDS
JUNE 30, 2017

	Data Processing Fund	Workers' Compensation Fund	Medical Self-Insurance Fund	Total
ASSETS				
Current assets:				
Cash and cash equivalents	\$ 795,970	\$ 1,098,156	\$ 822,827	\$ 2,716,953
Receivables	32,115	33,224	4,002	69,341
Prepaid expenses	46,844	-	-	46,844
Total current assets	<u>874,929</u>	<u>1,131,380</u>	<u>826,829</u>	<u>2,833,138</u>
Capital assets:				
Depreciable, net	1,190,476	-	-	1,190,476
Total assets	<u>2,065,405</u>	<u>1,131,380</u>	<u>826,829</u>	<u>4,023,614</u>
DEFERRED OUTFLOWS OF RESOURCES				
Deferred charges on pension	<u>93,354</u>	<u>-</u>	<u>-</u>	<u>93,354</u>
LIABILITIES				
Current liabilities:				
Accounts payable	72,932	12,563	-	85,495
Claims payable	-	763,424	11,940	775,364
Compensated absences	43,886	-	-	43,886
Due to other funds	609,546	200,000	1,395	810,941
Total current liabilities	<u>726,364</u>	<u>975,987</u>	<u>13,335</u>	<u>1,715,686</u>
Noncurrent liabilities:				
Claims payable	-	1,905,475	-	1,905,475
Compensated absences	20,271	-	-	20,271
Net pension liability	682,921	-	-	682,921
Total non-current liabilities	<u>703,192</u>	<u>1,905,475</u>	<u>-</u>	<u>2,608,667</u>
Total liabilities	<u>1,429,556</u>	<u>2,881,462</u>	<u>13,335</u>	<u>4,324,353</u>
DEFERRED INFLOWS OF RESOURCES				
Deferred charges on pension	<u>26,028</u>	<u>-</u>	<u>-</u>	<u>26,028</u>
NET POSITION				
Net investment in capital assets	1,190,476	-	-	1,190,476
Unrestricted	(487,301)	(1,750,082)	813,494	(1,423,889)
Total net position	<u>\$ 703,175</u>	<u>\$ (1,750,082)</u>	<u>\$ 813,494</u>	<u>\$ (233,413)</u>

See accompanying Independent Auditor's Report.

TOWN OF VERNON, CONNECTICUT
COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
INTERNAL SERVICE FUNDS
FOR THE YEAR ENDED JUNE 30, 2017

	Data Processing Fund	Workers' Compensation Fund	Medical Self-Insurance Fund	Total
OPERATING REVENUES				
Charges for services	\$ 1,771,623	\$ 800,000	\$ 250,363	\$ 2,821,986
Intergovernmental	4,473	-	-	4,473
Other	-	109,247	22,048	131,295
Total operating revenues	<u>1,776,096</u>	<u>909,247</u>	<u>272,411</u>	<u>2,957,754</u>
OPERATING EXPENSES				
Wages and benefits	1,048,371	-	-	1,048,371
Repairs, maintenance and rentals	431,864	-	-	431,864
Utilities	15,057	-	-	15,057
Supplies and materials	2,923	-	-	2,923
General and administrative	78,265	69,252	15,950	163,467
Claims incurred	-	1,931,050	216,853	2,147,903
Depreciation	154,326	-	-	154,326
Total operating expenses	<u>1,730,806</u>	<u>2,000,302</u>	<u>232,803</u>	<u>3,963,911</u>
Operating income (loss)	45,290	(1,091,055)	39,608	(1,006,157)
NON-OPERATING REVENUES (EXPENSES)				
Loss on disposal of asset	(3,868)	-	-	(3,868)
Interest income	-	360	2,034	2,394
Total non-operating revenue (expenses), net	<u>(3,868)</u>	<u>360</u>	<u>2,034</u>	<u>(1,474)</u>
Change in net position before capital contributions	41,422	(1,090,695)	41,642	(1,007,631)
Capital contributions	<u>8,280</u>	<u>-</u>	<u>-</u>	<u>8,280</u>
Change in net position	49,702	(1,090,695)	41,642	(999,351)
Net position - beginning	<u>653,473</u>	<u>(659,387)</u>	<u>771,852</u>	<u>765,938</u>
Net position - ending	<u>\$ 703,175</u>	<u>\$ (1,750,082)</u>	<u>\$ 813,494</u>	<u>\$ (233,413)</u>

See accompanying Independent Auditor's Report.

TOWN OF VERNON, CONNECTICUT
COMBINING STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUNDS
FOR THE YEAR ENDED JUNE 30, 2017

	Data Processing Fund	Workers' Compensation Fund	Medical Self-Insurance Fund	Total
CASH FLOWS FROM OPERATING ACTIVITIES				
Cash received for the following:				
Charges for services	\$ 1,743,981	\$ 800,000	\$ 250,363	\$ 2,794,344
Other operating revenues received	-	23,693	21,344	45,037
Cash paid for the following:				
Claims incurred	-	(564,632)	(233,615)	(798,247)
Employee wages and benefits	(939,008)	-	-	(939,008)
Goods and services	(472,488)	-	-	(472,488)
Net cash provided by operating activities	<u>332,485</u>	<u>259,061</u>	<u>38,092</u>	<u>629,638</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Interfund activity	-	49,120	-	49,120
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Purchases of capital assets	<u>(88,572)</u>	-	-	<u>(88,572)</u>
CASH FLOWS FROM INVESTING ACTIVITIES				
Interest income	-	360	2,034	2,394
Net increase in cash and cash equivalents	243,913	308,541	40,126	592,580
Cash and cash equivalents, beginning of year	552,057	789,615	782,701	2,124,373
Cash and cash equivalents, end of year	<u>\$ 795,970</u>	<u>\$ 1,098,156</u>	<u>\$ 822,827</u>	<u>\$ 2,716,953</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES				
Operating income (loss)	\$ 45,290	\$ (1,091,055)	\$ 39,608	\$ (1,006,157)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:				
Depreciation and amortization	154,326	-	-	154,326
Changes in assets and liabilities:				
Increase in receivables	(32,115)	(9,531)	(704)	(42,350)
Increase in accounts payable	55,623	1,359,647	8,113	1,423,383
Increase in net pension liability	43,580	-	-	43,580
Increase in prepaid expense	(40,607)	-	-	(40,607)
Decrease in deferred outflows	24,634	-	-	24,634
Decrease in deferred inflows	(7,690)	-	-	(7,690)
Decrease in accrued liabilities	(40)	-	-	(40)
Increase (decrease) in due from/to other funds	89,484	-	(8,925)	80,559
Net cash provided by operating activities	<u>\$ 332,485</u>	<u>\$ 259,061</u>	<u>\$ 38,092</u>	<u>\$ 629,638</u>

See accompanying Independent Auditor's Report.

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.

OPEB TRUST FUNDS

A fiduciary fund type is 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.

C-PACE Benefit Assessments – This fund receives Commercial Property Assessed Clean Energy program loan repayments on behalf of the State from participating businesses and remits the receipts to Connecticut Green Bank.

TOWN OF VERNON, CONNECTICUT
COMBINING STATEMENT OF FIDUCIARY NET POSITION
AGENCY FUNDS
JUNE 30, 2017

	School Activity Fund	Miscellaneous Activity Fund	Bid Bond Deposit Fund	C-PACE Benefit Assessments Fund	Total
ASSETS					
Cash and cash equivalents	\$ 318,064	\$ 143,361	\$ 276,616	\$ 884	\$ 738,925
Receivables	7,973	66	-	-	8,039
Total assets	<u>\$ 326,037</u>	<u>\$ 143,427</u>	<u>\$ 276,616</u>	<u>\$ 884</u>	<u>\$ 746,964</u>
LIABILITIES					
Due to others	\$ 326,037	\$ 141,839	\$ 276,616	\$ 884	\$ 745,376
Payables	-	1,588	-	-	1,588
Total liabilities	<u>\$ 326,037</u>	<u>\$ 143,427</u>	<u>\$ 276,616</u>	<u>\$ 884</u>	<u>\$ 746,964</u>

See accompanying Independent Auditor's Report.

TOWN OF VERNON, CONNECTICUT
COMBINING STATEMENT OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES
AGENCY FUNDS
FOR THE YEAR ENDED JUNE 30, 2017

	Balance, July 1, 2016	Additions	Deletions	Balance, June 30, 2017
School Activity Fund				
Assets:				
Cash and cash equivalents	\$ 301,060	\$ 453,406	\$ 436,402	\$ 318,064
Receivables	4,000	3,973	-	7,973
Total assets	<u>\$ 305,060</u>	<u>\$ 457,379</u>	<u>\$ 436,402</u>	<u>\$ 326,037</u>
Liabilities:				
Due to others	<u>\$ 305,060</u>	<u>\$ 457,379</u>	<u>\$ 436,402</u>	<u>\$ 326,037</u>
Miscellaneous Activity Fund				
Assets:				
Cash and cash equivalents	\$ 87,861	\$ 278,389	\$ 222,889	\$ 143,361
Receivables	66	-	-	66
Total assets	<u>\$ 87,927</u>	<u>\$ 278,389</u>	<u>\$ 222,889</u>	<u>\$ 143,427</u>
Liabilities:				
Due to others	\$ 86,925	\$ 277,803	\$ 222,889	\$ 141,839
Payables	1,002	586	-	1,588
Total liabilities	<u>\$ 87,927</u>	<u>\$ 278,389</u>	<u>\$ 222,889</u>	<u>\$ 143,427</u>
Bid Bond Deposit Fund				
Assets:				
Cash and cash equivalents	<u>\$ 301,557</u>	<u>\$ 41,300</u>	<u>\$ 66,241</u>	<u>\$ 276,616</u>
Liabilities:				
Due to others	<u>\$ 301,557</u>	<u>\$ 41,300</u>	<u>\$ 66,241</u>	<u>\$ 276,616</u>
C-Pace Benefit Assessments Fund				
Assets:				
Cash and cash equivalents	<u>\$ -</u>	<u>\$ 74,522</u>	<u>\$ 73,638</u>	<u>\$ 884</u>
Liabilities:				
Due to others	<u>\$ -</u>	<u>\$ 74,522</u>	<u>\$ 73,638</u>	<u>\$ 884</u>
Total All Funds				
Assets:				
Cash and cash equivalents	\$ 690,478	\$ 847,617	\$ 799,170	\$ 738,925
Receivables	4,066	3,973	-	8,039
Total assets	<u>\$ 694,544</u>	<u>\$ 851,590</u>	<u>\$ 799,170</u>	<u>\$ 746,964</u>
Liabilities:				
Due to others	\$ 693,542	\$ 851,004	\$ 799,170	\$ 745,376
Payables	1,002	586	-	1,588
Total liabilities	<u>\$ 694,544</u>	<u>\$ 851,590</u>	<u>\$ 799,170</u>	<u>\$ 746,964</u>

See accompanying Independent Auditor's Report.

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 - 10):

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 (Table 11):

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 (Table 12 - 16):

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 presented in these schedules is derived from the comprehensive annual financial reports for the relevant year.

