

## Official Statement Dated July 1, 2020

**REFUNDING/NEW ISSUE- Book Entry Only**

**RATING:** See "Rating" herein

*In the opinion of Bond Counsel, assuming the accuracy of and compliance by the Town with its representations and covenants relating to certain requirements contained in the Internal Revenue Code of 1986, as amended (the "Code"), under existing statutes, interest on the Series A Bonds is excluded from gross income for Federal income tax purposes pursuant to Section 103 of the Code; the Series A Bonds are not "private activity bonds" and interest on the Series A Bonds is not treated as a preference item for purposes of calculating the Federal alternative minimum tax; interest on the Series B Bonds **is not** excluded from gross income for Federal income tax purposes pursuant to Section 103 of the Code; interest on the Series A Bonds and the Series B Bonds is excluded from Connecticut taxable income for purposes of the Connecticut income tax on individuals, trusts and estates; and interest on the Series A and Series B Bonds is excluded from amounts on which the net Connecticut minimum tax is based in the case of individuals, trusts and estates required to pay the Federal alternative minimum tax. (See Appendix B "Opinion of Bond Counsel and Tax Status - Series A Bonds and Appendix C "Opinion of Bond Counsel and Tax Status - Series B Bonds" herein.)*

### ***TOWN OF VERNON, CONNECTICUT***

#### ***\$20,325,000 GENERAL OBLIGATION BONDS, ISSUE OF 2020, SERIES A (TAX-EXEMPT)***

**Dated: Date of Delivery**

**Due: August 1, as shown herein**

***AND***

#### ***\$3,835,000 GENERAL OBLIGATION REFUNDING BONDS, ISSUE OF 2020, SERIES B (FEDERALLY TAXABLE)***

**Dated: Date of Delivery**

**Due: August 1, as shown herein**

The \$20,325,000 General Obligation Bonds, Issue of 2020, Series A (the "Series A Bonds") and the \$3,835,000 General Obligation Refunding Bonds, Issue of 2020, Series B (Federally Taxable) (the "Series B Bonds" and collectively with the Series A Bonds, the "Bonds") will be general obligations of the Town of Vernon, Connecticut (the "Town") and the Town will pledge its full faith and credit to pay the principal of and the interest on the Bonds when due. (See "Security and Remedies" herein).

The Bonds will bear interest payable on August 1, 2020 and semiannually thereafter on February 1 and August 1 in each year until maturity. The Bonds are issuable by means of a book-entry transfer system and will be registered in the name of Cede & Co., as Bondowner, and nominee for The Depository Trust Company ("DTC"), New York, New York. DTC will act as securities depository for the Bonds. Purchases of the Bonds will be made in book-entry-only form, in the denomination of \$5,000 or any integral multiple thereof. Purchasers will not receive certificates representing their ownership interest in the Bonds. So long as Cede & Co. is the Bondowner, as nominee of DTC, reference herein to the Bondowner shall mean Cede & Co. as aforesaid, and shall not mean the Beneficial Owners (as described herein) of the Bonds. (See "Book-Entry-Only System" herein).

The Registrar, Certifying Bank, Transfer, Paying and Escrow Agent for the Bonds will be U.S. Bank National Association, of Hartford, Connecticut.

**The Series A Bonds ARE subject to optional redemption prior to maturity as described herein. (See "Optional Redemption" herein).**

**The Series B Bonds are NOT subject to optional redemption prior to maturity.**

**PIPER | SANDLER**

The Bonds are offered for delivery when, as and if issued, subject to the final approving opinion of Day Pitney LLP, Bond Counsel, of Hartford, Connecticut. It is expected that the Bonds in definitive form will be available for delivery in New York, New York on or about July 16, 2020.

***This cover page contains certain information for quick reference only. It is not a summary of these issues. Investors must read the entire Official Statement to obtain information essential to the making of an informed investment decision.***

# ***TOWN OF VERNON, CONNECTICUT***

## ***\$20,325,000 GENERAL OBLIGATION BONDS, ISSUE OF 2020, SERIES A (TAX-EXEMPT)***

**Dated: Date of Delivery**

### **MATURITY SCHEDULE**

**Due: August 1, 2020-2035**

<b>Maturity</b>	<b>Amount</b>	<b>Coupon</b>	<b>Yield</b>	<b>CUSIP<sup>1</sup></b>	<b>Maturity</b>	<b>Amount</b>	<b>Coupon</b>	<b>Yield</b>	<b>CUSIP<sup>1</sup></b>
2020	\$ 290,000	5.000 %	0.320 %	924427WG8	2028	\$325,000	4.000 %	0.950 %	924427WQ6
2021	3,080,000	5.000	0.330	924427WH6	2029	325,000	3.000	1.140 *	924427WR4
2022	3,190,000	5.000	0.370	924427WJ2	2030	325,000	3.000	1.310 *	924427WS2
2023	3,205,000	5.000	0.400	924427WK9	2031	325,000	3.000	1.470 *	924427WT0
2024	2,275,000	5.000	0.470	924427WL7	2032	325,000	3.000	1.600 *	924427WU7
2025	2,275,000	5.000	0.560	924427WM5	2033	325,000	3.000	1.740 *	924427WV5
2026	2,015,000	5.000	0.690	924427WN3	2034	325,000	3.000	1.830 *	924427WW3
2027	1,395,000	5.000	0.820	924427WP8	2035	325,000	3.000	1.880 *	924427WX1

\* Priced assuming redemption on August 1, 2028, however any such redemption is at the option of the Town. See "Optional Redemption" herein.

## ***\$3,835,000 GENERAL OBLIGATION REFUNDING BONDS, ISSUE OF 2020, SERIES B (FEDERALLY TAXABLE)***

**Dated: Date of Delivery**

### **MATURITY SCHEDULE**

**Due: August 1, 2022-2030**

<b>Maturity</b>	<b>Amount</b>	<b>Coupon</b>	<b>Yield</b>	<b>CUSIP<sup>1</sup></b>	<b>Maturity</b>	<b>Amount</b>	<b>Coupon</b>	<b>Yield</b>	<b>CUSIP<sup>1</sup></b>
2022	\$445,000	0.950 %	0.950 %	924427XA0	2027	\$420,000	1.750 %	1.750 %	924427XF9
2023	445,000	1.050	1.050	924427XB8	2028	420,000	1.900	1.900	924427XG7
2024	435,000	1.200	1.200	924427XC6	2029	415,000	2.000	2.000	924427XH5
2025	435,000	1.300	1.300	924427XD4	2030	390,000	2.050	2.050	924427XJ1
2026	430,000	1.600	1.600	924427XE2					

<sup>1</sup> Copyright, American Bankers Association. CUSIP® is a registered trademark of the American Bankers Association. CUSIP numbers have been assigned by an independent company not affiliated with the Town and are included solely for the convenience of the holders of the Bonds. The Town is not responsible for the selection or use of these CUSIP numbers, does not undertake any responsibility for their accuracy, and makes no representation as to their correctness on the Bonds or as indicated above. The CUSIP number for a specific maturity is subject to being changed after the issuance of the Bonds as a result of various subsequent actions including, but not limited to, a refunding in whole or in part of such maturity or as a result of the procurement of secondary market portfolio insurance or other similar enhancement by investors that is applicable to all or a portion of certain maturities of the Bonds.

No dealer, broker, salesman or other person has been authorized by the Town of Vernon, Connecticut (the "Town") to give any information or to make any representations not contained in this Official Statement, and if given or made, such other information or representations must not be relied upon as having been authorized by the Town.

This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of the Bonds by any person in any jurisdiction in which it is unlawful for such person to make such offer, solicitation or sale. The information set forth herein has been obtained by the Town from sources which are believed to be reliable but it is not guaranteed as to accuracy or completeness.

This Official Statement has been prepared only in connection with the initial offering and sale of the Bonds and may not be reproduced or used in whole or in part for any other purpose. The information, estimates and expressions of opinion herein are subject to change without notice. Neither the delivery of this Official Statement nor any sale hereunder shall, under any circumstances, create any implication that there has been no material change in the affairs of the Town since the date of this Official Statement.

The Bonds have not been registered under the Securities Act of 1933, as amended. In addition, the Bonds have not been registered under any state securities law.

Set forth in Appendix A – "Audited Financial Statements" hereto is a copy of the report of the independent auditors for the Town with respect to the financial statements of the Town included in that appendix. The report speaks only as of its date, and only to the matters expressly set forth therein. The auditors have not been engaged to review this Official Statement or to perform audit procedures regarding the post-audit period, nor have the auditors been requested to give their consent to the inclusion of their report in Appendix A. Except as stated in their report, the auditors have not been engaged to verify the financial information set out in Appendix A and are not passing upon and do not assume responsibility for the sufficiency, accuracy or completeness of the financial information presented in that appendix.

Other than as to matters expressly set forth in Appendix B "Opinion of Bond Counsel and Tax Status- The Series A Bonds" and Appendix C "Opinion of Bond Counsel and Tax Status- The Series B Bonds" respectively, Bond Counsel are not passing on and do not assume any responsibility for the accuracy or adequacy of the statements made in this Official Statement and make no representation that they have independently verified the same.

This Official Statement is in a form "deemed final" by the Town for purposes of Securities and Exchange Commission Rule 15c2-12(b)(1), but is subject to revision or amendment.

The Town currently files its official statements for primary offerings with the Municipal Securities Rulemaking Board through its EMMA system. In accordance with the requirements of Rule 15c2-12(b)(5) promulgated by the Securities and Exchange Commission, the Town will agree to provide, or cause to be provided, (i) certain annual financial information and operating data; (ii) timely notice of the occurrence of certain events, but not in excess of ten (10) business days after the occurrence of such events, and (iii) timely notice of a failure by the Town to provide the required annual financial information on or before the date specified in the Continuing Disclosure Agreement to be executed in substantially the form of Appendix D to this Official Statement.

The Municipal Advisor to the Town has provided the following sentence for inclusion in this Official Statement. The Municipal Advisor has reviewed the information in this Official Statement in accordance with, and as part of, its responsibilities to the Town and, as applicable, to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Municipal Advisor does not guarantee the accuracy or completeness of such information.

The Underwriter has provided the following sentence for inclusion in this Official Statement. The Underwriter has reviewed the information in this Official Statement in accordance with, and as part of, its responsibilities to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriter does not guarantee the accuracy or completeness of such information.

**IN CONNECTION WITH THIS OFFERING, THE UNDERWRITER MAY OVER-ALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICE OF THE BONDS AT LEVELS ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME WITHOUT PRIOR NOTICE.**

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## SERIES A BOND ISSUE SUMMARY

The information in this Bond Issue Summary is qualified in its entirety by the detailed information and financial statements appearing elsewhere in this Official Statement. The Official Statement speaks only as of its date and the information herein is subject to change.

<b>Issuer:</b>	Town of Vernon, Connecticut (the "Town").
<b>Issue:</b>	\$20,325,000 General Obligation Bonds, Issue of 2020, Series A (the "Series A Bonds").
<b>Dated Date:</b>	July 16, 2020.
<b>Principal Due:</b>	Serially, August 1, 2020 through August 1, 2035 as described in this Official Statement.
<b>Interest Due:</b>	Semiannually on February 1 and August 1 in each year, commencing August 1, 2020.
<b>Denominations:</b>	\$5,000 or integral multiples thereof.
<b>Purpose and Authority:</b>	The Series A Bonds are being issued to finance public improvement projects undertaken by the Town and to currently refund certain bonds of the Town and are authorized pursuant to Title 7 of the General Statutes of Connecticut, as amended, the Charter of the Town of Vernon and a bond ordinance adopted by the Town Council and approved by the voters of the Town at referendum and a refunding bond resolution adopted by the Town Council.
<b>Redemption:</b>	The Series A Bonds <b>are</b> subject to redemption prior to maturity. See "Optional Redemption" herein.
<b>Security:</b>	The Series A Bonds will be general obligations of the Town of Vernon, Connecticut, and the Town will pledge its full faith and credit to the payment of the principal of and interest on the Series A Bonds when due.
<b>Credit Rating:</b>	The Series A Bonds have been rated "Aa2" by Moody's Investors Service ("Moody's"). The underlying rating on the Town's outstanding bonds has recently been affirmed as "Aa2" by Moody's.
<b>Tax Exemption:</b>	Refer to Appendix B, "Opinion of Bond Counsel and Tax Status – The Series A Bonds" herein.
<b>Continuing Disclosure Agreement:</b>	See Appendix D to this Official Statement.
<b>Bank Qualification:</b>	The Series A Bonds shall <b>NOT</b> be designated by the Town as qualified tax-exempt obligations under the provisions of Section 265(b) of the Internal Revenue Code of 1986, as amended, for purposes of the deduction by financial institutions for interest expense allocable to the Series A Bonds.
<b>Certifying Bank, Registrar, Transfer, Escrow and Paying Agent:</b>	U.S. Bank National Association, of Hartford, Connecticut.
<b>Legal Opinion:</b>	Day Pitney LLP, of Hartford, Connecticut will act as Bond Counsel.
<b>Delivery and Payment:</b>	It is expected that delivery of the Series A Bonds in book-entry-only form will be made on or about July 16, 2020 against payment in Federal Funds.
<b>Issuer Official:</b>	Questions regarding the Town and this Official Statement should be directed to Mr. Jeffrey O'Neill, Finance Officer and Treasurer, Town of Vernon, 14 Park Place, Vernon, Connecticut 06066. Telephone: (860) 870-3634.
<b>Municipal Advisor:</b>	Hilltop Securities Inc., 129 Samson Rock Drive, Suite A, Madison, Connecticut 06443, attention: William N. Lindsay, Managing Director, Telephone: 860-290-3002.

## SERIES B BOND ISSUE SUMMARY

The information in this Bond Issue Summary is qualified in its entirety by the detailed information and financial statements appearing elsewhere in this Official Statement. The Official Statement speaks only as of its date and the information herein is subject to change.