TABLE 1

TOWN OF VERNON, CONNECTICUT
NET POSITION BY COMPONENT
LAST TEN FISCAL YEARS
(UNAUDITED)

	FISCAL YEAR									
	*** 2008	**** 2009	(1) 2010	2011	2012	2013	2014	***** 2015	2016	2017
Governmental Activities:										
Net investment in capital assets	\$ 88,050,372	\$ 81,074,292	\$ 93,272,100	\$ 95,834,210	\$ 102,048,034	\$ 107,081,145	\$ 111,596,204	\$ 117,079,226	\$ 113,236,903	\$ 121,663,258
Restricted for:										
Endowments:										
Expendable	-	-	-	409,284	394,323	510,963	599,215	599,304	557,664	712,370
Nonexpendable	1,810,053	1,591,346	1,698,091	1,500,092	1,696,935	1,696,935	1,707,760	1,718,860	1,718,860	1,743,985
Grant programs	-	-	351,960	361,873	93,400	409,496	420,308	409,919	374,621	550,518
Sewer assessment	-	-	-	-	-	89,392	20,152	10,464	84	28
Cemeteries	-	-	2,462,824	2,103,563	512,639	184,036	186,559	129,428	94,237	74,513
Housing and community development	-	731,241	-	-	-	29,450	29,450	112,257	113,984	119,000
Education programs	-	8,503,748	461,740	534,712	559,169	157,770	108,553	324,395	434,575	557,736
Adult education	-	-	-	-	-	-	-	72,671	17,298	41,239
Unrestricted	14,460,439	9,814,118	7,150,265	6,733,222	12,288,256	7,962,107	7,699,805	(38,202,259)	(30,420,414)	(35,404,457)
Total Net Position - Governmental Activities	<u>104,320,864</u>	<u>101,714,745</u>	<u>105,396,980</u>	<u>107,476,956</u>	<u>117,592,756</u>	<u>118,121,294</u>	<u>122,368,006</u>	<u>82,254,265</u>	<u>86,127,812</u>	<u>90,058,190</u>
Business-Type Activities:										
Net investment in capital assets	10,681,891	10,693,612	11,344,015	11,052,631	10,640,331	10,110,672	10,719,298	10,294,619	9,804,653	9,567,003
Unrestricted	3,842,700	4,204,622	4,110,256	5,612,991	6,851,173	8,121,996	9,203,267	7,490,120	8,543,715	9,403,122
Total Net Position - Business-Type Activities	<u>14,524,591</u>	<u>14,898,234</u>	<u>15,454,271</u>	<u>16,665,622</u>	<u>17,491,504</u>	<u>18,232,668</u>	<u>19,922,565</u>	<u>17,784,739</u>	<u>18,348,368</u>	<u>18,970,125</u>
Primary Government:										
Net investment in capital assets	98,732,263	91,767,904	104,616,115	106,886,841	112,688,365	117,191,817	122,315,502	127,373,845	123,041,556	131,230,261
Restricted for:										
Endowments:										
Expendable	-	-	-	-	394,323	510,963	599,215	599,304	557,664	712,370
Nonexpendable	1,810,053	1,591,346	1,698,091	1,909,376	1,696,935	1,696,935	1,707,760	1,718,860	1,718,860	1,743,985
Grant programs	-	-	351,960	361,873	93,400	409,496	420,308	409,919	374,621	550,518
Sewer assessment	-	-	-	-	-	89,392	20,152	10,464	84	28
Cemeteries	-	731,241	2,462,824	2,103,563	512,639	184,036	186,559	129,428	94,237	74,513
Housing and community development	-	-	-	-	-	29,450	29,450	112,257	113,984	119,000
Education programs	-	8,503,748	461,740	534,712	559,169	157,770	108,553	324,395	434,575	557,736
Adult education	-	-	-	-	-	-	-	72,671	17,298	41,239
Unrestricted	18,303,139	14,018,740	11,260,521	12,346,213	19,139,429	16,084,103	16,903,072	(30,712,139)	(21,876,699)	(26,001,335)
Total Net Position - Primary Government	<u>\$ 118,845,455</u>	<u>\$ 116,612,979</u>	<u>\$ 120,851,251</u>	<u>\$ 124,142,578</u>	<u>\$ 135,084,260</u>	<u>\$ 136,353,962</u>	<u>\$ 142,290,571</u>	<u>\$ 100,039,004</u>	<u>\$ 104,476,180</u>	<u>\$ 109,028,315</u>

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

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

***** Restated due to inclusion of pension liability, effective July 1, 2014.

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

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

TABLE 2

TOWN OF VERNON, CONNECTICUT
CHANGES IN NET POSITION
(ACCRUAL BASIS OF ACCOUNTING)
LAST TEN FISCAL YEARS
(UNAUDITED)

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Governmental Activities:										
Expenses:										
General government	\$ 3,139,240	\$ 5,543,645	\$ 6,002,872	\$ 5,633,603	\$ 5,374,112	\$ 5,907,367	\$ 5,497,317	\$ 5,673,665	\$ 6,397,451	\$ 6,076,452
Community development	512,822	874,382	1,631,589	2,057,937	638,976	419,554	605,573	548,397	603,740	497,261
Public safety	8,455,354	12,568,421	12,143,675	12,480,725	16,324,643	12,414,267	12,686,921	14,215,899	14,550,637	14,975,891
Maintenance and development	8,012,991	10,285,117	9,435,073	10,405,706	8,937,010	8,841,241	11,401,777	10,116,217	11,025,727	15,085,714
Human services	986,024	1,462,640	1,445,899	1,403,991	1,384,782	1,310,967	1,300,698	1,391,161	1,296,978	1,469,554
Parks, recreation and culture	2,051,661	2,332,424	2,487,532	2,610,713	2,391,015	2,657,811	2,552,523	2,661,919	2,614,666	3,182,850
Townwide	7,841,285	-	-	-	-	-	-	-	-	-
Education	67,481,122	58,265,100	56,255,521	58,846,481	58,713,021	63,366,856	65,638,249	66,522,642	67,270,471	68,502,574
Interest on long-term debt	1,998,887	2,098,304	2,055,746	1,920,229	1,502,045	1,626,972	1,348,996	1,403,135	1,792,161	1,426,711
Total expenses	<u>100,479,386</u>	<u>93,430,033</u>	<u>91,457,907</u>	<u>95,359,385</u>	<u>95,265,604</u>	<u>96,545,035</u>	<u>101,032,054</u>	<u>102,533,035</u>	<u>105,551,831</u>	<u>111,217,007</u>
Program Revenues:										
Charges for services:										
General government	1,211,305	725,190	822,153	821,502	958,550	1,033,606	1,118,278	1,425,021	1,775,305	1,250,953
Community development	30,034	7,489	13,956	9,434	8,973	8,422	10,183	8,812	11,472	94,311
Public safety	959,756	1,181,165	1,258,051	1,254,690	1,137,357	1,092,752	1,291,753	1,204,428	1,496,729	2,053,102
Maintenance and development	657,618	561,824	564,608	569,932	617,746	590,490	469,094	556,001	525,845	528,937
Human services	19,018	-	-	-	-	-	-	-	-	79,352
Parks, recreation and culture	658,490	631,474	685,562	712,592	718,122	778,727	804,255	861,914	899,878	919,706
Townwide	168,062	-	-	-	-	-	-	-	-	-
Education	1,291,241	1,247,574	1,217,369	1,078,802	1,129,934	984,549	1,060,476	1,045,766	1,256,755	1,166,626
Operating grants and contributions	42,496,900	28,578,832	30,312,483	30,019,905	32,226,232	29,920,655	31,446,928	32,660,452	33,703,632	35,384,900
Capital grants and contributions	20,433,504	3,770,739	3,850,322	2,770,498	8,082,486	835,929	4,390,500	2,637,723	2,103,224	3,750,012
Total program revenues	<u>67,925,928</u>	<u>36,704,287</u>	<u>38,724,504</u>	<u>37,237,355</u>	<u>44,879,400</u>	<u>35,245,130</u>	<u>40,591,467</u>	<u>40,400,117</u>	<u>41,772,840</u>	<u>45,227,899</u>
Net Program Expense	(32,553,458)	(56,725,746)	(52,733,403)	(58,122,030)	(50,386,204)	(61,299,905)	(60,440,587)	(62,132,918)	(63,778,991)	(65,989,108)
General revenues:										
Property taxes	49,934,064	51,722,860	54,100,377	57,508,605	57,711,708	58,971,919	62,672,181	64,166,823	66,111,585	68,129,637
Grants and contributions not restricted to specific programs	1,749,089	1,606,039	1,258,722	1,223,183	1,503,374	1,671,664	1,157,706	1,054,078	898,432	1,532,993
Investment income	1,503,005	212,312	192,081	281,909	35,105	135,297	146,202	37,394	(3,363)	256,856
Miscellaneous	227,674	966,540	900,553	1,188,309	1,079,316	1,005,114	700,385	830,872	635,159	-
Contributions to permanent funds	-	-	-	-	-	-	10,825	11,100	10,725	-
Gain on sale of assets	-	-	-	-	172,501	44,449	-	-	-	-
Transfers	-	-	(36,095)	-	-	-	-	-	-	-
Total general revenues	<u>53,413,832</u>	<u>54,507,751</u>	<u>56,415,638</u>	<u>60,202,006</u>	<u>60,502,004</u>	<u>61,828,443</u>	<u>64,687,299</u>	<u>66,100,267</u>	<u>67,652,538</u>	<u>69,919,486</u>
Total Change in Net Position	20,860,374	(2,217,995)	3,682,235	2,079,976	10,115,800	528,538	4,246,712	3,967,349	3,873,547	3,930,378
Net Position July 1 (as restated)	83,880,569 a	104,320,864 b	101,714,745 c	105,396,980	107,476,956	117,592,756	118,121,294	78,286,916 d	82,254,265	86,127,812
Net Position June 30	\$ 104,740,943	\$ 102,102,869	\$ 105,396,980	\$ 107,476,956	\$ 117,592,756	\$ 118,121,294	\$ 122,368,006	\$ 82,254,265	\$ 86,127,812	\$ 90,058,190

(Continued)

TABLE 2 (Continued)

TOWN OF VERNON, CONNECTICUT
CHANGES IN NET POSITION (Continued)
(ACCRUAL BASIS OF ACCOUNTING)
LAST TEN FISCAL YEARS
(UNAUDITED)

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Business-Type Activities:										
Expenses:										
Sewer	\$ 5,356,677	\$ 5,709,836	\$ 5,488,272	\$ 5,607,772	\$ 5,644,652	\$ 5,644,174	\$ 5,370,748	\$ 4,614,237	\$ 5,240,935	\$ 5,657,815
Building rental	216,560	245,220	197,075	220,378	181,037	186,503	217,673	196,324	204,593	205,667
Total expenses	5,573,237	5,955,056	5,685,347	5,828,150	5,825,689	5,830,677	5,588,421	4,810,561	5,445,528	5,863,482
Revenues:										
Charges for services:										
Sewer use	5,250,919	5,658,586	6,025,610	6,484,860	6,226,800	6,198,859	5,985,632	5,698,447	5,818,367	5,989,522
Building rental	160,610	168,218	169,800	169,113	161,398	165,268	168,848	167,117	166,831	165,721
Operating grants and contributions	-	-	-	-	-	-	-	-	-	17,209
Capital grants and contributions	-	-	-	-	-	-	-	6,248	360	292,493
Total revenues	5,411,529	5,826,804	6,195,410	6,653,973	6,388,198	6,364,127	6,154,480	5,871,812	5,985,558	6,464,945
Net Program (Expenses) Revenues	(161,708)	(128,252)	510,063	825,823	562,509	533,450	566,059	1,061,251	540,030	601,463
General revenues:										
Grants and contributions not restricted to specific programs	-	75,000	-	-	-	-	-	-	-	-
Investment income	133,132	38,771	9,879	5,869	641	724	277	1,181	9,800	20,294
Miscellaneous	-	-	-	379,659	262,732	206,990	9,812	17,784	13,799	-
Capital contributions	-	-	-	-	-	-	1,113,749	-	-	-
Transfers	-	-	36,095	-	-	-	-	-	-	-
Total general revenues	133,132	113,771	45,974	385,528	263,373	207,714	1,123,838	18,965	23,599	20,294
Total Change in Net Position	(28,576)	(14,481)	556,037	1,211,351	825,882	741,164	1,689,897	1,080,216	563,629	621,757
Net Position July 1 (as restated)	14,553,167	14,524,591	14,898,234 c	15,454,271	16,665,622	17,491,504	18,232,668	16,704,523 d	17,784,739	\$ 18,348,368
Net Position, June 30	\$ 14,524,591	\$ 14,510,110	\$ 15,454,271	\$ 16,665,622	\$ 17,491,504	\$ 18,232,668	\$ 19,922,565	\$ 17,784,739	\$ 18,348,368	\$ 18,970,125
Total Change in Net Position	20,831,798	(2,232,476)	4,238,272	3,291,327	10,941,682	1,269,702	5,936,609	5,047,565	4,437,176	4,552,135
Net Position, July 1 (as restated)	98,433,736 a	118,845,455 b	116,612,979 c	120,851,251	124,142,578	135,084,260	136,353,962	94,991,439 d	100,039,004	\$ 104,476,180
Net Position, June 30	\$ 119,265,534	\$ 116,612,979	\$ 120,851,251	\$ 124,142,578	\$ 135,084,260	\$ 136,353,962	\$ 142,290,571	\$ 100,039,004	\$ 104,476,180	\$ 109,028,315

(Concluded)

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

b - Net position restated to reclassify Permanent Funds (Governmental Activities) to Private Purpose Trust Fund (Fiduciary Funds).

c - Net position restated to allocate Internal Service Fund net assets from Governmental Activities to Business-Type Activities.

d - Net position restated to reflect cumulative effect on GASB No. 68 pension reporting.

TABLE 3

TOWN OF VERNON, CONNECTICUT
FUND BALANCES, GOVERNMENTAL FUNDS
LAST TEN FISCAL YEARS
(UNAUDITED)

Fund Balances - Governmental Funds	Fiscal Year Ended June 30,									
	2008	2009	(1) 2010	2011	2012	2013	2014	2015	2016	2017
General Fund:										
Nonspendable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 129,500	\$ -	\$ 595,917
Assigned	1,595,231	1,538,649	1,833,779	2,122,970	1,820,141	1,388,542	1,540,633	2,003,342	2,729,466	3,201,676
Unassigned	7,930,610	8,367,020	8,592,950	8,955,095	9,294,386	10,015,648	11,142,709	12,151,945	14,230,790	15,410,513
Total General Fund	9,525,841	9,905,669	10,426,729	11,078,065	11,114,527	11,404,190	12,683,342	14,284,787	16,960,256	19,208,106
All Other Governmental Funds:										
Nonspendable	-	-	1,728,555	1,941,521	1,728,792	1,733,192	1,736,239	1,749,521	1,740,472	1,775,492
Restricted	23,038,929 *	15,339,913	3,234,537	3,000,148	1,559,531	1,381,107	1,364,237	1,658,438	1,570,851	2,169,261
Committed	-	-	3,728,800	4,037,469	4,063,022	3,068,867	6,590,021	6,472,283	7,899,613	6,271,373
Assigned	-	-	352,654	443,291	499,582	892,047	180,000	180,000	180,000	-
Unassigned	(3,329,576)	(3,468,152)	(4,955,986)	(4,930,052)	(873,722)	(887,804)	(2,593,688)	(7,752,478)	(929,811)	(2,073,076)
Total Fund Balance - All Other Governmental Funds	19,709,353 *	11,871,761	4,088,560	4,492,377	6,977,205	6,187,409	7,276,809	2,307,764	10,461,125	8,143,050
Total Governmental Funds:										
Nonspendable	-	-	1,728,555	1,941,521	1,728,792	1,733,192	1,736,239	1,879,021	1,740,472	2,371,409
Restricted	23,038,929 *	15,339,913	3,234,537	3,000,148	1,559,531	1,381,107	1,364,237	1,658,438	1,570,851	2,169,261
Committed	-	-	3,728,800	4,037,469	4,063,022	3,068,867	6,590,021	6,472,283	7,899,613	6,271,373
Assigned	1,595,231	1,538,649	2,186,433	2,566,261	2,319,723	2,280,589	1,720,633	2,183,342	2,909,466	3,201,676
Unassigned	4,601,034	4,898,868	3,636,964	4,025,043	8,420,664	9,127,844	8,549,021	4,399,467	13,300,979	13,337,437
Total Fund Balances - Governmental Funds	\$ 29,235,194 *	\$ 21,777,430	\$ 14,515,289	\$ 15,570,442	\$ 18,091,732	\$ 17,591,599	\$ 19,960,151	\$ 16,592,551	\$ 27,421,381	\$ 27,351,156

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

NOTE: Prepared on the modified accrual basis of accounting.

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

TABLE 4

TOWN OF VERNON, CONNECTICUT
CHANGES IN FUND BALANCES, GOVERNMENTAL FUNDS
LAST TEN FISCAL YEARS
(UNAUDITED)

Changes in Fund Balances - Governmental Funds	Fiscal Year									
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Revenues:										
Property taxes	\$ 49,913,095	\$ 52,186,924	\$ 54,241,727	\$ 57,387,268	\$ 57,327,038	\$ 58,939,088	\$ 62,683,962	\$ 64,116,182	\$ 66,502,928	\$ 67,962,636
Intergovernmental	62,806,494	33,236,536	34,675,196	33,737,936	41,746,995	32,106,379	36,692,587	36,041,125	36,498,965	39,922,904
Assessments	74,423	72,351	64,462	51,769	11,527	4,683	8,735	10,380	22,472	-
Charges for services	4,731,282	4,363,415	4,567,821	4,449,485	4,462,560	4,355,989	4,551,193	4,984,511	5,832,562	5,329,923
Gifts and contributions	1,593,576	1,454,208	1,552,800	434,480	630,479	781,887	534,642	650,683	553,044	190,596
Income on investments	1,456,284	203,468	192,081	280,957	35,009	135,176	146,145	40,012	73,098	92,952
Net change in fair value of investments								(2,618)	(76,461)	163,904
Other	1,576,511	894,189	836,091	1,136,540	1,067,789	1,000,431	691,650	820,492	978,613	1,415,424
Total Revenues	122,151,665	92,411,091	96,130,178	97,478,435	105,281,397	97,323,633	105,308,914	106,660,767	110,385,221	115,078,339
Expenditures:										
General government	2,945,676	3,038,845	3,014,195	3,053,491	3,284,356	3,248,285	3,434,887	3,597,134	3,700,966	3,651,238
Community development	516,422	843,903	1,500,051	1,953,760	629,269	301,852	491,759	440,127	468,123	352,377
Public safety	8,115,101	8,348,918	8,667,318	8,767,903	12,514,139	9,178,663	8,992,975	9,512,816	9,738,400	9,655,144
Maintenance and development	5,962,731	6,627,082	6,017,883	6,102,700	5,784,605	5,622,410	5,855,039	6,302,123	6,732,520	8,688,681
Human services	973,537	986,846	1,117,125	1,044,049	1,035,291	1,056,536	1,021,879	1,061,248	1,037,486	1,028,732
Parks, recreation and culture	1,829,696	1,954,648	2,045,589	2,058,075	1,943,657	2,023,123	2,258,749	2,163,123	2,256,867	2,351,919
Townwide	6,385,961	6,661,045	6,665,401	7,321,967	6,806,996	7,054,780	7,107,547	7,469,937	7,933,163	8,017,224
Education	67,288,015	55,172,073	55,878,652	58,090,674	58,693,310	61,283,091	64,217,906	65,031,245	65,260,728	66,060,717
Capital outlay	34,845,530	21,979,002	12,963,146	5,765,044	5,863,902	4,053,503	3,753,735	8,742,077	8,849,041	11,945,063
Debt service:										
Principal	3,016,254	3,146,377	3,412,148	3,796,764	4,644,693	4,659,209	4,408,742	4,356,238	4,649,173	4,394,641
Interest	1,682,490	2,012,321	2,074,716	1,941,450	1,959,138	1,397,144	1,397,144	1,352,299	1,499,107	1,458,645
Total Expenditures	133,561,413	110,771,060	103,356,224	99,895,877	103,159,356	99,878,596	102,940,362	110,028,367	112,125,574	117,604,381
Excess of Revenues over Expenditures	(11,409,748)	(18,359,969)	(7,226,046)	(2,417,442)	2,122,041	(2,554,963)	2,368,552	(3,367,600)	(1,740,353)	(2,526,042)
Other Financing Sources (Uses):										
Refunding bonds issued	-	-	-	-	34,685,000	-	-	-	-	-
Payment to refunding bond escrow agent	-	-	-	-	(37,449,969)	-	-	-	-	-
Net original issue premium - Refunding	-	-	-	-	2,991,717	-	-	-	-	-
Bond proceeds	21,040,000	10,875,000	-	3,755,000	-	-	-	-	6,130,000	6,350,000
Bond anticipation notes	-	-	-	-	-	-	-	-	6,350,000	2,200,000
Bond / BAN premium and accrued interest	30,583	27,205	-	39,712	-	-	-	-	89,183	255,817
Repayment of notes	-	-	-	-	-	-	-	-	-	(6,350,000)
Lease purchase of equipment	470,000	-	-	106,412	-	2,010,000	-	-	-	-
Sale of Assets	-	-	-	-	172,501	44,830	-	-	-	-
Transfers in	2,731,259	2,130,198	3,143,579	1,900,387	1,955,665	2,245,806	2,484,435	2,350,227	3,096,890	3,131,792
Transfers out	(2,731,259)	(2,130,198)	(3,179,674)	(2,328,916)	(1,955,665)	(2,245,806)	(2,484,435)	(2,350,227)	(3,096,890)	(3,131,792)
Net Other Financing Sources (Uses)	21,540,583	10,902,205	(36,095)	3,472,595	399,249	2,054,830	-	-	12,569,183	2,455,817
Net Change in Fund Balances	\$ 10,130,835	\$ (7,457,764)	\$ (7,262,141)	\$ 1,055,153	\$ 2,521,290	\$ (500,133)	\$ 2,368,552	\$ (3,367,600)	\$ 10,828,830	\$ (70,225)
Debt Service as a percentage of noncapital expenditures	4.74%	5.81%	6.06%	6.05%	7.09%	6.32%	5.81%	5.66%	6.00%	5.56%
Debt Service as a percentage of total expenditures	3.52%	4.66%	5.31%	5.74%	6.40%	6.06%	5.64%	5.19%	5.48%	4.98%