<b>Issuer:</b>	Town of Vernon, Connecticut (the "Town").
<b>Issue:</b>	\$3,835,000 General Obligation Refunding Bonds, Issue of 2020, Series B (Federally Taxable)(the "Series B Bonds").
<b>Dated Date:</b>	July 16, 2020.
<b>Principal Due:</b>	Serially, August 1, 2022 through August 1, 2030 as described in this Official Statement.
<b>Interest Due:</b>	Semiannually on February 1 and August 1 in each year, commencing August 1, 2020.
<b>Denominations:</b>	\$5,000 or integral multiples thereof.
<b>Purpose and Authority:</b>	The Series B Bonds are being issued to advance refund certain bonds of the Town and are authorized pursuant to Title 7 of the General Statutes of Connecticut, as amended and a refunding bond resolution adopted by the Town Council.
<b>Redemption:</b>	The Series B Bonds are <b>not</b> subject to redemption prior to maturity.
<b>Security:</b>	The Series B Bonds will be general obligations of the Town of Vernon, Connecticut, and the Town will pledge its full faith and credit to the payment of the principal of and interest on the Series B Bonds when due.
<b>Credit Rating:</b>	The Series B Bonds have been rated "Aa2" by Moody's Investors Service ("Moody's"). The underlying rating on the Town's outstanding bonds has recently been affirmed as "Aa2" by Moody's.
<b>Tax Status:</b>	Refer to Appendix C, "Opinion of Bond Counsel and Tax Status – The Series B Bonds" herein.
<b>Continuing Disclosure Agreement:</b>	See Appendix D to this Official Statement.
<b>Bank Qualification:</b>	The Series B Bonds shall <b>NOT</b> be designated by the Town as qualified tax-exempt obligations under the provisions of Section 265(b) of the Internal Revenue Code of 1986, as amended, for purposes of the deduction by financial institutions for interest expense allocable to the Series B Bonds.
<b>Certifying Bank, Registrar, Transfer, Escrow and Paying Agent:</b>	U.S. Bank National Association, of Hartford, Connecticut.
<b>Legal Opinion:</b>	Day Pitney LLP, of Hartford, Connecticut will act as Bond Counsel.
<b>Delivery and Payment:</b>	It is expected that delivery of the Series B Bonds in book-entry-only form will be made on or about July 16, 2020 against payment in Federal Funds.
<b>Issuer Official:</b>	Questions regarding the Town and this Official Statement should be directed to Mr. Jeffrey O'Neill, Finance Officer and Treasurer, Town of Vernon, 14 Park Place, Vernon, Connecticut 06066. Telephone: (860) 870-3634.
<b>Municipal Advisor:</b>	Hilltop Securities Inc., 129 Samson Rock Drive, Suite A, Madison, Connecticut 06443, attention: William N. Lindsay, Managing Director, Telephone: 860-290-3002.

## I. SECURITIES OFFERED

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### INTRODUCTION

This Official Statement, including the cover page, inside cover page and appendices, has been prepared by the Town of Vernon, Connecticut (the "Town") with assistance from the Municipal Advisor, in connection with the sale of \$20,325,000 General Obligation Bonds, Issue of 2020, Series A (the "Series A Bonds") and \$3,835,000 General Obligation Refunding Bonds, Issue of 2020, Series B (the "Series B Bonds") (the Series A Bonds and the Series B Bonds will be referred to collectively as the "Bonds") of the Town.

All quotations from and summaries and explanations of provisions of statutes, charters, or other laws and acts and proceedings of the Town contained herein do not purport to be complete and are qualified in their entirety by reference to the original official documents; and all references to the Bonds and the proceedings of the Town relating thereto are qualified in their entirety by reference to the definitive form of the Bonds and such proceedings.

The presentation of information is intended to show recent historical trends and is not intended to indicate future or continuing trends in the financial or other positions of the Town. Except for information expressly attributed to other sources, all financial and other information presented herein has been provided by the Town.

Hilltop Securities Inc. ("HilltopSecurities") is engaged as Municipal Advisor to the Town in connection with the issuance of the Bonds. The Municipal Advisor's fee for services rendered with respect to the sale of the Bonds is contingent upon the issuance and delivery of the Bonds. HilltopSecurities, in its capacity as Municipal Advisor, does not assume any responsibility for the information, covenants and representations contained in any of the legal documents with respect to the federal and state income tax status of the Bonds, or the possible impact of any present, pending or future actions taken by any legislative or judicial bodies.

### DESCRIPTION OF THE BONDS

The Series A Bonds will be issued in the aggregate amount of \$20,325,000, of which \$15,325,000 (the "Series A Refunding Bonds") will be used to currently refund certain outstanding bond issues of the Town. (See "Plan of Refunding" herein). The remaining amount of \$5,000,000 (the "Series A Capital Project Bonds") will be used to finance a road improvement project approved by the Town. (See "Authorization and Use of Proceeds" herein). The Series A Bonds will be dated the date of delivery and will mature in installments on August 1 in the years and amounts set forth on the inside cover page herein. Interest on the Series A Bonds will be payable August 1, 2020 and semiannually thereafter on February 1 and August 1 in each year until maturity. Interest will be calculated on the basis of a 360-day year consisting of twelve 30-day months and will be payable to the registered owners of the Bonds as of the close of business on the fifteenth day of January and July in each year, or the preceding business day if the fifteenth is not a business day. A book-entry system will be employed evidencing ownership of the Series A Bonds in principal amounts of \$5,000 or integral multiples thereof, with transfers of ownership effected on the records of The Depository Trust Company, New York, New York, ("DTC"), and its participants pursuant to rules and procedures established by DTC and its participants. (See "Book-Entry-Only System" herein). The legal opinion on the Series A Bonds will be rendered by Day Pitney LLP of Hartford, Connecticut. (See "Appendix B" herein). The Registrar, Certifying Bank, Transfer, Paying and Escrow Agent for the Series A Bonds will be U.S. Bank National Association of Hartford, Connecticut. **The Series A Bonds are subject to redemption prior to maturity. (See "Optional Redemption" herein).**

The Series B Bonds will be issued in the aggregate amount of \$3,835,000 and will be used to advance refund certain outstanding bond issues of the Town. (See "Plan of Refunding" herein). The Series B Bonds will be dated the date of delivery and will mature in installments on August 1 in the years and amounts set forth on the inside cover page herein. Interest on the Series B Bonds will be payable August 1, 2020 and semiannually thereafter on February 1 and August 1 in each year until maturity. Interest will be calculated on the basis of a 360-day year consisting of twelve 30-day months and will be payable to the registered owners of the Bonds as of the close of business on the fifteenth day of January and July in each year, or the preceding business day if the fifteenth is not a business day. A book-entry system will be employed evidencing ownership of the Series B Bonds in principal amounts of \$5,000 or integral multiples thereof, with transfers of ownership effected on the records of The Depository Trust Company, New York, New York, ("DTC"), and its participants pursuant to rules and procedures established by DTC and its participants. (See "Book-Entry-Only System" herein). The legal opinion on the Series B Bonds will be rendered by Day Pitney LLP of Hartford, Connecticut. (See "Appendix C" herein). The Registrar, Certifying Bank, Transfer, Paying and Escrow Agent for the Series B Bonds will be U.S. Bank National Association of Hartford, Connecticut. **The Series B Bonds are NOT subject to redemption prior to maturity.**

## OPTIONAL REDEMPTION

The Series A Bonds maturing on or before August 1, 2028 are not subject to redemption prior to maturity. The Series A Bonds maturing on August 1, 2029 and thereafter are subject to redemption prior to maturity, at the option of the Town, on or after August 1, 2028, at any time, either in whole or in part, in such amounts and in such order of maturity (but by lot within a maturity) as the Town may determine, at the redemption prices (expressed as a percentage of the par amount of Series A Bonds to be redeemed) set forth in the following table, together with interest accrued and unpaid to the redemption date:

<u>Redemption Date</u>	<u>Redemption Price</u>
August 1, 2028 and thereafter	100.0%

**The Series B Bonds are not subject to redemption prior to maturity.**

## NOTICE OF REDEMPTION

Notice of redemption shall be given by the Town or its agent by mailing a copy of the redemption notice by first-class mail at least thirty days prior to the date fixed for redemption to the registered owner of the Series A Bonds designated for redemption in whole or in part at the address of such registered owner as the same shall last appear on the registration books for the Series A Bonds. Failure to give such notice by mailing to any registered owner, or any defect therein, shall not affect the validity of the redemption of any other Series A Bonds. Upon the giving of such notice, if such funds available solely for redemption are on deposit with the Paying Agent, the Series A Bonds or portions thereof so called for redemption will cease to bear interest after the specified redemption date.

If less than all the Series A Bonds of any one maturity shall be called for redemption, the particular Series A Bonds or portions of Series A Bonds of such maturity to be redeemed shall be selected by lot in such manner as the Town in its discretion may determine; provided, however, that the portion of any Series A Bond to be redeemed shall be in the principal amount of \$5,000 or some multiple thereof and that, in selecting Series A Bonds for redemption, each Series A Bond shall be considered as representing that number of Series A Bonds which is obtained by dividing the principal amount of such Series A Bond by \$5,000.

The Town, so long as a book-entry-only system is used for the Bonds being called for redemption, will send any notice of redemption only to DTC (or a successor securities depository) or its nominee. Any failure of DTC to advise any Direct Participant or of any Direct Participant or Indirect Participant to notify any Indirect Participant or Beneficial Owner, of any such notice and its content or effect will not affect the validity of the redemption of such Series A Bonds called for redemption. Redemption of portions of the Series A Bonds of any maturity by the Town will reduce the outstanding principal amount of Series A Bonds held by DTC. In such event it is the current practice of DTC to allocate by lot, through its book-entry system, among the interest held by Direct Participants in the Series A Bonds to be redeemed, the interest to be reduced by such redemptions in accordance with its own rules or other agreements with Direct Participants. The Direct Participants and Indirect Participants may allocate reductions of the interests in the Series A Bonds to be redeemed held by the Beneficial Owners. Any such allocation of interests in the Series A Bonds to be redeemed will not be governed by the determination of the Town authorizing the issuance of the Series A Bonds and will not be conducted by the Town, the Registrar or Paying Agent.

## RATING

The Bonds have been rated "Aa2" by Moody's Investors Service, Inc. ("Moody's"). The rating on the Town's outstanding Bonds has recently been affirmed as "Aa2" by Moody's. Such rating reflects only the views of such organization and any explanation of the significance of such rating should be obtained from the rating agency furnishing the same, at the following address: Moody's Investors Service, Inc., 7 World Trade Center, 250 Greenwich Street, New York, New York 10007. Generally, a rating agency bases its rating on the information and materials furnished to it and on investigations, studies and assumptions of its own. The Town furnished certain information and materials to the rating agency, some of which may not have been included in this Official Statement. There is no assurance that such rating will continue for any given period of time or that the rating will not be revised or withdrawn entirely by the agency if, in the judgment of such rating agency, circumstances so warrant. A revision or withdrawal of such rating may have an effect on the market price of the Town's bonds and notes.



## AUTHORIZATION AND USE OF PROCEEDS

### Authorizations:

The Series A Bonds were authorized pursuant to Title 7 of the General Statutes of Connecticut, as amended, the Charter of the Town of Vernon, and a bond ordinance adopted by the Town Council and approved by the voters of the Town at referendum.

Use of Proceeds: Proceeds of the Series A Capital Project Bonds will be used to finance the following projects:

<b>Project</b>	<b>Total Amount of Authorization</b>	<b>Prior Debt / Grants</b>	<b>Series A Capital Project Bonds</b>
Road Reconstruction and Improvements.....	\$ 27,637,000	\$ 19,347,358	\$ 5,000,000
Total.....	<u>\$ 27,637,000</u>	<u>\$ 19,347,358</u>	<u>\$ 5,000,000</u>

## PLAN OF REFUNDING

The Series A Refunding Bonds and the Series B Refunding Bonds are being issued pursuant to Title 7 of the General Statutes of Connecticut, as amended, and a refunding bond resolution adopted by the Town Council at a meeting held on June 2, 2020 to refund a portion of the outstanding maturities of the Town's general obligation bonds, including but not limited to, the bonds listed below (the "Refunded Bonds"). Each refunding is contingent upon the delivery of each series of the Bonds.

<b>Issue</b>	<b>Dated Date</b>	<b>Maturity Date</b>	<b>Amount Outstanding</b>	<b>Interest Rate</b>	<b>Redemption Date</b>	<b>Redemption Price</b>
<i><u>Series A Refunded Bonds</u></i>						
2011	4/12/2011	4/1/2021	\$ 255,000	3.250 %	8/17/2020	100.00 %
2011	4/12/2011	4/1/2022	255,000	3.500	8/17/2020	100.00
2011	4/12/2011	4/1/2023	255,000	3.500	8/17/2020	100.00
2011	4/12/2011	4/1/2024	255,000	3.500	8/17/2020	100.00
2011	4/12/2011	4/1/2025	255,000	3.625	8/17/2020	100.00
2011	4/12/2011	4/1/2026	<u>255,000</u>	3.750	8/17/2020	100.00
			1,530,000			
2012	4/11/2012	8/1/2021	2,790,000	4.250	8/17/2020	100.00
2012	4/11/2012	8/1/2022	2,890,000	4.000	8/17/2020	100.00
2012	4/11/2012	8/1/2023	2,885,000	4.000	8/17/2020	100.00
2012	4/11/2012	8/1/2024	1,940,000	4.000	8/17/2020	100.00
2012	4/11/2012	8/1/2025	1,930,000	4.000	8/17/2020	100.00
2012	4/11/2012	8/1/2026	1,915,000	3.000	8/17/2020	100.00
2012	4/11/2012	8/1/2027	<u>1,275,000</u>	3.000	8/17/2020	100.00
			15,625,000			
<i><u>Series B Refunded Bonds</u></i>						
2015	8/5/2015	8/1/2022	410,000	2.000	8/1/2021	100.00
2015	8/5/2015	8/1/2023	410,000	2.500	8/1/2021	100.00
2015	8/5/2015	8/1/2024	410,000	2.500	8/1/2021	100.00
2015	8/5/2015	8/1/2025	410,000	2.500	8/1/2021	100.00
2015	8/5/2015	8/1/2026	410,000	3.000	8/1/2021	100.00
2015	8/5/2015	8/1/2027	410,000	3.000	8/1/2021	100.00
2015	8/5/2015	8/1/2028	410,000	3.000	8/1/2021	100.00
2015	8/5/2015	8/1/2029	410,000	3.000	8/1/2021	100.00
2015	8/5/2015	8/1/2030	<u>390,000</u>	3.125	8/1/2021	100.00
			3,670,000			
		Total	<u>\$ 20,825,000</u>			

Upon delivery of the Bonds, a portion of the Series A Refunding Bond and Series B Bond proceeds will be placed in an irrevocable escrow deposit fund (the "Escrow Deposit Fund") established with U.S. Bank National Association of Hartford, Connecticut, as escrow agent (the "Escrow Agent") under an Escrow Agreement (the "Escrow Agreement") to be dated as of July 16, 2020 between the Escrow Agent and the Town. The Escrow Agent will deposit a portion of the proceeds of the Series A Refunding Bonds and Series B Bonds, along with other monies, if any, into the Escrow Deposit Fund and will use such proceeds and other monies, as applicable, to purchase a portfolio of non-callable direct obligations of, or obligations guaranteed by the government of the United States of America, including United States Treasury State and Local Government Series ("SLGS") securities and any other securities permitted by Section 7-400 of the Connecticut General Statutes all of which shall not be callable or pre-payable at the option of the issuer thereof (the "Escrow Securities"). All investment income on, and maturing principal of, Escrow Securities held in the Escrow Deposit Fund and needed to pay the principal, interest payments and redemption prices of the Refunded Bonds will be applied by the Town for payment of the Refunded Bonds. The balance of the proceeds of the Series A Refunding Bonds and the Series B Refunding Bonds will be used to pay costs of issuance, including the underwriter's discount.

Upon the making of such deposits of the Series A Refunding Bond and the Series B Bond proceeds with the Escrow Agent, the Refunded Bonds described above will no longer be deemed outstanding and shall be deemed to have been paid in full.

## VERIFICATION OF MATHEMATICAL COMPUTATIONS

Ritz & Associates, a Professional Association, will verify from the information provided to them the mathematical accuracy as of the date of the closing of the Series A Refunding Bonds and the Series B Bonds of the computations contained in the Underwriter's schedules to determine that the anticipated receipts from the Escrow Securities and any cash deposits to be held in the Escrow Deposit Fund will be sufficient to pay, when due, the principal, interest and applicable call premium, if any, of the Refunded Bonds. Ritz & Associates, a Professional Association, will express no opinion on the assumptions provided to them.

## SOURCES AND USES OF BOND PROCEEDS

Proceeds of the Bonds are to be applied as follows:

<b>Sources:</b>	<b>The Series A Bonds</b>	<b>The Series B Bonds</b>
Par Amount .....	\$ 20,325,000.00	\$ 3,835,000.00
Net Original Issue Premium .....	3,042,497.60	-
Total Sources .....	<u>\$ 23,367,497.60</u>	<u>\$ 3,835,000.00</u>
<b>Uses:</b>		
Deposit to Project Fund .....	\$ 5,695,231.06	\$ -
Deposit to Escrow Deposit Fund.....	17,500,399.14	3,814,643.78
Underwriter's Discount.....	56,560.80	12,512.95
Cost of Issuance .....	115,306.60	7,843.27
Total Uses .....	<u>\$ 23,367,497.60</u>	<u>\$ 3,835,000.00</u>

## SECURITY AND REMEDIES

The Bonds will be general obligations of the Town of Vernon, and the Town will pledge its full faith and credit to pay the principal of and interest on the Bonds when due.

Unless paid from other sources, the Bonds are payable from the general property tax revenue of the Town. The Town has the power under Connecticut General Statutes to levy ad valorem taxes on all taxable property in the Town without limit as to rate or amount, except as to certain classified property such as certified forest land taxable at a limited rate and dwelling houses of qualified elderly persons of low income or of qualified disabled persons taxable at limited amounts. There was, however, no such certified forest land on the last completed grand list of the Town. The Town may place a lien on the property for the amount of tax relief granted; plus interest, with respect to the dwelling houses of qualified elderly persons of low income or qualified disabled persons. Under existing statutes, the State of Connecticut is obligated to pay to the Town the amount of tax revenue which the Town would have received except for the limitation under certain of the statutes upon its power to tax such dwellings houses of qualified elderly persons of low income.

Payment of the Bonds is not limited to property tax revenues or any other revenue source, but certain revenues of the Town may be restricted as to use and therefore may not be available to pay debt service on the Bonds.

There are no statutory provisions for priorities in the payment of general obligations of the Town. There are no statutory provisions for a lien on any portion of the tax levy or other revenues to secure the Bonds, or judgments thereon, in priority to other claims.

The Town is subject to suit on its general obligation bonds and notes, and a court of competent jurisdiction has the power in appropriate proceedings to render a judgment against the Town. Courts of competent jurisdiction also have the power in appropriate proceedings to order payment of a judgment on such bonds or notes from funds lawfully available therefore or, in the absence thereof, to order the Town to take all lawful action to obtain the same, including the raising of the required amount in the next annual tax levy. In exercising their discretion as to whether to enter such an order, the courts may take into account all relevant factors, including the current operating needs of the Town and the availability and adequacy of other remedies.

Enforcement of a claim for payment of principal of or interest on the Bonds would also be subject to the applicable provisions of Federal bankruptcy laws as well as other bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights heretofore or hereafter enacted and to the exercise of judicial discretion. Section 7-566 of the Connecticut General Statutes, as amended in 1993, provides that no Connecticut municipality shall file a petition in bankruptcy without the express prior written consent of the Governor. This prohibition applies to any town, city, borough, metropolitan district and any other political subdivision of the State having the power to levy taxes and issue bonds or other obligations.

## **CONSIDERATIONS FOR BONDHOLDERS**

In making an investment decision with respect to the Bonds, investors should consider carefully the information in this Official Statement and, in addition to those investment characteristics of fixed-rate municipal debt obligations, consider the following factor.

### **The COVID-19 Outbreak**

The outbreak of COVID-19, a respiratory virus caused by a new strain of coronavirus, has been declared a Public Health Emergency of International Concern by the World Health Organization. On March 13, 2020, the President of the United States declared a national emergency as a result of the COVID-19 outbreak. The U.S. Centers for Disease Control and Prevention (CDC) has warned that some areas in the United States are experiencing community spread of COVID-19 and that widespread transmission of COVID-19 in the United States is likely to continue. To slow the spread of COVID-19 in the U.S., the U.S. government has imposed bans on travel from various countries, including China and many countries in Europe, and recommended social distancing measures. The outbreak of the virus has affected travel, commerce and financial markets globally, and is widely expected to affect economic growth worldwide.

There can be no assurances that the ongoing impact of COVID-19 will not materially affect State, national, and global activity; increase public health emergency response costs; and materially adversely impact the financial condition of the Town. As the situation evolves, states, municipalities, businesses and people have altered behaviors in a manner that is having negative effects on global and local economies. The financial, stock and bond markets in the United States and globally have seen significant volatility attributed to COVID-19.

### **State and Local Efforts to Mitigate the Ongoing Impact of COVID-19**

On March 10, 2020, Governor Lamont declared public health and civil preparedness emergencies in the State of Connecticut as a result of the COVID-19 outbreak. State agencies have been directed to use all resources necessary to prepare for and respond to the outbreak. To date, the Governor has cancelled all public-school classes for all students for the current school year, and restricted social and recreational gatherings, limited restaurants to take-out, delivery and outdoor seating only, and required certain businesses and not-for-profit entities in the State to employ, to the maximum extent possible, any telecommuting or work from home procedures that they can safely employ. Additionally, by executive order, the Governor has instituted a 60-day residential rent moratorium and extended the date for adoptions of municipal budgets which fell on or before May 15, 2020 by up to 30 days.

Similarly, while the potential impact on the Town cannot be predicted at this time, the continued spread of the outbreak and any prolonged effects on the national and State economy could have a materially adverse effect on the Town's finances and economy. On March 12, 2020, the Town declared a local state of emergency. This step allows the Mayor to exercise

emergency powers as needed to help the community and better positioned the Town to access emergency federal aid. The Town Hall has remained open to the public and will operate Town offices with limited staff performing essential services. The Town schools, Town Library and Senior Center have been closed to the public and the Town is conducting essential council and commission meetings remotely.

### **Municipal Tax Relief Programs**

On April 1, 2020, Governor Lamont issued Executive Order No. 7S, which, among other things, calls for Connecticut municipalities, including the Town of Vernon, to offer to eligible taxpayers impacted by COVID-19 one or both of the following tax relief programs: a 90-day Deferment Program or a 90-day Low Interest Rate Program. Both programs are applicable to amounts payable or delinquent during the period from March 10, 2020 to and including July 1, 2020 and apply to taxes on real property, personal property or motor vehicles, and water, sewer and electric rates, charges and assessments. The Deferment Program provides for a 90 day deferment from the time the amount becomes due and payable. However, financial institutions and mortgage servicers that hold property tax payments in escrow are required to continue to remit property taxes to the Town according to the regular timetable, so long as the borrower remains current on its mortgage or is in a mortgage forbearance or deferment program. The Low Interest Rate Program provides for a three percent (3%) cap on the interest rate due on the principal amount of delinquent payments. The low interest period runs for 90 days from the date the payment is due and payable. With respect to payments delinquent on or prior to March 10, 2020, interest shall be capped at three percent (3%) for 90 days from April 1, 2020. Following the 90 day period, the interest rate may return to that previously established. At a Town Council meeting held on April 21, 2020 the Town Council elected to participate in the 90-day Deferment Program. While a potential risk, the Town does not anticipate the outbreak to have a materially adverse effect on the Town for Fiscal Year 2019-20. Currently, the Town's finances and financial plans remain stable and the Town estimates that approximately 101.5% of total budgeted revenues have been received as of May 29, 2020, including the collection of approximately 100.6% of budgeted property taxes. Although the Town cannot reasonably predict at this time the impact of the tax deferments, the Town believes that it has established sufficient liquidity to maintain operations without interruption, including making all debt service payments. The Town estimates that it will end Fiscal Year 2019-20 with \$20 million in cash and cash equivalents in the general fund, which equates to approximately 2.5 months of operations.

The Governor's Executive Orders also suspend all non-judicial tax sales effective immediately and postpone them until a date the tax collector selects that is at least 30 days after the Governor declares the COVID-19 emergency to have ended. In addition, the Orders extend all redemption periods for tax sales conducted in the prior six months by the duration of the emergency and reduce the interest rate for doing so to 3% per annum (0.25% monthly).

On April 10, 2020, the Governor issued Executive Order 7X ("Order 7X") requiring landlords to grant 60-day rent extensions to residential tenants for April (automatically) and May (by request due to loss of income). Landlords can satisfy the commensurate forbearance and income decline requirements for tax and other relief under Order 7S for residential properties simply by complying with Order 7X, and for the Deferment Program by confirming they will do so in an e-mail to the tax collector.

### **U.S. Government Response to COVID-19's Impact on the Economy**

On March 27, 2020, Congress enacted the Coronavirus Aid, Relief, and Economic Stabilization Act (the "CARES Act") that provides in excess of \$2 trillion of relief to industries and entities throughout the country, including state and local governments. Under the CARES Act, \$150 billion will be appropriated to states and other units of government for activities that are directly related to COVID-19; the amount paid to each state will be based on population with a minimum payment of \$1.25 billion. In addition, the CARES Act will provide \$454 billion to the Federal Reserve to purchase business, state or municipal securities in order to provide a level of liquidity to the municipal market. Other financial relief affecting states and local governments includes \$30.9 billion for education, \$10 billion for airports, \$25 billion for transit providers, and \$17 billion for housing, including \$5 billion for Community Development Block Grants for COVID-19 related services.

On March 28, 2020, President Trump approved Governor Lamont's request for a disaster declaration for the State of Connecticut. Under the declaration, it is expected that federal funding will be made available to state, tribal and eligible local governments and certain private nonprofit organizations for emergency protective measures, including direct federal assistance, for all areas of Connecticut impacted by COVID-19. The impacted agencies and towns will be reimbursed for 75 percent of the costs associated with their response and emergency protective measures.

The extent to which COVID-19 impacts the Town's operations and its financial condition will depend on future developments, which are uncertain and cannot be predicted with confidence, including the duration of the outbreak, new information which may emerge concerning the severity of COVID-19 and the actions to contain COVID-19 or treat its impact, among others.

## **QUALIFICATION FOR FINANCIAL INSTITUTIONS – SERIES A BONDS**

The Series A Bonds shall **NOT** be designated as qualified tax-exempt obligations under the provisions of Section 265(b)(3) of the Internal Revenue Code of 1986, as amended, for purposes of the deduction by financial institutions for interest expense allocable to the Series A Bonds.

## **BOOK-ENTRY TRANSFER SYSTEM**

The Depository Trust Company ("DTC"), New York, New York, will act as securities depository for the Bonds. The Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Bond certificate will be issued for each maturity of the Bonds and will be deposited with DTC.

DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has a Standard & Poor's rating of: AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at [www.dtcc.com](http://www.dtcc.com).

Purchases of the Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC's records. The ownership interest of each actual purchaser of each Bond and Note ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Bonds will be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in the Bonds, except in the event that use of the book-entry system for the Bonds is discontinued.

To facilitate subsequent transfers, all Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of the Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not affect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

Redemption notices shall be sent to DTC. If less than all of the Bonds within an issue are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to the Bonds unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the Town as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or

voting rights to those Direct Participants to whose accounts the Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal and interest payments on, and redemption premium, if any, with respect to the Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the Town or the Paying Agent on the payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name", and will be the responsibility of such Participant and not of DTC nor its nominee, the Paying Agent, or the Town, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal and interest, and redemption premium, if any, to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Town or the Paying Agent, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as depository with respect to the Bonds at any time by giving reasonable notice to the Town or the Paying Agent. Under such circumstances, in the event that a successor depository is not obtained, Bond and Note certificates are required to be printed and delivered.