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
(In Thousands of Dollars)
LAST TEN FISCAL YEARS
(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 Assess.	(2) Total									
2017	2015	\$ 1,146,488	\$ 368,921	\$ 6,350	\$ 1,521,759	\$ 82,321	\$ 180,716	\$ 1,784,796	\$ 16,099	\$ -	\$ 1,768,697	37.93	\$ 2,529,667	70.55%
2016	2014	1,142,602	367,152	6,425	1,516,179	89,335	180,314	1,785,828	18,745	-	1,767,083	36.91	2,565,109	69.62%
2015	2013	1,137,949	364,583	7,202	1,509,734	85,341	184,647	1,779,722	17,671	-	1,762,051	36.11	2,536,923	70.15%
2014	2012	1,133,280	359,258	7,470	1,500,008	75,767	176,322	1,752,097	17,716	-	1,734,381	35.40	2,418,110	72.46%
2013	2011	1,130,299	355,469	8,646	1,494,414	82,581	181,538	1,758,533	20,093	-	1,738,440	33.63	2,501,860	70.29%
2012	2010	1,270,682	402,280	9,273	1,682,235	84,559	165,126	1,931,920	17,347	-	1,914,573	29.90	2,555,955	75.59%
2011	2009	1,262,353	402,533	8,889	1,673,775	81,908	157,390	1,913,073	18,434	-	1,894,639	30.02	2,474,000	77.33%
2010	2008	1,254,850	404,763	12,089	1,671,702	77,115	157,558	1,906,375	15,676	-	1,890,699	28.42	2,438,811	78.17%
2009	2007	1,244,641	403,696	13,590	1,661,927	74,659	162,849	1,899,435	14,587	182,727	1,702,121	30.28	2,494,179	76.15%
2008	2006	1,236,455	393,213	10,218	1,639,886	73,695	160,502	1,874,083	17,804	365,000	1,491,279	32.91	2,021,544	92.71%

* Excludes assessed value on supplemental motor vehicle listings.

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

*** Represents blended mil rate.

(1) Includes public utility property.

(2) The latest real estate revaluation was effective for the October 1, 2011 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 TAX PAYERS
FISCAL YEARS ENDED JUNE 30, 2017 AND JUNE 30, 2008
(UNAUDITED)

Taxpayer	Fiscal Years Ended June 30,					
	2017			2008		
	Taxable Assessed Value (10/01/15 Grand List)*	Rank	% of Taxable Assessed Value (Grand List)	Taxable Assessed Value (10/01/06 Grand List)*	Rank	% of Taxable Assessed Value (Grand List)
Chapman and Mansions LLC	\$ 54,769,880	1	3.10%	\$ 33,808,410	1	2.27%
Evandro Santini & Woodbrook LLC	30,949,400	2	1.75%	20,289,000	3	1.36%
Tri City Improvements, LLC	26,621,210	3	1.50%	30,289,320	2	2.03%
Connecticut Light & Power/Yankee Gas Co.	25,490,350	4	1.44%	16,049,288	5	1.07%
CE Vernon II, LLC	17,070,990	5	0.96%	15,797,900	6	1.06%
Connecticut Water Company	15,722,970	6	0.89%	19,795,605	4	1.33%
Chapman Acres, LLC	8,427,110	7	0.48%	9,016,330	7	0.60%
Boston Rockville / Boston Vernon	7,942,850	8	0.45%			
Parkwest Residents Association	5,122,230	9	0.29%			
Kerensky, Schneider...(Risley Trust)	3,120,070	10	0.18%	7,117,080	8	0.48%
Talcotville Development				6,083,090	9	0.41%
One Fifty One West Main Street				4,012,150	10	0.27%
Total Top 10 Taxpayers	<u>195,237,060</u>		<u>11.04%</u>	<u>162,258,173</u>		<u>10.88%</u>
* Based on 10/1 Net Taxable Grand List of:	<u>\$ 1,768,696,503</u>			<u>\$ 1,491,278,140</u>		

Source: Town of Vernon, Tax Assessor's Department

TABLE 7

TOWN OF VERNON, CONNECTICUT
PROPERTY TAX LEVIES AND COLLECTIONS
LAST TEN FISCAL YEARS
(UNAUDITED)

Fiscal Year Ended June 30,	Grand List Oct 1,	Current Year Levy			Current Levy Collected within the Fiscal Year of the Levy		Collections of Current Levy Subsequent Years	Total Levy Collections to Date			Uncollected Collectible Taxes June 30, 2017
		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	
2017	2015	\$ 67,980,089	\$ (202,044)	\$ 67,778,045	\$ 66,936,857	98.5%	\$ -	\$ 66,936,857	98.5%	98.8%	\$ 841,188
2016	2014	65,976,102	(312,689)	65,663,413	65,021,214	98.6%	446,736	65,467,950	99.2%	99.7%	195,463
2015	2013	64,211,229	(286,897)	63,924,332	63,158,074	98.4%	690,216	63,848,290	99.4%	99.9%	76,042
2014	2012	62,079,457	8,866	62,088,323	61,327,304	98.8%	705,036	62,032,340	99.9%	99.9%	55,983
2013	2011	58,943,099	(351,129)	58,591,970	57,812,300	98.1%	747,550	58,559,850	99.3%	99.9%	32,120
2012	2010	57,542,153	(202,449)	57,339,704	56,603,238	98.4%	695,923	57,299,161	99.6%	99.9%	40,543
2011	2009	57,205,162	(129,592)	57,075,570	56,484,922	98.7%	552,001	57,036,923	99.7%	99.9%	38,647
2010	2008	53,957,129	(140,215)	53,816,914	53,268,067	98.7%	512,809	53,780,876	99.7%	99.9%	36,038
2009	2007	51,964,949	(200,399)	51,764,550	51,114,202	98.4%	618,289	51,732,491	99.6%	99.9%	32,059
2008	2006	49,690,219	(148,992)	49,541,227	48,770,952	98.2%	740,277	49,511,229	99.6%	99.9%	29,998

Note: The latest revaluation was effective for the year ended June 30, 2013. Property is taxed by the Town of Vernon only.

Source of Data:

Town of Vernon, Finance Director
Town of Vernon, Tax Collector

TABLE 8

TOWN OF VERNON, CONNECTICUT
RATIO OF OUTSTANDING DEBT BY TYPE
LAST TEN FISCAL YEARS
(UNAUDITED)

Fiscal Year Ended June 30,	Governmental Activities						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 (4)	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										
2017	\$ 21,704,000	\$ 18,733,000	\$ 523,000	\$ 40,960,000	\$ -	\$ 918,516	\$ 41,878,516	\$ 2,529,667	1.66%	29,148	\$ 1,437	n/a	n/a	n/a
2016	23,053,000	20,480,000	577,000	44,110,000	826,194	1,139,748	46,075,942	2,565,109	1.80%	28,959	1,591	52,466	3.03%	0.11%
2015	11,488,500	22,084,500	632,000	34,205,000	2,454,022	1,357,473	38,016,495	2,536,923	1.50%	29,098	1,306	52,311	2.50%	0.14%
2014	12,410,000	23,693,000	687,000	36,790,000	4,049,643	1,579,841	42,419,484	2,418,110	1.75%	29,161	1,455	49,598	2.93%	0.12%
2013	13,317,000	25,275,000	743,000	39,335,000	5,613,695	1,798,543	46,747,238	2,501,860	1.87%	29,122	1,605	47,623	3.37%	0.10%
2012	14,182,000	27,003,000	1,005,000	42,190,000	7,160,338	46,109	49,396,447	2,555,955	1.93%	29,179	1,693	47,524	3.56%	0.10%
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	45,645	4.15%	0.08%
2010	13,927,000	29,300,000	1,613,000	44,840,000	10,210,277	188,094	55,238,371	2,438,811	2.26%	30,182	1,830	43,503	4.21%	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	43,334	4.54%	0.07%
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	43,868	3.92%	0.09%

Source of data:

- (1) Town of Vernon, Finance Department.
(2) Estimated Actual Value of Property provided by State Office of Policy and Management and Town Assessor's Office.
(3) Population estimates are provided by the Connecticut Department of Public Health except for the Fiscal Year (FY) 2011/12 population estimate which was provided by the U.S. Census Bureau.
(4) Per capita income is for Tolland County, of which Vernon is part of. Per capita income for fiscal year-end 2016 is not available.

n/a - Information is not yet available.

Note: The Town of Vernon's per capita income for fiscal year ending 2012 per the U.S. Census Bureau was \$33,784.

TABLE 9

TOWN OF VERNON, CONNECTICUT
RATIO OF NET GENERAL OBLIGATION DEBT OUTSTANDING
LAST TEN FISCAL YEARS
(UNAUDITED)

Fiscal Year Ended June 30,	Total General Obligation Bonds (1)	Other General Obligation Debt				Total Net General Obligation Debt	Net General Obligation Debt as a % of Estimated Actual Value of Property (2)	Net General Obligation Debt Per Capita (3)
		Notes Payable	Less Funds Provided by Surrounding Municipalities	Leases Payable	Total Net Other General Debt			
2017	\$ 40,960,000	\$ -	\$ -	\$ 918,516	\$ 918,516	\$ 41,878,516	1.66%	\$ 1,437
2016	44,110,000	826,194	(177,837)	1,139,748	1,788,105	45,898,105	1.79%	1,585
2015	34,205,000	2,454,022	(528,225)	1,357,473	3,283,270	37,488,270	1.48%	1,288
2014	36,790,000	4,049,643	(871,680)	1,579,841	4,757,804	41,547,804	1.72%	1,425
2013	39,335,000	5,613,695	(1,208,340)	1,798,543	6,203,898	45,538,898	2.22%	1,564
2012	42,190,000	7,160,338	(1,538,339)	46,109	5,668,108	47,858,108	1.87%	1,640
2011	46,555,000	8,695,599	(1,861,809)	75,395	6,909,185	53,464,185	2.16%	1,831
2010	44,840,000	10,210,277	(2,178,880)	188,094	8,219,491	53,059,491	2.18%	1,758
2009	45,990,000	11,696,643	(2,489,677)	963,877	10,170,843	56,160,843	2.25%	1,882
2008	36,505,000	13,154,440	(2,794,324)	1,262,457	11,622,573	48,127,573	2.38%	1,625

(1) See Table 8 for components of General Obligation Bonds.

(2) Estimated Actual Value of Property - See Table 5.

(3) Population - See Table 8.