The Town may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, Bond and Note certificates will be printed and delivered to DTC.

The information in this section concerning DTC and DTC's book-entry-only system has been provided by DTC. The Town takes no responsibility for the accuracy thereof.

## **REPLACEMENT BONDS**

The determination of the Town officials authorizing the issuance of the Bonds provides for issuance of fully-registered Bond certificates directly to Beneficial Owners of the Bonds or their nominees in the event that: (a) DTC determines not to continue to act as securities depository for the Bonds, and the Town fails to identify another qualified securities depository for the Bonds to replace DTC; or (b) the Town determines to discontinue the book-entry-only system of evidence and transfer of ownership of the Bonds. A Beneficial Owner of the Bonds, upon registration of certificates held in such Beneficial Owner's name, will become the registered owner of the Bonds.

## **DTC PRACTICES**

The Town can make no assurances that DTC, Direct Participants, Indirect Participants or other nominees of the Beneficial Owners of the Bonds will act in a manner described in this Official Statement. DTC is required to act according to rules and procedures established by DTC and its participants which are on file with the Securities and Exchange Commission.

## **AVAILABILITY OF CONTINUING DISCLOSURE INFORMATION**

The Town prepares, in accordance with State law, annual audited financial statements and operating statements and files such annual audits with the State Office of Policy and Management within six months of the end of its fiscal year. The Town provides, and will continue to provide Moody's ongoing disclosure in the form of independent annual financial reports, adopted budgets, and other materials relating to its management and financial condition, as may be necessary or requested from time to time.

The Town will enter into a Continuing Disclosure Agreement with respect to the Bonds, substantially in the form attached as Appendix D to this Official Statement (the "Continuing Disclosure Agreement"), to provide, or cause to be provided (i) annual financial information and operating data within eight months of the end of the fiscal year, (ii) timely notice of the occurrence of certain material events not in excess of ten (10) business days of the occurrence of such event; and (iii) timely notice of a failure by the Town to provide the required annual financial information on or before the date specified in the Continuing Disclosure Agreement. The Underwriter's obligation to purchase the Bonds shall be conditioned upon its receiving, at or prior to the delivery of the Bonds, an executed copy of the Continuing Disclosure Agreement for the Bonds.

The Town has previously undertaken in Continuing Disclosure Agreements entered into for the benefit of holders of certain of its general obligation bonds to provide certain annual financial information and event notices pursuant to Rule 15c2-12(b)(5). In the past five years, the Town has not failed to meet in all material respects, any of its undertakings under such agreements, with the exception of a failure to file the Town's fiscal year ending June 30, 2019 Comprehensive Annual Financial

Report before the deadline of February 29, 2020. On March 2, 2020 the Town filed a failure to file notice with the MSRB's EMMA system and subsequently filed the Comprehensive Annual Financial Report when it was completed on April 1, 2020.

## **UNDERWRITING**

The Bonds are being purchased by Piper Sandler & Co. (the "Underwriter"), pursuant to the terms of a bond purchase agreement for the Bonds with the Town (the "Purchase Agreement"). Pursuant to the Purchase Agreement, the Underwriter has agreed, subject to certain conditions, to purchase the Series A Bonds from the Town at the net aggregate purchase price of \$23,310,936.80 (consisting of the par amount of \$20,325,000.00, plus original issue premium of \$3,042,497.60, less an underwriter's discount of \$56,560.80) and to purchase the Series B Bonds from the Town at the net aggregate purchase price of \$3,822,487.05 (consisting of the par amount of \$3,835,000.00, less an underwriter's discount of \$12,512.95). The Underwriter will be obligated to purchase all such bonds if any such bonds are purchased. The Series A Bonds and Series B Bonds may be offered and sold to certain dealers (including unit investment trusts and other affiliated portfolios of certain underwriters and other dealers depositing the Bonds into investment trusts) at prices lower or yields higher than the public offering prices or yields stated on the inside cover page hereof. The initial offering prices or yields may be changed, from time to time, by the Underwriter.

The Underwriter has entered into a distribution agreement (the "CS & Co. Distribution Agreement") with Charles Schwab & Co., Inc. ("CS & Co.") for the retail distribution of certain securities offerings including the Series A Bonds and the Series B Bonds, at the original issue prices. Pursuant to the CS & Co. Distribution Agreement, CS & Co. will purchase the Series A Bonds and the Series B Bonds from the Underwriter at the original issue price less a negotiated portion of the selling concession applicable to any Series A Bonds and Series B Bonds that CS & Co. sells.

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## II. THE ISSUER



### DESCRIPTION OF THE TOWN

The Town of Vernon, originally part of Bolton, Connecticut, was incorporated as a separate township in October 1808. In 1965, the Town of Vernon, in its current form, was created when the Town, the City of Rockville and the Vernon Fire District were consolidated. At that time, the Town of Vernon assumed all assets and liabilities of each of the governmental units and a new town charter was adopted. Since 1970, when the charter was revised, Vernon has operated under a Mayor-Town Council form of government with a full-time professional Town Administrator.

Vernon, which encompasses a land area of 18.6 square miles, is located 14 miles northeast of Hartford, in Tolland County. Interstate 84, a major expressway leading to New York, Boston and northern New England, traverses the Town, and has four interchanges within the Town's borders. Interstate 84 connects with I-90 (Massachusetts Turnpike), I-384, I-91, and I-291 providing convenient access to other parts of the region. 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 convenient access provided by the interstate highway system has contributed to Vernon's development as a suburban community and a regional commercial center. The 2018 American Community Survey reported Vernon's population as 29,157. Currently 45% of total housing units are single-family, owner-occupied homes. Approximately 45% of Vernon's labor force is employed in the finance, insurance, scientific, management, education and health care sectors.

As the economic base for the Hartford region has shifted from manufacturing and industrial production to retail commerce and professional services, so too has the Town's economic base. The Town's leading employers are engaged in health care services, retail sales and manufacturing. The Town's former Rockville mills section has also made a transition from being primarily an industrial and commercial center to a professional and governmental center. It is currently the site of Town and local Board of Education offices. Industrial employment in Town is in mechanical contracting, textile coating and printing.

The development of the Town has been guided by zoning regulations and land use planning. The zoning regulations that existed for the former City of Rockville and Vernon Fire District prior to consolidation were converted to the Town of Vernon's zoning regulations. The Town's zoning regulations were adopted in 1965 and are periodically revised to reflect



current development standards and practices. The Town's first Master Plan of Conservation and Development was adopted in 1967 and the most recent plan was adopted in 2012.

The Town has an Economic Development Commission and an Economic Development Coordinator to foster expansion of the economic base. Due to the limited amount of land available for commercial and industrial growth, the Town is aggressively pursuing the availability of large parcels of land for development. Areas designated for new development include downtown Rockville, Vernon Circle, Lafayette Square, the I-84 Corridor and the Gerber Farm area. The Commission is also pursuing the redevelopment of the numerous older mill properties located throughout Town.

The Town's educational system for its residents consists of five elementary schools, one middle school, one special education school and one senior high school.

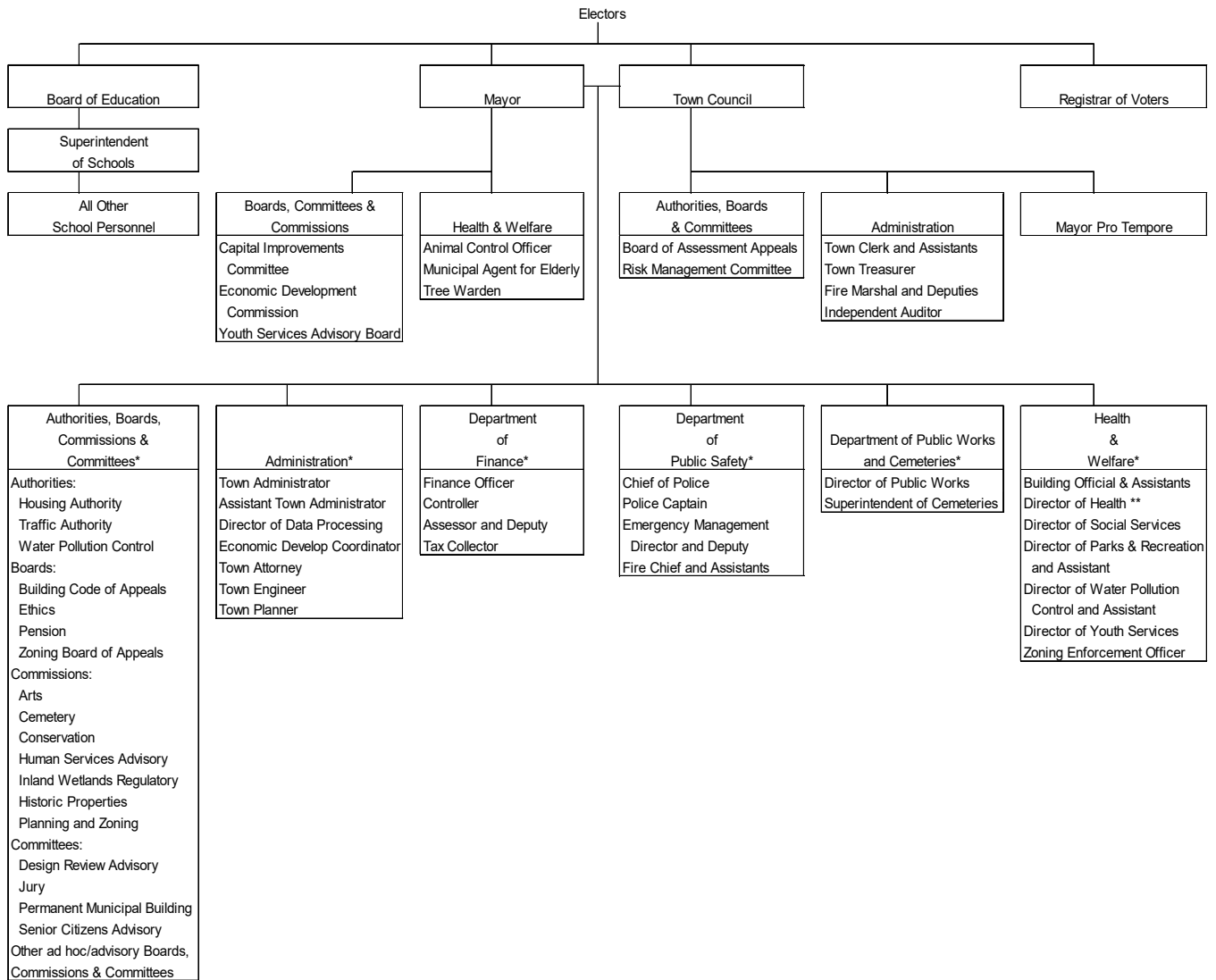
## **FORM OF GOVERNMENT**

The Town of Vernon has operated under the Mayor-Town Council form of government since 1970. The Town Council acts as the legislative body of the Town. The Town Council consists of twelve members elected on a partisan basis for two-year terms. A full-time, professional Town Administrator is appointed by the Mayor and approved by the Town Council. The Town's operating budget is submitted by the Mayor to the Town Council annually by March 15<sup>th</sup>. The Council reviews the budget and holds at least two public hearings on it. The last hearing on the budget is the Annual Town Meeting, held on the fourth Tuesday in April, at which time eligible voters present at the hearing vote on the budget, and the budget will become effective only after it has been approved by a majority vote. Such vote may neither increase nor decrease the amount approved by the Town Council. Following the Annual Town Meeting, the Council sets the mill rate for the ensuing fiscal year. The Town's fiscal year is from July 1 through the following June 30.

The Town Meeting is retained under the Charter for approval of the annual budget and for supplemental appropriations and bond authorizations which exceed certain amounts. See "SECTION V - FINANCIAL DATA - Supplemental Appropriations" and "SECTION VI - INDEBTEDNESS - Legal Requirements for Approval of Borrowing" herein.

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## TABLE OF ORGANIZATION



\* Mayor recommended, Town Council approved.

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

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## MUNICIPAL OFFICIALS

<u>Name</u>	<u>Position</u>	<u>Term</u>
Daniel A. Champagne....	Mayor.....	2 years – Elected
Laura B. Bush.....	Town Council.....	2 years - Elected
William F. Campbell....	Town Council.....	2 years - Elected
Julie Clay.....	Town Council.....	2 years - Elected
Thomas DiDio.....	Town Council.....	2 years - Elected
Linda Gessay.....	Town Council.....	Appointed
Ann Letendre.....	Town Council.....	2 years - Elected
Maryann Levesque.....	Town Council.....	2 years - Elected
Brian R. Motola.....	Town Council.....	2 years - Elected
Pauline Schaefer.....	Town Council.....	2 years - Elected
James Tedford.....	Town Council.....	2 years - Elected
Steve Wakefield.....	Town Council.....	2 years – Elected
Micheal Wendus.....	Town Council.....	2 years – Elected
Michael J. Purcaro.....	Town Administrator.....	Appointed
Jeffrey O'Neill.....	Finance Officer, Treasurer.....	Appointed
Dr. Joseph Macary.....	Superintendent of Schools.....	Appointed

## BIOGRAPHIES OF PRINCIPAL OFFICIALS

**Mayor:** Mayor Daniel A. Champagne was elected Mayor of the Town of Vernon in November, 2013. He previously served on the Town Council from 2005 to 2011. Mayor Champagne served as a police officer for the Town of Vernon from 1990 to March, 2011; and as a patrol sergeant from April, 2011 until his retirement in 2012. During his tenure in the police department, Mayor Champagne was awarded the Distinguished Service Award five (5) times, the Meritorious Service Award twice, and served as the D.A.R.E. instructor from 1994 to 2003, working throughout the Vernon public school system. Mayor Champagne received his Bachelor of Arts degree in Sociology from Eastern Connecticut State University and his Master's degree in Public Administration from the University of Connecticut. Mayor Champagne served in the Connecticut Army National Guard from 1987 to 1992.