TABLE 10

TOWN OF VERNON, CONNECTICUT
LEGAL DEBT MARGIN INFORMATION
LAST TEN FISCAL YEARS
(UNAUDITED)

	2008	2009	2010	2011	2012
Debt limit	\$ 349,678,098	\$ 365,563,961	\$ 379,667,540	\$ 401,786,343	\$ 401,538,851
Total net debt applicable to limit	103,104,752	100,700,857	98,342,330	96,360,188	90,567,495
Legal Debt Margin	<u>\$ 246,573,346</u>	<u>\$ 264,863,104</u>	<u>\$ 281,325,210</u>	<u>\$ 305,426,155</u>	<u>\$ 310,971,356</u>
Total net debt applicable to the limit as a percentage of debt limit	<u>29.49%</u>	<u>27.55%</u>	<u>25.90%</u>	<u>23.98%</u>	<u>22.56%</u>
	2013	2014	2015	2016	2017
Debt limit	\$ 411,836,390	\$ 437,941,686	\$ 449,852,739	\$ 464,838,675	\$ 477,242,262
Total net debt applicable to limit	86,281,695	109,809,643	104,447,022	102,945,471	71,058,289
Legal Debt Margin	<u>\$ 325,554,695</u>	<u>\$ 328,132,043</u>	<u>\$ 345,405,717</u>	<u>\$ 361,893,204</u>	<u>\$ 406,183,973</u>
Total net debt applicable to the limit as a percentage of debt limit	<u>20.95%</u>	<u>25.07%</u>	<u>23.22%</u>	<u>22.15%</u>	<u>14.89%</u>

Source: Town of Vernon, Finance Department

TABLE 11

TOWN OF VERNON, CONNECTICUT
DEMOGRAPHIC AND ECONOMIC DATA
LAST TEN FISCAL YEARS
(UNAUDITED)

Fiscal Year Ended June 30,	Population	(1) Median Age	(2) Personal Income (in thousands of dollars)	(2) Per Capita Personal Income	School Enrollment	Annual Change in School Enrollment	Unemployment Rate (June 30,)	Labor Force (June 30,)
2017	29,148	n/a	n/a	n/a	3,186	18	4.9%	17,454
2016	28,959	39.5	7,928,531	52,466	3,168	-70	5.9%	17,208
2015	29,098	39.3	7,920,906	52,311	3,238	-79	5.2%	17,362
2014	29,161	40.4	7,507,486	49,598	3,317	-123	6.6%	17,047
2013	29,122	39.7	7,224,684	47,623	3,440	-110	7.5%	16,819
2012	29,179	40.5	7,220,143	47,524	3,550	-46	8.0%	17,444
2011	29,205	40.4	6,986,297	45,645	3,596	-107	8.4%	17,923
2010	30,182	40.4	6,664,680	43,503	3,703	119	8.4%	17,894
2009	29,839	39.7	6,601,045	43,334	3,584	-131	7.3%	17,673
2008	29,620	39.4	6,649,668	43,868	3,715	-82	5.5%	17,842

n/a - Information is not yet available.

Sources of data:

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

(1) Median Age data is shown for Tolland County, Connecticut of which Vernon is a part of. This information is provided by American FactFinder.

(2) 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 and prior year estimates were all revised.

School Enrollment is provided by the Vernon Office of Superintendent of Schools.

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

TABLE 12

TOWN OF VERNON, CONNECTICUT
MAJOR EMPLOYERS
FISCAL YEARS ENDED JUNE 30, 2017 AND JUNE 30, 2008
(UNAUDITED)

Major Employer	2017			2008		
	Number Employed	Rank	Percentage of Total Town Employment	Number Employed	Rank	Percentage of Total Town Employment
Town of Vernon	841	1	4.8%	855	1	4.8%
Rockville General Hospital	488	2	2.8%	565	2	3.2%
Visiting Nurse and Health Services	470	3	2.7%	333	3	1.9%
Stop & Shop	273	4	1.6%	187	7	1.0%
New England Mechanical Services	220	5	1.3%	240	4	1.3%
Vernon Manor	197	6	1.1%	183	9	1.0%
Rein's Delicatessen	155	7	0.9%			
Price Chopper	154	8	0.9%	223	5	1.3%
State of Connecticut	145	9	0.8%	196	6	1.1%
Fox Hill Nursing and Rehabilitation	143	10	0.8%	187	7	1.0%
Ticket Network				177	10	1.0%
Total	<u>3,086</u>		<u>17.7%</u>	<u>3,146</u>		<u>17.6%</u>
Labor Force			<u>17,454</u>			<u>17,842</u>

Source: Town of Vernon Economic Development Department

TABLE 13

TOWN OF VERNON, CONNECTICUT
MUNICIPAL EMPLOYMENT, BY BARGAINING UNIT
 JUNE 30, 2017
 (UNAUDITED)

	Fiscal Year									
	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Municipal Employment										
Board of Education	629	615	622	640	635	631	638	624	633	642
General Government	212	209	208	206	205	204	204	211	211	213
Total	<u>841</u>	<u>824</u>	<u>830</u>	<u>846</u>	<u>840</u>	<u>835</u>	<u>842</u>	<u>835</u>	<u>844</u>	<u>855</u>

	Bargaining Unit	Employees Covered at 06/30/17	Current Contract Expiration Date
Board of Education			
Clerical / Custodial / Maintenance	Local 1303, AFSCME, AFL-CIO	64	6/30/19
Teachers	Vernon Education Association	323	6/30/21
School Administrators	Vernon School Administrators Association	18	6/30/18
School Nurses	Vernon School Nurses' Association	8	6/30/19
Cafeteria	United Food & Commercial Workers, Local 919, AFL-CIO	30	6/30/17
Plant Operation Supervisors	Local 818, Council #4, Supervisors	2	6/30/18
Service Aids & Teacher Assistants	Vernon Federation of Paraprofessionals	136	6/30/17
Librarians / Media Managers / Assistants	Local 1303-279, AFSCME, AFL-CIO	7	6/30/19
Non-Bargaining Employees	Not affiliated - salaried	41	n/a
	Total Board of Education	<u>629</u>	
General Government			
Police officers	Vernon Police Association	48	6/30/17**
Public Works/ Parks / Water Pollution	Local 1471, AFSCME, AFL-CIO	59	6/30/16*
Public Works Supervisors	Local 818, AFSCME, AFL-CIO	5	6/30/18
Civilian Police Department Employees	Local 47, Connecticut Independent Laborers Union	13	6/30/17
Professionals	Local 818 Professionals, AFSCME, AFL-CIO	34	6/30/16*
Waste Treatment Plant Supervisors	Local 818, AFSCME, AFL-CIO	3	6/30/18
Non-Bargaining Employees	Not affiliated	50	n/a
	Total General Government	<u>212</u>	

Source of data:

Board of Education, Business Office.

General Government, Town Administration.

* Subsequent to June 30, 2017, these bargaining agreements were ratified through June 30, 2019.

** Subsequent to June 30, 2017, this bargaining agreement was ratified through June 30, 2022.

TABLE 14

TOWN OF VERNON, CONNECTICUT
MUNICIPAL FULL-TIME EMPLOYMENT BY FUNCTION / PROGRAM
LAST TEN FISCAL YEARS
(UNAUDITED)

Function / Program	Full-time Employment Positions - Fiscal Year Ended June 30,									
	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
General Government:										
Administrative	7	7	7	7	7	7	7	8	8	8
Finance	14	14	14	14	13	13	13	14	13	14
Town Clerk	3	3	3	3	3	3	3	4	4	4
Data processing	12	11	11	10	10	4	4	4	4	4
Community Development:										
Planning	2	2	2	2	2	2	2	2	2	2
Economic Development	1	1	1	1	1	1	1	1	1	1
Public Safety:										
Police	64	64	64	64	64	67	67	67	67	67
Fire / Ambulance	3	2	2	2	2	2	2	2	2	2
Building	7	7	6	5	5	5	5	5	5	5
Animal Control	2	2	2	2	2	2	2	2	2	2
Maintenance and development:										
Public Works	46	46	47	47	47	48	48	51	51	51
Engineering	4	4	4	4	4	4	4	4	4	4
Water Pollution Control	22	22	22	22	22	22	22	23	24	24
Human Services:										
Youth Services	4	3	3	3	3	3	3	3	3	3
Social Services	4	4	4	4	4	4	4	4	4	4
Senior Center	3	3	3	3	3	3	3	3	3	3
Parks and Recreation:										
Administration	5	5	5	5	5	6	6	6	6	6
Parks Maintenance	7	7	6	6	6	6	6	6	6	6
Townwide:										
Cemeteries	2	2	2	2	2	2	2	2	2	3
Subtotal Town Hall employees	212	209	208	206	205	204	204	211	211	213
Education	629	615	622	640	635	631	638	624	633	642
Total Full-Time Employees	841	824	830	846	840	835	842	835	844	855

Source: Vernon Finance Department and Vernon School Business Office.

TABLE 15

TOWN OF VERNON, CONNECTICUT
OPERATING INDICATORS BY FUNCTION/ PROGRAM
LAST TEN FISCAL YEARS
(UNAUDITED)

Function/Program	Fiscal Year Ended June 30,									
	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Community Development										
Planning Administration:										
Number of Inland Wetland applications	7	10	9	7	9	8	7	12	13	13
Number of Planning/Zoning applications (both indicators based on calendar year)	20	17	14	22	22	19	26	29	20	27
Public Safety										
Police:										
Number of crimes	271	334	103	277	360	339	314	415	359	400
Number of motor vehicle infractions	949	789	1,010	678	1,002	1,108	1,126	1,567	1,678	1,383
Number of citations	4,070	3,304	3,517	3,465	5,206	4,814	6,157	6,674	5,823	6,917
Number of service calls (all indicators based on calendar year)	20,461	19,027	18,689	18,448	19,454	19,261	19,149	18,872	20,956	20,379
Building Inspection:										
Building permits issued	2,202	2,400	2,130	1,938	1,903	2,017	1,794	1,850	1,466	1,725
Building inspections conducted	2,661	4,812	5,514	7,596	7,594	7,669	6,350	6,343	2,886	2,073
Maintenance and Development										
General Maintenance:										
Miles of streets paved / reconstructed	18.02	14.94	15.30	10.21	1.64	1.11	6.02	0.98	1.16	4.16
Refuse Collection and Disposal:										
Tons of Municipal Solid Waste collected	7,151.56	7,187.91	7,158.84	7,178.17	6,740.80	7,641.02	7,570.10	8,177.00	8,398.99	8,770.60
Tons of Bulky Waste received	1,490.82	1,541.05	1,362.42	1,462.63	1,366.38	1,516.90	1,363.80	1,686.00	1,640.88	1,685.00
Recycling:										
Tons of Recyclables collected	2,490.23	2,566.03	2,462.33	2,528.12	2,510.82	2,492.44	2,442.90	1,877.00	1,955.46	1,946.80
Tons of Waste Motor Oil received	5.2	3.5	4.4	3.5	2.4	2.7	5.0	7.9	12.8	12.9
Tons of Metal received	215	158	159	162	162	168	185	275	289	365
Tons of Electronics received	71.2	73.0	72.0	74.8	69.5	78.0	19.8	21.0	20.3	5.0
Units of Lead Acid Batteries received	52	63	70	89	102	42	104	165	290	256
Parks and Recreation										
Recreation programs:										
Number of programs offered	100	108	112	108	89	94	97	89	65	82
Number of summer camp participants	2,669	2,756	2,696	2,618	2,378	2,301	2,042	1,971	1,830	2,619
Townwide										
Vernon Cemeteries:										
Number of cemetery lots sold	32	27	37	31	71	65	41	54	88	48
Number of burials / cremations	60	72	81	72	87	63	90	70	97	80
Water Pollution Control Facility:										
Average daily sewage treatment (thousands of gallons)	2,840	2,890	3,160	3,210	2,825	3,424	3,120	3,240	3,890	3,760