**Town Administrator:** Mr. Michael J. Purcaro serves as the Town Administrator for the Town of Vernon, Connecticut and is the Town's Emergency and Risk Management Director. Over the past twenty-two years, his public service positions have included: Director of Business and Finance for Vernon Public Schools, Chief Administrative and Fiscal Officer for the Connecticut Department of Public Health (DPH), Chief Contracting and Grants Officer for DPH, a Spokesperson for DPH, Civilian Project Director for the New England Disaster Training Center at Camp Hartell, a member of the State of Connecticut Homeland Security Coordinating Council, a practicing Physical Therapist at Yale New Haven Hospital, and an Administrative Officer for the United States Department of Health and Human Services - Connecticut Disaster Medical Assistance Team (CT-1 DMAT).

Mr. Purcaro has earned a Master of Science degree in Management from Rensselaer and a Bachelor of Science degree in Physical Therapy from Quinnipiac University. He is a Connecticut Certified School Business Administrator and a Connecticut Licensed Physical Therapist. Mr. Purcaro currently serves as the Vice Chairman of the Board of Education for the Town of Ellington and is the Treasurer and Secretary for the Connecticut Association of Boards of Education (CABE). He also serves on the Board of Advisors for the Indian Valley Family YMCA and the Board of Trustees for the Lutz Children's Museum.

**Finance Officer/Treasurer:** Jeffrey O'Neill joined the Town of Vernon in February of 2018 as Finance Officer and was appointed as Treasurer in March of 2019. Mr. O'Neill brings twenty-five years of experience in management and financial administration within the private and public sectors. Over the course of his career, Mr. O'Neill was responsible for leading global teams of professionals to drive business operations, develop and execute complex financial strategies and enhance relationship management amongst investment managers. He has held senior level financial positions at Securities Finance Trust Co., Brown Brothers Harriman, K Capital Partners and State Street Bank.

In addition to his professional roles, Mr. O'Neill has been a member of the Town of Medway, Massachusetts Finance Committee since 2009, serving as Chairman from 2012 -2014. The committee is charged with making recommendations on all financial matters, including the budget, to town meeting and has oversight responsibility of all municipal financial issues,

as well as other statutory authority granted by town bylaws. He has also served in recent years as an appointed member to the Town Administrator Search, Middle School Building, Schools Strategic Review and Charter Review Committees. Mr. O'Neill received his Bachelor of Science in Business Administration from Northeastern University and a Master of Science in Finance from Suffolk University.

**Superintendent of Schools:** Joseph Macary has been the Superintendent of Schools in Vernon since October, 2015. Prior to that, he successfully served as the Superintendent of Schools for the Town of Wolcott, Connecticut from July 2009 to September 2015. In Wolcott, he received excellent reviews on his instructional leadership, planning and management, vision of student learning, technology development, and communications with district stakeholders. Mr. Macary was employed with the Wolcott Public Schools from October 2005, serving as the Assistant Superintendent for Curriculum and Instruction and the Director of Student Services and Alternate Programs. Mr. Macary started his teaching career in the Waterbury Public Schools as a Social Studies Teacher at Wilby High School and then at Crosby High School. At Crosby HS, he became the Social Studies Department Chair and Athletic Director at the school. Mr. Macary graduated from Crosby High School and the University of Connecticut with a Bachelor's Degree, majoring in Political Science with a concentration in Economics. He graduated from Quinnipiac College with a Master Degree in Teaching and then received his Sixth Year Degree from Southern Connecticut State University in Educational Leadership. He is currently completing his doctoral studies at the University of Connecticut in Educational Leadership.

## **SUMMARY OF MUNICIPAL SERVICES**

The Town of Vernon has a full-time professional staff that includes a Town Administrator, Finance Officer, Controller, Town Clerk, Collector of Revenue, Assessor, Town Clerk, Building and Housing Code Inspector, Town Planner, Economic Development Coordinator, Town Engineer, Director of Public Works, Police Chief and Captain, Data Processing Director, Social Services Director, Youth Services Director, Recreation Director, Senior Center Director, Fire Chief, Fire Marshal, Waste Treatment Plant Director, Waste Treatment Plant Finance Analyst, Registrars of Voters and a Cemetery Superintendent. The following is a list of services provided by the Town:

**Police Protection.** The Police Department is responsible for the prevention, detection and deterrence of crime, the apprehension of offenders, the custodian of property, the efficient control and movement of traffic, and the promotion of public safety. It is responsible for the enforcement of all laws, ordinances and regulations governing the criminal and motor vehicle statutes and the protection of all civil right guarantees provided by the U.S. and the State of Connecticut constitutions. The staff consists of a chief, a captain, two lieutenants, four detectives, nine sergeants, thirty-three patrol officers, eight dispatchers, one administrative secretary, three clerks, one supervisor of police records and an evidence technician. The Department's major equipment includes twenty-six cruisers, three special service vehicles and a complete radio communications system with dispatch center.

**Fire Protection and Ambulance Service.** The Town of Vernon Fire Department is a volunteer service agency that provides fire, rescue, hazardous materials and emergency medical services (at the Basic Life Support level) to the community. The Department includes a total of 164 members who operate from six fire stations distributed throughout the town. The Department includes a Fire Chief, 3 Assistant Chiefs, 34 Line and Staff Officers, 110 firefighters, 11 special service members and 5 auxiliary members. The Department operates a fleet of 7 engines (pumpers), 2 heavy rescues, 2 aerial ladders, 1 mobile air unit, 1 command vehicle, 1 pickup with trailer, 2 All-Terrain Vehicles (that are both firefighting and EMS transport equipped) and an inflatable boat. The department also operates a special hazards vehicle and decontamination unit provided by the State of Connecticut.

The Ambulance Division of the Fire Department is charged with providing Basic Life Support ("BLS") and BLS Transport service for the community. Service is provided 24 hours a day, 7 days a week. The Ambulance Division utilizes three state-certified ambulances, two housed at the Public Safety Building, the third housed at the Nye Street Firehouse. On most days, the ambulance is staffed full-time and a second ambulance is staffed from 8 a.m. to 6 p.m. Currently, there are 25 part time EMT's (non-benefited), one full-time supervisor and one part time supervisor, all employees of the Town of Vernon. Advanced Life Support (paramedic) services are contracted through a commercial service provider.

**Public Works.** The Town provides services in the areas of highways, equipment repair, park engineering and building maintenance. The department maintains 113 miles of roads throughout Town, 29 buildings and 104 pieces of motorized equipment and vehicles.

**Parks and Recreation.** Vernon Parks and Recreation Department operates a comprehensive program of activities. Recreation facilities include 26 parks covering 583 acres of land and 35 miles of trails. Park amenities include two swimming pools, two kiddie pools, a spray tower, a beach and boat launch at Middle Bolton Lake and a beach at Valley Falls which provides swimming, a beach house, picnic areas, fishing and ice skating. Additional facilities include a Lodge, Teen Center, Valley

Falls Nature Barn, numerous playgrounds, three Pavilions and the historic Fox Hill Tower. Athletic areas include 16 baseball fields, 8 softball fields (two that are lighted), 11 soccer fields, 6 lacrosse fields and 2 football fields. There are also 10 lighted tennis courts at Rockville High School and Henry Park, 5 outdoor basketball courts, a volleyball court, a disc golf course and numerous trails. The Michael Shea Fitness Trail at Dart Hill Park is the newest addition to the Vernon Parks and Recreation's list of activities for physical fitness.

**Water Pollution Control Authority.** The Town has one wastewater treatment facility which serves approximately 80% of the Town's residents. The facility also accepts sanitary waste from portions of the surrounding towns of Tolland, Ellington, Manchester and South Windsor in accordance with the provisions of Intergovernmental Sewer Agreements between each of those communities and the Town. The Town of Vernon Water Pollution Control completed a facility study in 2017, underwent a design review and is currently in the construction phase of a multi-year effort to upgrade the facility. While the Facility currently meets all permits and requirements, future mandated changes in phosphorous and nitrogen discharge limits necessitate changes. Eligibility of this project provides for 50%, 30%, and 20% grant funding for phosphorous, nitrogen, and general upgrades (respectively). The Town expects to receive a total grant of approximately \$20.1 million. The Town's portion of the project will be financed through State of Connecticut Clean Water Fund loans which carry a fixed 2% interest rate. The Town currently estimates the improvements to be approximately \$68 million, with a net share to the Town of approximately \$48 million. Intergovernmental Agreements with the surrounding Towns of Ellington, Manchester, South Windsor and Tolland require those communities to provide annual funding of approximately 29.95% of the Town's net borrowing amount for the upgrade. In September of 2019, the Town signed an Interim Funding Obligation with the Clean Water Fund in the amount of \$47.8 million. Once completed, the upgrades will continue the legacy of effective, efficient, and reliable treatment for decades to come, protecting the natural ecology of the river and preserving its aesthetic and recreational values for future generations.

The Town of Vernon and the neighboring Town of Bolton have entered into a consent order with the Connecticut Department of Environmental Protection (CTDEP) on October 14, 1999, requiring the towns to take the necessary steps to address wastewater disposal alternatives for the Bolton Lakes' area. The Bolton Lakes Regional Water Pollution Control Authority (BLRWPCA) was created by ordinances adopted in both towns. In Vernon, Ordinance #242 was adopted in April of 2003. The formation of the regional authority gives the BLRWPCA the power and authority, granted by State Statutes, to construct a sewerage system, charge user fees, levy assessments, bill for hook-up fees and to operate and manage the sewer system. The 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 share 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. This allocation is considered overlapping debt for the Town of Vernon. The balance of overlapping debt as of July 16, 2020 is \$2,025,958.

**Solid Waste** – Residential wastes are collected once weekly by the Town's Public Works Department. The Town has a contract with Covanta Energy Corporation, a sustainable waste management and renewable energy company. The contract bundles solid waste and recyclable disposal, with all material disposed at Willimantic Waste. The current contract will expire on June 30, 2020. As part of its Community Outreach program, Covanta Energy donates \$1 per ton of refuse collected per year to the Town. The Town has recently issued a Request for Proposals for Municipal Solid Waste disposal and expects to enter into a new multi-year contract by the start of fiscal year 2020-21.

**Water.** Water is supplied to the Town by the Connecticut Water Company.

**Electricity.** Electricity is supplied by EDF Energy Services and delivered by Eversource.

## **EDUCATIONAL SYSTEM**

The Town's school system consists of five elementary schools for pupils in grades Pre-K through 5; one middle school for pupils in grades 6-8, one high school and vocational education center for pupils in grades 9-12, and a special education facility. The schools are governed by a nine-member Board of Education.

## EDUCATIONAL FACILITIES

<u>School</u>	<u>Grade</u>	<u>Date Occupied</u>	<u>Date of Renovations</u>	<u>Number of Classrooms</u>	<u>Enrollment 10/1/2019</u>	<u>Design Capacity</u>
Center Road Elementary School.....	PK-5	1969	2010	33	516	825
Lake Street Elementary School.....	PK-5	1960	1961, 2010	20	211	525
Maple Street Elementary School.....	PK-5	1923	1962, 2010	23	297	525
Northeast Elementary School.....	PK-5	1954	2010	19	211	525
Skinner Road Elementary School.....	PK-5	1963	2010	21	311	525
Vernon Middle School.....	6-8	1968	2010	70	723	1,500
Rockville High School and VO-AG...	9-12	1959	1964, 1976, 2010	136	851	2,400
Out of District.....	All	n/a	n/a	n/a	31	n/a
<b>Total</b>				<b>322</b>	<b>3,151</b>	<b>6,825</b>

Source: Superintendent of Schools.

## SCHOOL ENROLLMENTS <sup>1</sup>

<u>Actual Enrollments</u>						
<u>School Year</u>	<u>Pre-K</u>	<u>K-5</u>	<u>6 - 8</u>	<u>9 - 12</u>	<u>Out of District</u>	<u>Total</u>
2008-09	33	1,588	786	1,177	37	3,621
2009-10	124	1,638	802	1,139	38	3,741
2010-11	129	1,620	768	1,079	38	3,634
2011-12	142	1,615	738	1,055	38	3,588
2012-13	172	1,595	697	976	48	3,488
2013-14	177	1,552	659	929	48	3,365
2014-15	177	1,535	649	877	46	3,284
2015-16	165	1,499	681	823	41	3,209
2016-17	146	1,480	712	848	38	3,224
2017-18	135	1,445	703	792	34	3,109
2018-19	120	1,427	705	854	32	3,138
2019-20	102	1,444	723	851	31	3,151
<u>Projected Enrollments</u>						
<u>School Year</u>	<u>Pre-K</u>	<u>K-5</u>	<u>6 - 8</u>	<u>9 - 12</u>	<u>Out of District</u>	<u>Total</u>
2020-21	174	1,404	630	846	41	3,095
2021-22	174	1,397	619	836	41	3,067
2022-23	174	1,393	619	788	41	3,015
2023-24	174	1,389	605	794	41	3,003
2024-25	174	1,386	600	773	41	2,974

<sup>1</sup> As of October 1 in each year.

Source: Superintendent of Schools.

## MUNICIPAL EMPLOYEES

<b>Fiscal Year</b>	<b>2020</b>	<b>2019</b>	<b>2018</b>	<b>2017</b>	<b>2016</b>
Board of Education.....	611	597	580	629	615
General Government.....	217	219	212	212	209
<b>Total .....</b>	<b>828</b>	<b>816</b>	<b>792</b>	<b>841</b>	<b>824</b>

Source: Town Officials.