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 16

TOWN OF VERNON, CONNECTICUT
CAPITAL ASSET STATISTICS BY FUNCTION / PROGRAM
LAST TEN FISCAL YEARS
(UNAUDITED)

FUNCTION/PROGRAM	FISCAL YEAR ENDED JUNE 30									
	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Public Safety:										
Number of police stations	1	1	1	1	1	1	1	1	1	1
Number of police officers	50	50	50	50	50	50	50	50	50	50
Number of fire / ambulance stations	6	6	6	6	6	6	6	6	6	6
Number of fire / ambulance volunteers	183	168	166	166	155	160	158	161	154	135
Maintenance and Development:										
Miles of improved roads	113.00	113.00	112.78	112.78	112.78	112.34	112.34	112.34	111.83	111.81
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	120.0	112.9	112.9	112.9	112.9	112.9	112	112	112	112
Number of sanitary sewer pump stations	7	7	7	7	7	7	7	7	7	7
Treatment capacity - million gallons/day	7.1	7.1	7.1	7.1	7.1	7.1	7.1	7.1	7.1	7.1
Parks and Recreation:										
Number of parks	26	26	26	26	26	26	26	23	22	22
Acres of park land	582.52	582.52	582.52	582.52	582.52	582.52	579.52	570.42	568.3	568.3
Number of pools	2	2	2	2	2	2	2	2	2	2
Number of beaches	2	2	2	2	2	2	2	2	2	2
Education:										
Number of schools:										
Elementary	5	5	5	5	5	5	5	5	5	5
Middle	1	1	1	1	1	1	1	1	1	1
High / VOAG	1	1	1	1	1	1	1	1	1	1
Special Education	1	1	1	1	1	1	1	1	1	1
Townwide:										
Number of cemeteries maintained	5	5	5	5	5	5	5	5	5	5

Source of data: Various town departments.

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

TREND DATA SECTION

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

TABLE 17

TOWN OF VERNON, CONNECTICUT
GENERAL FUND
BALANCE SHEETS
LAST TEN FISCAL YEARS
(UNAUDITED)

	Fiscal Year Ended June 30,									
	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Assets										
Cash	\$ 15,394,454	\$ 9,838,339	\$ 8,645,128	\$ 12,127,690	\$ 5,700,066	\$ 7,856,162	\$ 8,870,779	\$ 40,340	\$ 697,928	\$ 240,097
Investments	-	4,023,332	4,010,873	554,897	3,368,016	3,304,313	2,436,623	10,443,021	10,364,088	10,350,750
Receivables:										
Property taxes	1,285,423	1,491,096	1,736,071	1,819,045	1,754,356	1,618,936	1,370,094	1,281,734	1,373,298	1,329,106
Grants and other	45,696	69,493	202,558	103,857	868,194	3,982,406	632,078	891,434	966,108	1,433,194
Due from other funds	5,309,418	5,417,912	8,326,930	3,359,413	3,746,953	2,105,434	2,255,426	4,092,563	1,954,903	1,263,191
Prepaid items	595,917	-	-	-	-	-	-	-	-	-
Advance from other funds	-	-	129,500	-	-	-	-	-	-	-
Total Assets	<u>\$ 22,630,908</u>	<u>\$ 20,840,172</u>	<u>\$ 23,051,060</u>	<u>\$ 17,964,902</u>	<u>\$ 15,437,585</u>	<u>\$ 18,867,251</u>	<u>\$ 15,565,000</u>	<u>\$ 16,749,092</u>	<u>\$ 15,356,325</u>	<u>\$ 14,616,338</u>
Liabilities										
Accounts payable	\$ 958,331	\$ 1,374,472	\$ 1,431,312	\$ 1,537,095	\$ 1,225,307	\$ 1,150,706	\$ 1,327,943	\$ 1,513,258	\$ 1,817,271	\$ 1,138,836
Accrued wages and benefits	341,339	672,962	525,010	438,418	326,395	392,237	748,115	559,911	277,649	175,219
Due to other funds	767,767	667,277	501,580	234,446	844,442	788,442	804,219	2,464,181	1,209,431	1,258,402
Unearned revenue	311,535	-	4,800,790	1,629,621	109,695	3,780,442	5,877	4,722	-	-
Total Liabilities	<u>2,378,972</u>	<u>2,714,711</u>	<u>7,258,692</u>	<u>3,839,580</u>	<u>2,505,839</u>	<u>6,111,827</u>	<u>2,886,154</u>	<u>4,542,072</u>	<u>3,304,351</u>	<u>2,572,457</u>
Deferred Inflows of Resources										
Unavailable revenues	1,043,830	1,165,205	1,507,581	1,441,980	1,527,556	1,640,897	1,600,781	1,780,291	2,146,305	2,518,040
Total Deferred Inflows of Resources	<u>1,043,830</u>	<u>1,165,205</u>	<u>1,507,581</u>	<u>1,441,980</u>	<u>1,527,556</u>	<u>1,640,897</u>	<u>1,600,781</u>	<u>1,780,291</u>	<u>2,146,305</u>	<u>2,518,040</u>
Fund Equity										
Nonspendable	595,917	-	129,500	-	-	-	-	-	-	-
Assigned	3,201,676	2,729,466	2,003,342	1,540,633	1,388,542	1,820,141	2,122,970	2,155,779	1,860,649	1,917,231
Unassigned	15,410,513	14,230,790	12,151,945	11,142,709	10,015,648	9,294,386	8,955,095	8,270,950	8,045,020	7,608,610
Total fund equity	<u>19,208,106</u>	<u>16,960,256</u>	<u>14,284,787</u>	<u>12,683,342</u>	<u>11,404,190</u>	<u>11,114,527</u>	<u>11,078,065</u>	<u>10,426,729</u>	<u>9,905,669</u>	<u>9,525,841</u>
Total liabilities, deferred inflows of resources and fund equity	<u>\$ 22,630,908</u>	<u>\$ 20,840,172</u>	<u>\$ 23,051,060</u>	<u>\$ 17,964,902</u>	<u>\$ 15,437,585</u>	<u>\$ 18,867,251</u>	<u>\$ 15,565,000</u>	<u>\$ 16,749,092</u>	<u>\$ 15,356,325</u>	<u>\$ 14,616,338</u>

Source: Town of Vernon, Finance Department.

TABLE 18

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 & Other	Other Financing Sources	Total	Annual % Increase
2017	\$ 67,962,636	\$ 19,688,630	\$ 1,337,058	\$ 800,744	\$ -	\$ 21,716	\$ 28,277	\$ 6,487,123	\$ 73,286	\$ 96,399,470	1.0%
% of Total	70.5%	20.4%	1.4%	0.8%	0.0%	0.0%	0.0%	6.7%	0.1%	100.0%	
2016	66,502,928	19,224,840	1,426,501	1,557,541	-	111,596	14,060	6,406,341	237,180	95,480,987	2.8%
% of Total	69.7%	20.1%	1.5%	1.6%	0.0%	0.1%	0.0%	6.7%	0.2%	100.0%	
2015	64,116,182	19,415,486	1,431,194	831,371	-	94,347	1,369	6,851,629	167,162	92,908,740	2.0%
% of Total	69.0%	20.9%	1.5%	0.9%	0.0%	0.1%	0.0%	7.4%	0.2%	100.0%	
2014	62,683,962	19,327,891	1,498,391	531,337	-	21,903	136	6,765,869	222,961	91,052,450	4.6%
% of Total	68.8%	21.2%	1.7%	0.6%	0.0%	0.0%	0.0%	7.4%	0.2%	100.0%	
2013	58,939,088	20,104,837	1,276,169	547,833	-	18,615	1,054	5,586,913	572,915	87,047,424	-1.1%
% of Total	67.7%	23.1%	1.5%	0.6%	0.0%	0.0%	0.0%	6.4%	0.7%	100.0%	
2012	57,327,038	22,856,032	1,341,318	563,598	-	20,251	2,810	5,562,125	329,270	88,002,442	3.7%
% of Total	65.1%	26.0%	1.5%	0.6%	0.0%	0.0%	0.0%	6.3%	0.4%	100.0%	
2011	57,387,268	20,710,835	1,386,203	491,675	-	10,193	27,227	4,604,572	280,095	84,898,068	5.0%
% of Total	67.6%	24.4%	1.6%	0.6%	0.0%	0.0%	0.0%	5.4%	0.3%	100.0%	
2010	54,241,727	20,352,445	1,561,369	441,648	-	13,008	42,113	3,963,079	241,856	80,857,245	1.6%
% of Total	67.1%	25.2%	1.9%	0.5%	0.0%	0.0%	0.1%	4.9%	0.3%	100.0%	
2009	52,186,924	21,194,696	1,421,907	406,025	-	10,088	199,312	3,906,222	259,876	79,585,050	-12.8%
% of Total	65.6%	26.6%	1.8%	0.5%	0.0%	0.0%	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%	0.0%	0.7%	18.5%	0.2%	100.0%	

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

Source: Town of Vernon, Finance Department

TABLE 19

TOWN OF VERNON, CONNECTICUT
GENERAL FUND
EXPENDITURES BY FUNCTION AND OTHER FINANCING USES - GAAP BASIS
LAST TEN FISCAL YEARS
(UNAUDITED)