## MUNICIPAL EMPLOYEES BY CATEGORY

<b><u>Department</u></b>	<b><u>Number of Employees</u></b>
<b><u>General Government</u></b>	
General Government.....	37
Community Development.....	3
Public Safety.....	72
Maintenance and Development.....	74
Human Services.....	11
Parks and Recreation.....	18
Townwide.....	2
Subtotal.....	217
 <b><u>Board of Education</u></b>	
Administration and Principals.....	18
Teachers.....	317
Classroom Instructional Aids/Paraprofessionals	115
Nurses.....	8
Clerical/Custodial/Maintenance.....	65
Cafeteria Workers.....	28
Plant Operation Supervisors.....	2
Librarians/Media Managers/Assistants.....	8
Non-Bargaining Employees.....	50
Subtotal.....	611
 <b>Grand Total.....</b>	<b>828</b>

Source: Town Officials.

## MUNICIPAL EMPLOYEE BARGAINING UNITS

<u>Employees</u>	<u>Organization</u>	<u>Number of Employees Covered</u>	<u>Current Contract Expiration</u>
<b>General Government</b>			
Police officers.....	Local 17, Connecticut Independent Police Union.....	48	6/30/2022
Public Works/Parks/Water Pollution....	Local 1471, AFSCME, AFL-CIO.....	60	6/30/2022
Public Works Supervisors.....	Local 818, AFSCME, AFL-CIO.....	5	6/30/2021
Civilian Police Department Employees	Local 47, Connecticut Independent Laborers Union (CILU).....	13	6/30/2020 <sup>1</sup>
Professionals.....	Local 818, AFSCME, AFL-CIO .....	25	6/30/2022 <sup>2</sup>
Waste Treatment Plant Supervisors.....	Local 818, AFSCME, AFL-CIO.....	3	6/30/2019 <sup>1</sup>
Professional Supervisors.....	Directors Independent Unit.....	8	6/30/2022
Non-Bargaining.....	Not affiliated.....	55	N/A
<b>Subtotal - General Government</b>		<u>217</u>	
<b>Board of Education</b>			
Clerical/Custodial/Maintenance	Local 1303, AFSCME, AFL-CIO.....	65	6/30/2019 <sup>1</sup>
Teachers	Vernon Education Association.....	317	6/30/2021
School Administrators	Vernon School Administrators Association..	18	6/30/2022
School Nurses	Vernon School Nurses' Association.....	8	6/30/2023
Cafeteria	United Food & Commercial Workers, Local 919, AFL-CIO.....	28	6/30/2020
Plant Operation Supervisors	Local 818, Council #4, Supervisors.....	2	6/30/2022
Service Aids & Teacher Assistants	Vernon Federation of Paraprofessionals.....	115	6/30/2020
Librarians/Media Managers/Assistants	Local 1303-279, AFSCME, AFL-CIO.....	8	6/30/2023
Non-Bargaining	Not affiliated.....	50	N/A
<b>Subtotal -Board of Education</b>		<u>611</u>	
<b>Total.....</b>		<u><u>828</u></u>	

<sup>1</sup> In negotiations.

<sup>2</sup> Pending ratification.

Source: Town Officials.

The negotiation of collective bargaining agreements is subject to binding arbitration under Connecticut General Statutes Sections 7-473c, 7-474 and 10-153a to 10-153n to provide a procedure for binding arbitration of collective bargaining agreements between municipal employers and organizations representing municipal employees, including certified teachers and certain other employees. The legislative body of a municipal entity may reject an arbitration panel's decision by a two-thirds majority vote. The State of Connecticut and the employee organization must be advised in writing of the reasons for rejection. The State then appoints a new panel of either one or three arbitrators to review the decisions on each of the rejected issues. The panel must accept the last best offer of either party. In reaching its determination, the arbitration panel gives priority to the public interest and the financial capability of the municipal employer, including consideration of other demands on the financial capability of the municipal employer. Effective October 1, 1997, for binding arbitration of teachers' contracts, in assessing the financial capability of a municipal entity, there is an irrefutable presumption that a budget reserve of 5% or less is not available for payment of the cost of any item subject to arbitration. In light of the employer's financial capability, the panel considers prior negotiations between the parties, the interests and welfare of the employee group, changes in the cost of living, existing employment conditions, and the wages, salaries, fringe benefits and other conditions of employment prevailing in the labor market, including developments in private sector wages and benefits.



### III. ECONOMIC AND DEMOGRAPHIC INFORMATION

#### POPULATION TRENDS

<u>Year</u>	<u>Town of Vernon</u>	<u>Tolland County</u>	<u>State of Connecticut</u>
1980	27,974	114,823	3,107,576
1990	29,841	128,699	3,287,116
2000	28,063	136,364	3,405,565
2010	29,179	152,691	3,574,097
2018	29,157	151,269	3,581,504

Source: U.S. Bureau of Census.

#### AGE DISTRIBUTION OF POPULATION

<u>Age</u>	<u>Town of Vernon</u>		<u>Tolland County</u>		<u>State of Connecticut</u>	
	<u>Number</u>	<u>Percent</u>	<u>Number</u>	<u>Percent</u>	<u>Number</u>	<u>Percent</u>
Under 5 years.....	1,724	5.9	6,132	4.1	184,983	5.2
5 to 9 years.....	1,390	4.8	7,148	4.7	201,006	5.6
10 to 14 years.....	1,493	5.1	8,182	5.4	224,135	6.3
15 to 19 years.....	1,385	4.8	14,944	9.9	247,182	6.9
20 to 24 years.....	1,792	6.1	18,993	12.6	245,490	6.9
25 to 34 years.....	5,522	18.9	16,096	10.6	439,848	12.3
35 to 44 years.....	3,242	11.1	15,534	10.3	427,023	11.9
45 to 54 years.....	3,704	12.7	21,011	13.9	522,138	14.6
55 to 59 years.....	1,944	6.7	10,852	7.2	266,170	7.4
60 to 64 years.....	1,788	6.1	9,972	6.6	235,949	6.6
65 to 74 years.....	2,647	9.1	13,133	8.7	327,414	9.1
75 to 84 years.....	1,809	6.2	6,778	4.5	170,979	4.8
85 years and over...	717	2.5	2,494	1.6	89,187	2.5
<b>Total.....</b>	<b>29,157</b>	<b>100.0</b>	<b>151,269</b>	<b>100.0</b>	<b>3,581,504</b>	<b>100.0</b>
Median Age.....	38.1		37.5		40.8	

Source: U.S. Bureau of the Census, American Community Survey, 2014-2018.

#### EDUCATIONAL ATTAINMENT

<u>Educational Attainment Group</u>	<u>Town of Vernon</u>		<u>Tolland County</u>		<u>State of Connecticut</u>	
	<u>Number</u>	<u>Percent</u>	<u>Number</u>	<u>Percent</u>	<u>Number</u>	<u>Percent</u>
Less than 9th grade.....	504	2.4	1,595	1.7	101,068	4.1
9th to 12th grade.....	1,031	4.8	3,620	3.8	134,758	5.4
High School graduate.....	6,771	31.7	26,390	27.5	670,519	27.1
Some college, no degree.....	3,564	16.7	16,596	17.3	416,267	16.8
Associates degree.....	1,712	8.0	8,215	8.6	190,869	7.7
Bachelor's degree.....	4,831	22.6	22,565	23.5	538,924	21.7
Graduate or professional degree.....	2,960	13.8	16,889	17.6	426,303	17.2
<b>Total.....</b>	<b>21,373</b>	<b>100.0</b>	<b>95,870</b>	<b>100.0</b>	<b>2,478,708</b>	<b>100.0</b>
Percent of High School Graduates...		92.8%		94.6%		90.5%
Percent of College Graduates.....		36.5%		41.2%		38.9%

Source: U.S. Bureau of Census, American Community Survey, 2014-2018.

## SELECTED WEALTH AND INCOME INDICATORS

	Median Family		Per Capita Income	
	(2000)	(2018)	(2000)	(2018)
Town of Vernon....	\$59,599	\$85,117	\$25,150	\$35,873
Tolland County.....	70,856	108,236	25,474	39,668
Connecticut.....	65,521	97,310	28,766	43,056
United States.....	49,600	73,965	21,690	32,621

Source: U.S. Bureau of Census.

## INCOME DISTRIBUTION

	Town of Vernon		Tolland County		State of Connecticut	
	Families	Percent	Families	Percent	Families	Percent
Less than \$10,000.....	216	3.0	441	1.2	26,021	2.9
\$10,000 to \$14,999.....	50	0.7	282	0.8	16,472	1.8
\$15,000 to \$24,999.....	486	6.8	1,077	3.0	38,804	4.3
\$25,000 to \$34,999.....	458	6.4	1,235	3.5	50,215	5.6
\$35,000 to \$49,999.....	855	12.0	3,017	8.5	80,042	9.0
\$50,000 to \$74,999.....	962	13.5	4,003	11.3	127,676	14.3
\$75,000 to \$99,999.....	1,226	17.2	5,715	16.1	118,848	13.3
\$100,000 to \$149,999....	1,646	23.1	9,143	25.8	186,154	20.8
\$150,000 to \$199,999....	749	10.5	5,495	15.5	105,285	11.8
\$200,000 or more.....	475	6.7	5,056	14.3	143,423	16.1
<b>Total.....</b>	<b>7,123</b>	<b>100.0</b>	<b>35,464</b>	<b>100.0</b>	<b>892,940</b>	<b>100.0</b>

Source: U.S. Bureau of Census, American Community Survey, 2014-2018.

## EMPLOYMENT BY INDUSTRY

Employment Sector	Town of Vernon		Tolland County		State of Connecticut	
	Number	Percent	Number	Percent	Number	Percent
Agriculture, Forestry, Fishing, Hunting & Mining.	72	0.5	675	0.8	7,195	0.4
Construction.....	864	5.6	5,001	6.2	107,331	5.9
Manufacturing.....	1,749	11.3	8,943	11.1	190,995	10.5
Wholesale Trade.....	307	2.0	1,900	2.4	44,714	2.5
Retail Trade.....	1,629	10.6	7,850	9.8	191,939	10.6
Transportation, Warehousing & Utilities.....	765	5.0	2,805	3.5	72,806	4.0
Information.....	320	2.1	1,450	1.8	41,839	2.3
Finance, Insurance & Real Estate.....	1,476	9.6	7,189	8.9	164,607	9.1
Professional, Scientific & Management.....	1,348	8.7	7,940	9.9	207,632	11.5
Educational Services & Health Care.....	4,139	26.8	22,985	28.6	479,677	26.5
Arts, Entertainment, Recreation & Food Services.	1,592	10.3	7,331	9.1	150,852	8.3
Other Service (including nonprofit).....	740	4.8	3,127	3.9	83,686	4.6
Public Administration.....	420	2.7	3,200	4.0	67,172	3.7
<b>Total Labor Force, Employed.....</b>	<b>15,421</b>	<b>100.0</b>	<b>80,396</b>	<b>100.0</b>	<b>1,810,445</b>	<b>100.0</b>

Source: U.S. Bureau of Census, American Community Survey, 2014-2018.

## MAJOR EMPLOYERS

<b>Name of Employer</b>	<b>Nature of Entity</b>	<b>Estimated Number of Employees<sup>1</sup></b>
Town of Vernon.....	Municipality.....	828
Rockville General Hospital.....	Hospital and specialized health services.....	537
Visiting Nurse and Health Services.....	Nursing, therapy and supporting services.....	431
Stop & Shop.....	Retail grocery supermarket.....	283
Vernon Manor.....	Convalescent and elderly care.....	179
Rein's Delicatessen.....	Restaurant.....	155
Fox Hill Nursing and Rehabilitation.....	Convalescent and elderly care.....	148
State of Connecticut.....	State government agencies.....	145
T.J. Maxx & Home Goods.....	Retail.....	125
Suburban Subaru.....	Automobile dealer.....	112
<b>Total.....</b>		<b>2,943</b>

<sup>1</sup> Employment counts were obtained prior to the COVID-19 pandemic. The Town expects that certain employers may have made temporary work-force reductions as a result of the Governor's Executive Orders temporarily closing businesses not deemed essential prior to May 20, 2020. Information on the number of employees who have been re-employed after May 20, 2020 are not available at this time. The Town cannot guarantee that employment will return to the above levels post-pandemic.

Source: Town of Vernon, Economic Development Coordinator.

## UNEMPLOYMENT RATE STATISTICS

<b>Period</b>	<b>Town of Vernon</b>		<b>Percentage Unemployed</b>		
	<b>Employed<sup>1</sup></b>	<b>Unemployed<sup>1</sup></b>	<b>Town of Vernon (%)<sup>1</sup></b>	<b>Hartford Labor Market (%)<sup>1</sup></b>	<b>State of Connecticut (%)<sup>1</sup></b>
Jan-May 2020 <sup>2</sup> .....	15,307	1,550	9.2	8.7	9.3
<b>Annual Average</b>					
2019.....	16,926	626	3.6	3.8	3.7
2018.....	16,724	710	4.1	4.2	4.2
2017.....	16,669	766	4.4	4.7	4.7
2016.....	16,404	836	4.8	5.2	5.1
2015 .....	16,117	928	5.4	5.7	5.7
2014 .....	15,988	1,100	6.4	6.6	6.6
2013 .....	15,590	1,270	7.5	7.8	7.8
2012 .....	15,699	1,388	8.1	8.3	8.3
2011 .....	15,870	1,428	8.3	8.8	8.8
2010 .....	15,829	1,500	8.7	9.1	9.1

<sup>1</sup> Not seasonally adjusted.

<sup>2</sup> According to the State of Connecticut Department of Labor, Connecticut's official unemployment rate for April and May produced by the Bureau of Labor Statistics Local Area Unemployment Statistics program were impacted by pandemic related survey data problems. Data collection and misclassification issues in the Census Bureau's Current Population Survey, the foundation of the state's residential labor force statistics, caused residential unemployment to be underestimated. The Bureau of Labor Statistics is actively working to overcome this problem as quickly as possible.

Source: State of Connecticut, Department of Labor; United States Department of Labor, Bureau of Labor Statistics.