Fiscal Year Ended June 30,	Expenditures by Function										Other Financing Uses	Expenditures and Other Financing Uses	
	General Government	Community Develop.	Public Safety	Maintenance and Develop.	Human Services	Parks, Recreation and Culture	Townwide	Education & On-Behalf Payments	Capital Outlay	Debt Service		Total	Annual % Increase
2017	\$ 3,645,882	\$ 259,219	\$ 8,533,042	\$ 5,504,582	\$ 915,790	\$ 1,496,065	\$ 8,017,224	\$ 58,063,598	\$ 257,845	\$ 4,910,864	\$ 2,547,509	\$ 94,151,620	1.5%
% of Total	3.9%	0.3%	9.1%	5.8%	1.0%	1.6%	8.5%	61.7%	0.3%	5.2%	2.7%	100.0%	
2016	3,694,679	248,607	8,561,323	5,408,134	938,018	1,430,950	7,933,163	56,591,613	740,131	4,399,190	2,859,710	92,805,518	1.6%
% of Total	4.0%	0.3%	9.2%	5.8%	1.0%	1.5%	8.5%	61.0%	0.8%	4.7%	3.1%	100.0%	
2015	3,590,896	235,770	8,525,361	5,550,883	962,959	1,369,686	7,469,937	57,008,315	363,926	4,046,597	2,183,065	91,307,395	1.7%
% of Total	3.9%	0.3%	9.3%	6.1%	1.1%	1.5%	8.2%	62.4%	0.4%	4.4%	2.4%	100.0%	
2014	3,428,718	221,149	7,995,555	5,431,695	936,012	1,329,070	7,107,547	56,788,058	130,174	4,143,846	2,261,474	89,773,298	3.5%
% of Total	3.8%	0.3%	8.9%	6.1%	1.0%	1.5%	7.9%	63.3%	0.1%	4.6%	2.5%	100.0%	
2013	3,230,952	241,139	8,169,618	5,222,913	974,251	1,358,243	7,054,780	54,365,055	57,787	4,365,302	1,717,721	86,757,761	-1.4%
% of Total	3.7%	0.3%	9.4%	6.0%	1.1%	1.6%	8.1%	62.7%	0.1%	5.0%	2.0%	100.0%	
2012	3,277,010	248,176	11,428,754	5,272,527	934,675	1,339,374	6,806,996	52,300,137	77,995	4,675,035	1,605,301	87,965,980	4.4%
% of Total	3.7%	0.3%	13.0%	6.0%	1.1%	1.5%	7.7%	59.5%	0.1%	5.3%	1.8%	100.0%	
2011	3,047,360	210,671	7,774,406	5,757,991	958,938	1,343,872	7,321,967	52,089,429	109,587	4,053,738	1,578,773	84,246,732	4.9%
% of Total	3.6%	0.3%	9.2%	6.8%	1.1%	1.6%	8.7%	61.8%	0.1%	4.8%	1.9%	100.0%	
2010	3,003,175	222,003	7,698,462	5,451,295	923,368	1,338,415	6,138,804	49,302,826	264,740	3,091,374	2,901,723	80,336,185	1.4%
% of Total	3.7%	0.3%	9.6%	6.8%	1.1%	1.7%	7.6%	61.4%	0.3%	3.8%	3.6%	100.0%	
2009	3,026,387	217,126	7,381,590	5,681,841	899,092	1,305,429	6,167,528	49,284,455	117,423	3,254,029	1,870,322	79,205,222	-12.9%
% of Total	3.8%	0.3%	9.3%	7.2%	1.1%	1.6%	7.8%	62.2%	0.1%	4.1%	2.4%	100.0%	
2008	2,903,470	228,828	7,288,175	5,445,696	837,812	1,773,120	5,961,569	61,340,447	296,916	2,379,422	2,436,676	90,892,131	20.4%
% of Total	3.2%	0.3%	8.0%	6.0%	0.9%	2.0%	6.6%	67.5%	0.3%	2.6%	2.7%	100.0%	

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

Source: Town of Vernon, Finance Department

TABLE 20

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,
2017	\$ 527	\$ 9,666	\$ 9,685	\$ 508
2016	834	16,400	16,707	527
2015	985	9,362	9,513	834
2014	1,016	8,597	8,628	985
2013	1,086	4,391	4,461	1,016
2012	825	11,253	10,992	1,086
2011	1,263	47,913	48,351	825
2010	792	59,201	58,730	1,263
2009	1,287	63,372	63,867	792
2008	718	62,227	61,658	1,287

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

TABLE 21

TOWN OF VERNON, CONNECTICUT
CHANGES IN NET POSITION - PENSION TRUST FUND
LAST TEN FISCAL YEARS
(UNAUDITED)

	Fiscal Year Ended June 30,									
	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Additions:										
Contributions:										
Employer	\$ 4,358,821	\$ 4,062,749	\$ 3,688,522	\$ 3,266,289	\$ 3,199,500	\$ 3,399,576	\$ 2,604,841	\$ 2,655,103	\$ 2,941,678	\$ 2,796,299
Employee	1,295,754	1,403,018	1,389,713	1,369,933	1,332,034	1,238,650	1,232,063	1,262,617	1,199,405	1,155,185
Net investment income (loss)	3,945,608	460,955	3,128,463	7,861,240	4,787,526	100,809	4,054,823	5,604,908	(8,078,201)	2,207,027
Total additions to Net Position	<u>9,600,183</u>	<u>5,926,722</u>	<u>8,206,698</u>	<u>12,497,462</u>	<u>9,319,060</u>	<u>4,739,035</u>	<u>7,891,727</u>	<u>9,522,628</u>	<u>(3,937,118)</u>	<u>6,158,511</u>
Deductions:										
Benefit payments / annuity purchases	6,295,600	5,561,889	5,051,222	4,839,395	4,340,495	4,061,246	3,678,415	3,269,875	3,017,123	2,740,940
Refunds of contributions	30,299	225,532	348,070	62,064	74,631	29,190	71,754	126,960	264,810	104,205
Administrative expense	203,643	144,869	191,218	176,206	178,039	174,509	156,607	140,276	156,406	145,588
Total deductions to Net Position	<u>6,529,542</u>	<u>5,932,290</u>	<u>5,590,510</u>	<u>5,077,665</u>	<u>4,593,165</u>	<u>4,264,945</u>	<u>3,906,776</u>	<u>3,537,111</u>	<u>3,438,339</u>	<u>2,990,733</u>
Change in Plan Net Position	<u>\$ 3,070,641</u>	<u>\$ (5,568)</u>	<u>\$ 2,616,188</u>	<u>\$ 7,419,797</u>	<u>\$ 4,725,895</u>	<u>\$ 474,090</u>	<u>\$ 3,984,951</u>	<u>\$ 5,985,517</u>	<u>\$ (7,375,457)</u>	<u>\$ 3,167,778</u>
Employer contributions as a percentage of covered payroll	<u>21.99%</u>	<u>19.85%</u>	<u>18.69%</u>	<u>16.59%</u>	<u>16.36%</u>	<u>17.87%</u>	<u>13.77%</u>	<u>13.76%</u>	<u>15.85%</u>	<u>15.57%</u>

Source: Town of Vernon, Finance Department

TOWN OF VERNON, CONNECTICUT
RATIO OF ANNUAL DEBT SERVICE EXPENDITURES FOR GENERAL DEBT TO GENERAL FUND EXPENDITURES - GAAP BASIS
LAST TEN FISCAL YEARS
(UNAUDITED)

	Fiscal Year Ending June 30,									
	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
General Fund expenditures	\$ 91,604,111	\$ 89,945,808	\$ 89,124,230	\$ 87,511,824	\$ 85,040,040	\$ 86,390,679	\$ 82,667,959	\$ 77,434,462	\$ 77,334,900	\$ 88,455,455
Debt service expenditures:										
Principal	\$ 3,505,186	\$ 3,021,345	\$ 2,760,617	\$ 2,771,437	\$ 3,126,102	\$ 2,921,774	\$ 2,301,286	\$ 1,280,829	\$ 1,731,047	\$ 1,656,374
Interest	1,405,678	1,377,845	1,285,880	1,372,409	1,239,200	1,753,261	1,752,452	1,810,545	1,522,982	723,048
Total debt service	\$ 4,910,864	\$ 4,399,190	\$ 4,046,497	\$ 4,143,846	\$ 4,365,302	\$ 4,675,035	\$ 4,053,738	\$ 3,091,374	\$ 3,254,029	\$ 2,379,422
Percentage of debt service expenditures to General Fund expenditures	5.36%	4.89%	4.54%	4.74%	5.13%	5.41%	4.90%	3.99%	4.21%	2.69%

Source of data: Town of Vernon, Finance Department.

TABLE 23

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

Fiscal Year Ended June 30,	Grand List	Real Estate**		Personal Property		Motor Vehicles*		Total All Property	
		Net Taxable Grand List	% Change	Net Taxable Grand List	% Change	Net Taxable Grand List	% Change	Net Taxable Grand List	% Change
2017	10/1/2015	\$ 1,516,055,457	0.39%	\$ 75,094,698	-5.97%	\$ 177,546,348	0.27%	1,768,696,503	0.09%
2016	10/1/2014	1,510,155,882	0.45%	79,865,015	5.16%	177,061,631	-3.09%	1,767,082,528	0.29%
2015	10/1/2013	1,503,406,927	0.69%	75,942,989	13.70%	182,700,970	4.73%	1,762,050,886	1.60%
2014	10/1/2012	1,493,134,500	0.45%	66,792,040	-9.39%	174,454,325	-2.17%	1,734,380,865	-0.23%
2013	10/1/2011	1,486,403,230	-11.28%	73,714,500	-4.54%	178,321,984	10.12%	1,738,439,714	-9.20%
2012	10/1/2010	1,675,422,920	0.53%	77,221,820	3.73%	161,928,532	5.47%	1,914,573,272	1.05%
2011	10/1/2009	1,666,654,720	0.13%	74,447,066	2.87%	153,537,018	-0.20%	1,894,638,804	0.21%
2010	10/1/2008	1,664,474,310	13.12%	72,373,200	1.54%	153,851,591	-3.48%	1,890,699,101	11.08%
2009	10/1/2007	1,471,452,682	16.42%	71,272,686	1.61%	159,395,290	1.39%	1,702,120,658	14.14%
2008	10/1/2006	1,263,919,130	16.58%	70,146,000	-1.80%	157,213,010	1.07%	1,491,278,140	13.74%

* Excludes assessed value on supplemental motor vehicle listings.

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

Source of data: Town Assessor and Town Clerk Offices.

TOWN OF VERNON, CONNECTICUT
PROPERTY TAX LEVIES, RATES, COLLECTIONS AND UNCOLLECTED TAXES
LAST TEN FISCAL YEARS
(UNAUDITED)

Fiscal Year Ended June 30,	Grand List Oct 1,	Tax Rate (In Mills)	Original Current Year Levy	Adjusted Current Year Levy at Fiscal Year End	Adjusted Current Year Levy at June 30, 2017	Current Levy Collected within the Fiscal Year of the Levy		Collections of Current Levy, Subsequent Years	Total Levy Collections To Date	Uncollected Taxes		Total Levy Uncollected to Date	
						Amount	Percentage of Adjusted Levy			As of End of Each Fiscal Year	As of June 30, 2017	Percentage of Original Levy	Percentage of Adjusted Levy
2017	2015	37.93	* \$ 67,980,089	\$ 67,778,045	\$ 67,778,045	\$ 66,936,857	98.8%	\$ -	\$ 66,936,857	\$ 841,188	\$ 841,188	1.53%	1.24%
2016	2014	36.91	65,976,102	65,758,703	65,663,413	65,021,214	99.0%	446,736	65,467,950	737,489	195,463	0.77%	0.30%
2015	2013	36.11	64,211,229	63,997,909	63,924,332	63,158,074	98.8%	690,216	63,848,290	839,835	76,042	0.57%	0.12%
2014	2012	35.40	62,079,457	62,210,620	62,088,323	61,327,304	98.8%	705,036	62,032,340	883,316	55,983	0.08%	0.09%
2013	2011	33.63	58,943,099	58,684,540	58,591,970	57,812,300	98.7%	747,550	58,559,850	872,240	32,120	0.65%	0.05%
2012	2010	29.90	57,542,153	57,407,016	57,339,704	56,603,238	98.7%	695,923	57,299,161	803,778	40,543	0.42%	0.07%
2011	2009	30.02	57,205,162	57,184,120	57,075,570	56,484,922	99.0%	552,001	57,036,923	699,198	38,647	0.29%	0.07%
2010	2008	28.42	53,957,129	53,909,593	53,816,914	53,268,067	99.0%	512,809	53,780,876	641,526	36,038	0.33%	0.07%
2009	2007	30.28	51,964,949	51,858,264	51,764,550	51,114,202	98.7%	618,289	51,732,491	744,062	32,059	0.45%	0.06%
2008	2006	32.91	49,690,219	49,658,052	49,541,227	48,770,952	98.4%	740,277	49,511,229	887,100	29,998	0.36%	0.06%

* Represents a blended tax rate.