## NUMBER AND VALUE OF BUILDING PERMITS

Fiscal Year	Residential		Commercial/ Industrial		All Other		Total Building Permits	
	No.	Value	No.	Value	No.	Value	No.	Value
2020 <sup>1</sup>	8	\$ 615,500	6	\$ 6,686,145	1,381	\$83,695,353	1,395	\$ 90,996,998
2019	2	255,000	14	9,089,279	1,550	29,769,533	1,566	39,113,812
2018	5	625,000	16	8,146,100	1,777	24,008,540	1,798	32,779,640
2017	10	1,450,000	23	11,905,338	1,862	28,474,582	1,895	41,829,920
2016	9	1,308,200	27	48,995,999 <sup>2</sup>	2,364	31,212,032	2,400	81,516,231
2015	16	2,100,600	50	11,502,039	2,064	19,536,294	2,130	33,138,933
2014	11	1,368,500	76	7,120,134	1,851	14,408,011	1,938	22,896,645
2013	16	1,998,000	80	5,741,017	1,807	19,899,840	1,903	27,638,857
2012	13	1,954,000	89	6,504,974	1,915	19,704,831	2,017	28,163,805
2011	23	2,569,000	103	4,583,919	1,668	13,263,268	1,794	20,416,187

<sup>1</sup> As of April 30, 2020.

<sup>2</sup> Includes \$26.6M in improvements for the Connecticut Water Company and \$18M for renovations at Talcott Mill.

Source: Town of Vernon, Office of Building Inspections

## NUMBER OF DWELLING UNITS

				% Increase	% Increase	% Increase
2018	2010	2000	1990	1990-2018	2000-2018	2010-2018
14,164	13,896	12,867	12,748	11.11%	10.08%	1.93%

Source: U.S. Bureau of Census.

## VERNON HOUSING INVENTORY

Type	Units	Percent
1-unit detached .....	6,374	45.0
1-unit attached .....	786	5.6
2 to 4 units .....	2,934	20.7
5 to 9 units .....	1,434	10.1
10 or more units .....	2,397	16.9
Mobile home, trailer, other .....	239	1.7
Total Inventory .....	<u>14,164</u>	<u>100.0</u>

Source: U.S. Bureau of Census, American Community Survey, 2014-2018.

## OWNER OCCUPIED HOUSING VALUES

Value of Owner Occupied Units	Town of Vernon		Tolland County		State of Connecticut	
	Number	Percent	Number	Percent	Number	Percent
Less than \$50,000.....	216	3.2	1,012	2.5	21,254	2.3
\$50,000 to \$99,999.....	362	5.3	934	2.3	29,211	3.2
\$100,000 to \$149,999.....	753	11.1	3,253	8.2	81,446	9.0
\$150,000 to \$199,999.....	1,954	28.7	6,698	16.8	139,715	15.4
\$200,000 to \$299,999.....	2,679	39.4	14,581	36.6	245,801	27.1
\$300,000 to \$499,999.....	643	9.5	11,153	28.0	240,706	26.5
\$500,000 to \$999,999.....	97	1.4	1,834	4.6	106,993	11.8
\$1,000,000 or more.....	98	1.4	333	0.8	42,008	4.6
<b>Total.....</b>	<u>6,802</u>	<u>100.0</u>	<u>39,798</u>	<u>100.0</u>	<u>907,134</u>	<u>100.0</u>
Median Value .....	\$203,800		\$251,300		\$272,700	

Source: U.S. Bureau of Census, American Community Survey, 2014-2018.

### AGE DISTRIBUTION OF HOUSING

<b>Year Structure Built</b>	<b>Town of Vernon</b>		<b>Tolland County</b>		<b>State of Connecticut</b>	
	<b>Number</b>	<b>Percent</b>	<b>Number</b>	<b>Percent</b>	<b>Number</b>	<b>Percent</b>
Built 2014 or later.....	151	1.1	628	1.1	10,251	0.7
Built 2010 to 2013.....	227	1.6	1,444	2.4	19,181	1.3
Built 2000 to 2009.....	1,208	8.5	6,032	10.2	103,632	6.9
Built 1990 to 1999.....	762	5.4	6,505	10.9	115,459	7.6
Built 1980 to 1989.....	1,943	13.7	9,703	16.3	191,306	12.6
Built 1970 to 1979.....	2,243	15.8	8,798	14.8	201,360	13.3
Built 1960 to 1969.....	2,929	20.7	9,472	15.9	206,299	13.6
Built 1950 to 1959.....	1,984	14.0	6,719	11.3	222,628	14.7
Built 1940 to 1949.....	514	3.6	2,456	4.1	104,394	6.9
Built 1939 or earlier.....	2,203	15.6	7,661	12.9	337,795	22.3
<b>Total housing units.....</b>	<b>14,164</b>	<b>100.0</b>	<b>59,418</b>	<b>100.0</b>	<b>1,512,305</b>	<b>100.0</b>

Source: U.S. Bureau of Census, American Community Survey, 2014-2018.

### BREAKDOWN OF LAND USE

<b>Category</b>	<b># of Acres</b>	<b>% of Total</b>	<b>% of Developed / Committed Land</b>
Residential.....	5,304	46.0%	53.7%
Commercial / Industrial .....	712	6.2%	7.2%
Community Facilities / Institutional....	352	3.1%	3.6%
Open Space.....	1,904	16.5%	19.3%
R-O-W / Utilities.....	1,610	14.0%	16.3%
Vacant.....	1,636	14.2%	-
<b>Total .....</b>	<b>11,518</b>	<b>100.0%</b>	<b>100.0%</b>

Source: Town of Vernon.

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## IV. TAX BASE DATA

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### ASSESSMENT PRACTICES

The Town's most recent general revaluation was for the grand list dated October 1, 2016, effective fiscal year 2017-18. The Town's next revaluation is scheduled for October 1, 2021 and will be effective for fiscal year 2022-23. Under Section 12-62 of the Connecticut General Statutes, the Town must do a revaluation every five years based on generally accepted mass appraisal methods and a revaluation by physical inspection no later than ten years from the preceding physical inspection. Prior to the completion of each revaluation, the Assessor shall conduct a field review.

The maintenance of an equitable tax base and the location and appraisal of all real and personal property within the Town for inclusion onto the Grand List is the responsibility of the Assessor's Office. The Grand List represents the total of assessed value for all taxable real and personal property located within the Town on October 1, in accordance with Section 12-62a of the Connecticut General Statutes. A Board of Assessment Appeals determines whether adjustments to the Assessor's list on assessments under appeal are warranted. Assessments for real property are computed at 70 percent of the estimated market value at the time of the last general revaluation.

When a new structure, or modification to an existing structure, is undertaken, the Assessor's Office receives a copy of the permit issued by the Building Inspector. A physical appraisal is then completed and the structure classified and priced from a schedule developed at the time of the revaluation. The property depreciation and obsolescence factors are also considered when arriving at an equitable value.

Motor vehicle lists are furnished to the Town by the State of Connecticut and appraisals of motor vehicles are accomplished in accordance with an automobile price schedule recommended by the Office of Policy and Management.

All personal property (furniture, fixtures, equipment, machinery and leased equipment) is assessed annually with manufacturers and businesses completing and returning to the Assessor's Office standard worksheets for computing value. An assessor's check and audit is completed periodically. Assessments for both personal property and motor vehicles are computed at 70 percent of present market value.

### TAX COLLECTION PROCEDURE

Property taxes are levied on all taxable assessed property on the grand list of October 1 prior to the beginning of the fiscal year. Real, personal property and motor vehicle taxes are billed in the following June and, except for motor vehicle taxes, are payable in two installments on July 1 and January 1, except any tax under \$100 which is payable in full on July 1. Motor vehicle taxes are payable on July 1. Motor vehicle supplemental bills are payable on January 1. A significant estimate for outstanding interest and lien fees anticipated to be collected during the fiscal year is normally included as a revenue item in the budget. Payments not received within one month after the due date become delinquent, with interest charged at the rate of one and one-half percent per month from the due date on the tax. In accordance with State law, the oldest outstanding tax is collected first. Outstanding real estate tax accounts are liened each year prior to June 30 with legal demands and alias tax warrants used in the collection of personal property and motor vehicle tax bills.

Delinquent motor vehicle and personal property accounts are transferred to a suspense account after three years at which time they cease to be carried as receivables. Real estate accounts are considered uncollectible fifteen years after the due date in accordance with Connecticut General Statutes Section 12-164.

Property tax revenues are recognized when they become measurable and available. Available taxes due or past due and receivable within the current period or expected to be collected soon enough thereafter (within 60 days of the close of the fiscal year) are to be used to pay liabilities of the current period. Property taxes receivable not expected to be collected during the available period are reflected as deferred revenue on the Town's financial statements.

Section 12-165 of the Connecticut General Statutes, as amended, requires each municipality to write off, on an annual basis, the property taxes which are deemed to be uncollectible.

### **COVID-19 Outbreak – Municipal Tax Relief Programs**

On April 1, 2020, Governor Lamont issued Executive Order No. 7S, which, among other things, calls for Connecticut municipalities, including the Town of Vernon, to offer to eligible taxpayers impacted by COVID-19 one or both of the following tax relief programs: a 90-day Deferment Program or a 90-day Low Interest Rate Program. Please see the discussion above under the caption **State and Local Efforts to Mitigate the Ongoing Impact of COVID-19.**

## MOTOR VEHICLE PROPERTY TAX RATE

Connecticut General Statutes Section 12-71e creates a cap on the local property tax mill rate for motor vehicles. For the assessment year October 1, 2018 (the fiscal year ending June 30, 2020), and each assessment year thereafter, the mill rate for motor vehicles shall not exceed 45 mills. No district or borough may set a motor vehicle mill rate that if combined with the motor vehicle mill rate of the town or city in which such district or borough is located would result in a combined motor vehicle mill rate in excess of these mill rate caps. The Town's mill rate for motor vehicles for the fiscal year ending June 30, 2020 is 39.63 mills.

For the fiscal year ending June 30, 2020, and each fiscal year thereafter, motor vehicle property tax grants to municipalities that impose mill rates on real property and personal property other than motor vehicles greater than 45 mills or that, when combined with the mill rate of any district located within the municipality, impose mill rates greater than 45 mills, shall be made in an amount equal to the difference between the amount of property taxes levied by the municipality and any district located within the municipality on motor vehicles for the assessment year October 1, 2013, and the amount such levy would have been if the mill rate on motor vehicles for that assessment year was 45 mills.

### TAXABLE GRAND LIST

(Thousands of Dollars)

<b>Grand List Dated</b>	<b>Real Property</b>	<b>Personal Property</b>	<b>Motor Vehicle Property</b>	<b>Gross Taxable Grand List</b>	<b>Less Exemption</b>	<b>Net Taxable Grand List</b>
10/01/19 <sup>1</sup>	\$1,573,109	\$ 94,060	\$ 189,122	\$1,856,291	\$ 17,628	\$ 1,838,663
10/01/18	1,565,747	96,373	186,228	1,848,348	18,278	1,830,070
10/01/17	1,554,092	99,541	186,780	1,840,413	20,187	1,820,226
10/01/16 <sup>2</sup>	1,542,988	86,312	183,244	1,812,544	17,713	1,794,831
10/01/15	1,521,759	82,321	180,716	1,784,796	16,099	1,768,697
10/01/14	1,516,179	89,335	180,314	1,785,828	18,745	1,767,083
10/01/13	1,509,734	85,341	184,647	1,779,722	17,671	1,762,051
10/01/12	1,500,008	75,767	176,322	1,752,097	17,716	1,734,381
10/01/11 <sup>2</sup>	1,494,414	82,581	181,538	1,758,533	20,093	1,738,440
10/01/10	1,682,235	84,559	165,126	1,931,920	17,347	1,914,573

<sup>1</sup> Adopted Budget.

<sup>2</sup> Revaluation.

Source: Town of Vernon Assessor's Office.

### REAL PROPERTY BREAKDOWN BY CATEGORY

(Thousands of Dollars)

<b>Grand List Dated</b>	<b>Residential Property</b>	<b>Comm./Indus Property</b>	<b>All Other</b>	<b>Total Real Property</b>
10/01/19 <sup>1</sup>	\$ 1,087,511	\$ 475,186	\$ 10,412	\$1,573,109
10/01/18	1,086,854	468,630	10,264	1,565,748
10/01/17	1,085,330	457,723	11,039	1,554,092
10/01/16 <sup>2</sup>	1,083,608	447,502	11,878	1,542,988
10/01/15	1,146,488	368,921	6,350	1,521,759
10/01/14	1,142,602	367,152	6,425	1,516,179
10/01/13	1,137,949	364,583	7,202	1,509,734
10/01/12	1,133,280	359,258	7,470	1,500,008
10/01/11 <sup>2</sup>	1,130,299	355,469	8,646	1,494,414
10/01/10	1,270,682	402,280	9,273	1,682,235

<sup>1</sup> Adopted Budget.

<sup>2</sup> Revaluation.

Source: Town of Vernon Assessor's Office.

## LARGEST TAXPAYERS

The following table sets forth the ten largest taxpayers in the Town per the Grand List dated October 1, 2019:

<b>Name of Taxpayer</b>	<b>Nature of Business</b>	<b>Assessment</b>	<b>Rank</b>	<b>Percent of Total</b>
Chapman and The Mansions, LLC.....	Land and Apartments.....	\$ 76,294,200	1	4.15%
Evandro Santini & Woodbrook LLC.....	Land and Apartments.....	55,243,360	2	3.00%
Connecticut Water Company.....	Utility.....	28,186,310	3	1.53%
Tri City Improvements, LLC.....	Shopping center.....	26,601,450	4	1.45%
Connecticut Light & Power / Yankee Gas Co...	Utility.....	19,833,030	5	1.08%
Prospect Rockville Hospital & ECHN.....	Healthcare.....	17,918,260	6	0.97%
CE Vernon II LLC.....	Shopping center.....	16,707,300	7	0.91%
Boston Rockville / Boston Vernon.....	Shopping centers / Land.....	8,592,060	8	0.47%
Talcotville Development.....	Apartments.....	8,168,540	9	0.44%
Briar Knoll Apartments.....	Apartments.....	7,919,300	10	0.43%
<b>Total</b>		<b>\$ 265,463,810</b>		<b>14.43%</b>

Source: Town of Vernon, Assessor's Office.