Note: The latest revaluation was effective for the year ended June 30, 2013. Property is taxed by the Town of Vernon only.

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

TABLE 25

TOWN OF VERNON, CONNECTICUT
RATIOS OF DIRECT AND NET DEBT TO NET TAXABLE, FULL VALUE AND EQUALIZED GRAND LIST
LAST TEN FISCAL YEARS
(UNAUDITED)

Fiscal Year Ended June 30,	Governmental Activities		Grand List			Total Direct Debt as a % of			Total Net Debt as a % of		
	Total Direct Debt (1)	Total Net Debt (1)	Net Taxable Grand List (2)	Full Value Grand List (2)	Equalized Net Taxable Grand List (3)	Net Taxable Grand List	Full Value Grand List	Equalized Net Taxable Grand List	Net Taxable Grand List	Full Value Grand List	Equalized Net Taxable Grand List
2017	\$ 41,878,516	\$ 41,878,516	\$ 1,768,696,503	\$ 2,526,709,290	\$ 2,514,856,753	2.37%	1.66%	1.67%	2.37%	1.66%	1.67%
2016	46,075,942	45,898,105	1,767,082,528	2,524,403,611	2,546,983,355	2.61%	1.83%	1.81%	2.60%	1.82%	1.80%
2015	38,016,495	37,488,270	1,762,050,886	2,517,215,551	2,520,764,900	2.16%	1.51%	1.51%	2.13%	1.49%	1.49%
2014	42,419,484	41,547,804	1,734,380,865	2,477,686,950	2,402,677,895	2.45%	1.71%	1.77%	2.40%	1.68%	1.73%
2013	46,747,238	45,538,898	1,738,439,714	2,483,485,306	2,484,656,177	2.69%	1.88%	1.88%	2.62%	1.83%	1.83%
2012	49,396,447	47,858,108	1,914,573,272	2,735,104,674	2,540,965,785	2.58%	1.81%	1.94%	2.50%	1.75%	1.88%
2011	55,325,994	53,464,185	1,894,638,804	2,706,626,863	2,462,690,474	2.92%	2.04%	2.25%	2.82%	1.98%	2.17%
2010	55,238,371	53,059,491	1,890,699,111	2,700,998,730	2,455,538,731	2.92%	2.05%	2.25%	2.81%	1.96%	2.16%
2009	58,650,520	56,160,843	1,702,120,658	2,431,600,940	2,491,857,824	3.45%	2.41%	2.35%	3.30%	2.31%	2.25%
2008	50,921,897	48,127,573	1,491,278,140	2,130,397,343	2,017,416,957	3.41%	2.39%	2.52%	3.23%	2.26%	2.39%

Source of data:

- (1) Town of Vernon, Finance Department.
- (2) Net Grand List and Full Value Grand List provided by Town Assessor's Office.
- (3) Equalized Net Grand List provided by State Office of Policy and Management.

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			(3)**		Industrial and (4) Nontaxable
	Construction		Construction		Construction		Construction			(3)** Residential	Commercial	
	#	Value	#	Value	#	Value	#	Value				
2017	10	\$ 1,450,000	127	\$ 17,970,651	1,758	\$ 22,409,269	1,895	\$ 41,829,920	\$ 1,442,317	\$ 1,557,385,628	\$ 582,880,643	\$ 231,613,320
2016	9	1,308,200	127	52,852,968	2,264	27,355,063	2,400	81,516,231	1,294,291	1,523,952,459	647,748,690	231,510,180
2015	16	2,100,600	50	11,502,039	2,064	19,536,294	2,130	33,138,932	1,488,947	1,549,748,720	592,059,742	231,375,068
2014	11	1,368,500	76	7,120,134	1,851	14,408,001	1,938	22,896,635	1,271,012	1,554,753,889	493,430,505	231,289,640
2013	16	1,998,000	80	5,741,017	1,807	19,899,840	1,903	27,638,857	1,002,845	1,606,255,471	506,433,643	229,212,099
2012	13	1,954,000	89	6,504,974	1,915	19,704,831	2,017	28,163,805	892,262	1,647,973,312	540,385,815	279,872,330
2011	23	2,569,000	103	4,583,919	1,668	13,263,268	1,794	20,416,187	816,121	1,517,985,824	598,948,165	270,568,720
2010	34	5,618,507	99	4,408,402	1,717	13,352,039	1,850	23,378,948	782,363	1,677,860,407	405,017,402	236,654,310
2009	27	3,759,546	66	1,901,260	1,373	15,661,565	1,466	21,322,371	776,296	1,755,785,729	379,577,798	232,017,940
2008	43	9,817,719	69	3,870,742	1,613	21,958,018	1,725	35,646,479	744,794	1,204,042,543	470,833,357	232,217,470

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

** Excludes vacant land.

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

TABLE 27

TOWN OF VERNON, CONNECTICUT
U.S. BUREAU OF CENSUS STATISTICS
JUNE 30, 2017
(UNAUDITED)

Year	Population (1)	Density (2)	Age Characteristics (1)				Income Characteristics (1)		
			Age	2000	2010	%	Income	2010	
								Households	% of total
2010	29,179	1,569	Under 5	1,713	1,663	-2.9%	\$ 0 to 14,999	1,134	8.7%
2000	28,063	1,509	5-19	5,027	4,597	-8.6%	\$15,000 to 24,999	1,110	8.5%
1990	29,841	1,604	20-34	6,023	6,456	7.2%	\$25,000 to 34,999	993	7.6%
1980	27,974	1,504	35-54	8,647	8,227	-4.9%	\$35,000 to 49,999	2,023	15.5%
1970	27,237	1,464	55-64	2,747	3,683	34.1%	\$50,000 to 74,999	2,404	18.4%
1960	16,961	912	Over 65	3,906	4,553	16.6%	\$75,000 to 99,999	2,050	15.7%
1950	10,115	544					\$100,00 or more	3,317	25.6%
			Total	28,063	29,179	4.0%			
			Median	37.7	40.2				
Years of School Completed, Persons Age 25 and Over (1)									
			All Persons 2000		All Persons 2010				
Educational Attainment			No.	%	No.	%	Income	Households	% of total
Did not complete high school			2,782	14.2%	2,020	9.5%	\$ 0 to 14,999	1,355	11.0%
High school graduate			5,934	30.2%	6,451	30.4%	\$15,000 to 24,999	1,400	11.4%
Some college, no degree & Associate degree			5,660	28.8%	6,348	29.9%	\$25,000 to 34,999	1,520	12.4%
Bachelor, graduate of professional degree			5,253	26.8%	6,397	30.2%	\$35,000 to 49,999	2,098	17.1%
							\$50,000 to 74,999	2,864	23.2%
							\$75,000 to 99,999	1,571	12.8%
							\$100,00 or more	1,482	12.1%
Total			19,629	100%	21,216	100%			
Percent high school graduate or higher			85.8%		90.5%		Total	12,290	100%
Percent bachelor's degree or higher			26.8%		30.2%				
Housing Occupancy									
			All Housing Units 2000		All Housing Units 2010		Median Income	\$ 47,816	\$ 62,115
							Mean Income	57,533	74,113
			No.	% of total	No.	% of total	Per Capita Income	25,150	33,784
Owner Occupied Housing Units			6,935	56.5%	7,532	58.0%	% below poverty level	5.8%	6.4%
Renter Occupied Housing Units			5,334	43.5%	5,444	42.0%			
Total			12,269	100%	12,976	100%			

Sources of Data:

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

TABLE 28

TOWN OF VERNON, CONNECTICUT
LAND USE / ZONING STATISTICS
JUNE 30, 2017
(UNAUDITED)

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	8,120	70.50%
Commercial / Industrial*	712	6.18%	7.21%	Business:		
Community Facilities / Institutional	352	3.06%	3.56%	Commercial / Industrial	872	7.57%
Open Space	1,904	16.53%	19.27%	Rockville Historic District	713	6.19%
R-O-W / Utilities	1,610	13.98%	16.29%	Other Special Zones	413	3.59%
Vacant	1,636	14.20%		No zone (right-of-way, water, other)	1,400	12.15%
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: Land Use statistics from the Town's Plan of Conservation and Development and Existing Zoning from Town Planner's Office.

TABLE 29

TOWN OF VERNON, CONNECTICUT
SCHOOL FACILITIES AND ENROLLMENT DATA
 JUNE 30, 2017
 (UNAUDITED)

School	Grades	Number of Classrooms	Total Floor Area (Sq. ft.)	School Capacity	School Enrollment as of 10/1/2016
Elementary Schools:					
Center Road	Pre-K to 5	33	75,122	825	477
Lake Street	Pre-K to 5	20	39,219	525	269
Maple Street	Pre-K to 5	23	39,920	525	282
Northeast	Pre-K to 5	19	41,500	525	283
Skinner Road	Pre-K to 5	21	45,350	525	315
Total Elementary Schools				2,925	1,626
Middle School	6 to 8	70	135,988	1,500	712
Rockville High and VO-AG	9 to 12	136	272,748	2,400	848
Total In-District Enrollment				6,825	3,186
Out of District	All	n/a	n/a	n/a	38
Total Enrollment				6,825	3,224

**ACTUAL
 SCHOOL ENROLLMENTS
 LAST TEN FISCAL YEARS**

School Year *	Pre-K	K-5	6-8	9-12	TOTAL IN-DISTRICT	ANNUAL % CHANGE	OUT-OF-DISTRICT
2007/08	39	1,626	817	1,233	3,715	-2.16%	45
2008/09	33	1,588	786	1,177	3,584	-3.53%	37
2009/10	124	1,638	802	1,139	3,703	3.32%	38
2010/11	129	1,620	768	1,079	3,596	-2.89%	38
2011/12	142	1,615	738	1,055	3,550	-1.28%	38
2012/13	172	1,595	697	976	3,440	-3.10%	48
2013/14	177	1,552	659	929	3,317	-3.58%	48
2014/15	177	1,535	649	877	3,238	-2.38%	46
2015/16	165	1,499	681	823	3,168	-2.16%	41
2016/17	146	1,480	712	848	3,186	0.57%	38

* As of October 1.

**PROJECTED
 SCHOOL ENROLLMENTS
 NEXT 5 FISCAL YEARS**

2017/18	174	1,442	688	829	3,133	-1.66%	41
2018/19	174	1,422	654	848	3,098	-1.12%	41
2019/20	174	1,421	641	829	3,065	-1.07%	41
2020/21	174	1,404	630	846	3,054	-0.36%	41
2021/22	174	1,397	619	836	3,026	-0.92%	41

School Classrooms, Capacity and Actual Enrollments: Vernon Superintendent of Schools Office.

* Projected Enrollments: Prepared by Milone & MacBroom, dated March 2016.

School Square Footage: Per Code Information Sheets (updated to reflect recent school building projects).