## REAL PROPERTY TAX LEVIES AND COLLECTIONS

<b>Fiscal Year</b>			<b>Total</b>	<b>Percent</b>	<b>Uncollected Taxes</b>	
<b>Ending</b>	<b>Net Taxable</b>	<b>Tax Rate</b>	<b>Adjusted</b>	<b>Collected</b>	<b>End of</b>	<b>As of</b>
<b>30-Jun</b>	<b>Grand List</b>	<b>(In Mills)</b>	<b>Tax Levy</b>	<b>of Each FY</b>	<b>Each FY</b>	<b>6/30/19</b>
2021 <sup>1</sup>	\$1,838,663,341	39.63	\$71,499,230	In process	In process	In process
2020 <sup>2</sup>	1,830,070,306	39.63	73,323,200	98.4%	\$1,177,873	In process
2019	1,820,225,893	39.63	72,742,183	98.6%	1,023,734	\$1,023,734
2018 <sup>3</sup>	1,794,830,542	38.55	70,356,638	98.6%	1,000,554	368,013
2017	1,768,696,503	37.93	67,678,003	98.9%	841,535	120,124
2016	1,767,082,528	36.91	65,655,054	99.0%	737,489	52,870
2015	1,762,050,886	36.11	63,934,260	98.8%	839,835	38,076
2014	1,734,380,865	35.40	62,090,823	98.8%	883,316	32,557
2013 <sup>3</sup>	1,738,439,714	33.63	58,592,015	98.7%	872,240	26,698
2012	1,914,573,272	29.90	57,335,878	98.7%	803,778	32,463

<sup>1</sup> Adopted Budget.

<sup>2</sup> Unaudited estimate as of June 23, 2020.

<sup>3</sup> Revaluation.

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



# EQUALIZED GRAND LIST

<b>Grand List of 10/1</b>	<b>Equalized Net Grand List</b>	<b>% Growth</b>
2018	\$ 2,855,989,613	-2.88%
2017	2,940,732,662	14.65%
2016 <sup>1</sup>	2,564,921,991	1.99%
2015	2,514,856,763	-1.26%
2014	2,546,983,355	1.04%
2013	2,520,764,900	4.91%
2012	2,402,677,895	-3.30%
2011 <sup>1</sup>	2,484,656,177	-2.22%
2010	2,540,965,785	3.18%
2009	2,462,690,474	0.29%

<sup>1</sup> Revaluation.

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## V. FINANCIAL INFORMATION

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### ACCOUNTING POLICIES

The Town's accounting policies are summarized in Note 1 "Summary of Significant Account Policies" in the Notes to Financial Statements.

### BASIS OF ACCOUNTING

See Note 1 "Measurement Focus, Basis of Accounting and Financial Statement Presentation" in the Notes to Financial Statements (Appendix A).

### AUDIT

Pursuant to the provisions of the Municipal Auditing Act (Chapter 111 of the Connecticut General Statutes) and the Town of Vernon Charter, the Town is obligated to undergo an annual examination by an independent certified public accountant. The current auditors, Mahoney Sabol & Company, LLC of Glastonbury, Connecticut were re-appointed by the Town Council in March 2018 and are required to conduct their examination under the guidelines issued by the State of Connecticut Office of Policy & Management, who receive a copy of said Audit Report when completed.

The most recent annual audit covers the fiscal year ended June 30, 2019 a portion of which is included in this document and made a part hereof as Appendix A. Included in Appendix A are the Town's Basic Financial Statements, Notes to the Financial Statements and Required Supplemental Information, together with the report of the independent auditor. The information contained in "Appendix A" is not the whole audit report. Individuals wishing a complete document should contact the Finance Officer of the Town of Vernon, Connecticut.

### CERTIFICATE OF ACHIEVEMENT FOR EXCELLENCE IN FINANCIAL REPORTING

The Town of Vernon's Comprehensive Annual Financial Reports ("CAFR") for fiscal years 1995 through 2018 were awarded the Certificate of Achievement for Excellence in Financial Reporting by the Government Financial Officers Association of the United States and Canada ("GFOA"). The Certificate of Achievement is the highest form of recognition for excellence in state and local government financial reporting.

In order to be awarded a Certificate of Achievement, a government unit must publish an easily readable and efficiently organized CAFR, whose contents conform to program standards. Such CAFR must satisfy both generally accepted accounting principles and applicable legal requirements.

### BUDGETARY PROCEDURE

The Town adheres to the following procedure in establishing the budgetary data included in the General Fund and certain Special Revenue Funds financial statements. No later than March 15, the Mayor shall present to the Town Council a budget and recommendations. The Town Council shall hold two or more public hearings the last of which shall be the Annual Town Meeting not later than April 30<sup>th</sup>, at which time any elector or taxpayer may be heard regarding appropriations for the ensuing fiscal year. The Town Council approves a budget and presents it to electors and taxpayers at the Annual Town Meeting for adoption. Within (5) five days of adoption, the Town Council must set the tax (mill) rate for the ensuing fiscal year. Per the Connecticut General Statutes, the Annual Town Meeting may be adjourned to a referendum vote within 14 days of the Town Meeting date.

<u>On or About</u>	<u>Action</u>
January 8	Department budget request forms distributed.
February 10	Departments, offices, boards, commissions submit estimates of receipts and expenditures to the Mayor and Finance Officer.
March 15	The Mayor submits the budget to the Town Council for review.
April 30	The Town Council must hold two or more public hearings to obtain elector or taxpayer comments, the last of which shall be the Annual Town Meeting, at which a budget approved and submitted by Town Council will be voted on.
July 1	The new fiscal year begins.

All unencumbered appropriations lapse at year-end, except those for the Capital Projects Fund and certain special revenue grants. Appropriations for capital projects are continued until completion of applicable projects, even when projects extend more than one fiscal year.

**Connecticut Governor's Executive Orders Impacting Municipal Budget Adoption Procedures for Fiscal Year 2020-21**

On March 15, 2020 and March 21, 2020, the Connecticut Governor issued emergency Executive Orders No. 7C and 7I, respectively, which permit adjustment of the budget adoption process in response to Covid-19 public health concerns. Pursuant to those Executive Orders, the Vernon Town Council at a meeting held April 28, 2020 authorized the Vernon Town Council to adopt a budget and set a property tax mill rate for Fiscal Year 2020-21, without reference to the voters. In doing so, the Town Council is required by the Executive Orders to comply with certain public meeting requirements set forth in the Connecticut Governor's emergency Executive Order 7B and to take all reasonable steps to publicize the draft municipal budget for the fiscal year and receive public comment thereon, including but not limited to, publishing draft budgets on the Town website and providing an email address or other means for the public to submit timely comments on the proposed budget.

**SUPPLEMENTAL APPROPRIATIONS**

Under the Town Charter, any appropriation in excess of 1/10 of 1% of the total budget in addition to or supplementary to the annual budget requires a public hearing and approval at a Special Town Meeting. The issuance of bonds and notes (except refunding bonds) are to be authorized by ordinance, and if the borrowing exceeds \$10,000, it must be approved by a referendum vote.

**EMPLOYEE PENSION SYSTEMS**

The Town maintains three single-employer defined benefit retirement plans which cover substantially all full-time employees, except for the groups covered by the Connecticut State Teachers' Retirement Plan, and members of the Town's Volunteer Fire Department based upon certain service criteria. The pension plan for the Volunteer Fire Department was established effective January 1, 2000 and is known as the Town of Vernon Length of Service Award Program (LOSAP). Of the three defined benefit retirement plans, the Town Plan is currently closed to new hires for all Town-side bargaining units except Police officers, and all non-affiliated employees of the Board of Education.

As of January 1, 2019 there were approximately 1,029 active and retired persons in the plans (including the Volunteer Fire LOSAP). The most recent valuations for the Town's Police and Town were as of January 1, 2019. The most recent valuation for the Volunteer Fire LOSAP plan was as of January 1, 2020.

The Town has implemented Government Accounting Standards Board's (GASB) Statement No. 67. Because the plan year is the calendar year, the net position is based on fair market value as of December 31st and the Total Pension Liability is based on the actuarial assumptions as of the prior valuation date projected forward to December 31st. In accordance with GASB Statement No. 67, the components of the net pension liability of the Town plans as of December 31, 2019 were as follows:

	<b>Police Plan</b>	<b>Town Plan</b>	<b>LOSAP Plan</b>
Total pension liability.....	\$ 46,476,998	\$ 84,682,295	\$ 2,285,903
Plan fiduciary net position.....	23,660,301	49,987,329	2,264,676
Net pension liability.....	<u>\$ 22,816,697</u>	<u>\$ 34,694,966</u>	<u>\$ 21,227</u>
Plan fiduciary net position as a % of total pension liability.....	50.9%	59.0%	99.1%

The following represents the net pension liability of the Town, calculated using the current discount rate of each plan, as well as what the Town's net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage point higher than the current rate:

<b><u>Police Plan</u></b>		<b>1% Decrease</b>	<b>Current</b>	<b>1% Increase</b>
		<b>6.00%</b>	<b>Discount Rate</b>	<b>8.00%</b>
			<b>7.00%</b>	
Net Pension Liability.....	\$	28,238,866	\$	22,816,697
				\$ 17,969,226
<b><u>Town Plan</u></b>		<b>1% Decrease</b>	<b>Current</b>	<b>1% Increase</b>
		<b>6.00%</b>	<b>Discount Rate</b>	<b>8.00%</b>
			<b>7.00%</b>	
Net Pension Liability.....	\$	43,176,584	\$	34,694,966
				\$ 26,894,578
<b><u>LOSAP Plan</u></b>		<b>1% Decrease</b>	<b>Current</b>	<b>1% Increase</b>
		<b>5.50%</b>	<b>Discount Rate</b>	<b>7.50%</b>
			<b>6.50%</b>	
Net Pension Liability.....	\$	350,724	\$	21,227
				\$ (251,239)

The following represents historic trend information of the Town's Plans:

<b>Schedule of Funding Progress</b>						
<b>Actuarial</b>	<b>Actuarial</b>	<b>Actuarial</b>	<b>Over</b>			<b>UAAL as a</b>
<b>Valuation</b>	<b>Value</b>	<b>Accrued</b>	<b>(Unfunded)</b>	<b>Funded</b>	<b>Covered</b>	<b>Percentage of</b>
<b>Date</b>	<b>of Assets</b>	<b>Liability</b>	<b>AAL</b>	<b>Ratio</b>	<b>Payroll</b>	<b>Covered</b>
	<b>(a)</b>	<b>(b)</b>	<b>(a) - (b)</b>	<b>(a) / (b)</b>	<b>(c)</b>	<b>[(a) - (b) / (c)]</b>
<b>Police</b>						
2019	\$ 21,994,575	\$ 44,056,560	\$(22,061,985)	49.9%	\$ 4,668,336	-472.6%
2018	21,850,331	42,928,462	(21,078,131)	50.9%	4,563,773	-461.9%
2017	20,789,699	41,165,497	(20,375,798)	50.5%	4,789,390	-425.4%
2016	19,839,445	40,020,990	(20,181,545)	49.6%	4,866,463	-414.7%
2015	19,088,421	38,238,607	(19,150,186)	49.9%	4,747,257	-403.4%
<b>Town</b>						
2019	\$ 45,986,128	\$ 79,559,200	(33,573,072)	57.8%	\$13,141,484	-255.5%
2018	44,655,417	77,447,047	(32,791,630)	57.7%	14,477,456	-226.5%
2017	42,084,655	74,453,888	(32,369,233)	56.5%	14,795,233	-218.8%
2016	39,900,098	73,351,990	(33,451,892)	54.4%	15,411,202	-217.1%
2015	37,610,383	69,025,078	(31,414,695)	54.5%	14,789,154	-212.4%
<b>LOSAP</b>						
2020 <sup>1</sup>	\$ 2,264,676	\$ 2,336,163	\$ (71,487)	96.9%	N/A	N/A
2019	1,762,522	1,954,761	(192,239)	90.2%	N/A	N/A
2018	1,823,917	1,873,335	(49,418)	97.4%	N/A	N/A
2017	1,574,854	1,369,527	205,327	115.0%	N/A	N/A
2016	1,441,953	1,305,400	136,553	110.5%	N/A	N/A

<sup>1</sup> Valuation as of January 1, 2020.

### Schedule of Employer Contributions

Fiscal Year	Police		Town		LOSAP	
	Actuarially Determined Contribution	Percentage Contributed	Actuarially Determined Contribution	Percentage Contributed	Actuarially Determined Contribution	Percentage Contributed
2021 <sup>1</sup>	\$ 1,929,303	100.0%	\$ 2,643,503	100.0%	\$ 101,418	100.0%
2020 <sup>2</sup>	1,929,303	100.0%	2,643,503	102.1%	134,029	100.0%
2019	1,879,711	100.0%	2,535,950	100.0%	126,652	108.6%
2018	1,839,551	100.0%	2,495,374	100.0%	53,605	100.0%
2017	1,730,812	100.0%	2,525,719	100.0%	52,289	100.0%

<sup>1</sup> Adopted budget based on ADC from January 1, 2019 valuation. The Town and Police January 1, 2020 valuations are not yet complete. However, the Town intends to fully fund the ADC and will obtain a budget transfer or supplemental appropriation if necessary to do so.

<sup>2</sup> Unaudited.

Another retirement plan available in the Town is the Connecticut State Teachers' Retirement Plan. This is a noncontributory multiple employer PERS. The certified teaching faculty and administrative personnel participate in this employee contributory plan administered by the Connecticut State Teachers' Retirement Board. The Town does not contribute to the plan nor does it have any legal obligation for benefit payments.

For further discussion on the plans, see Appendix A, "Notes to Financial Statements".

#### DEFINED CONTRIBUTION PENSION PLAN

The Town Council has authorized the establishment of fifteen 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. Employees are not required to contribute to the respective defined contribution plan. The required level of Employer contribution varies by group and is dependent on the level of the Employee's contribution.

The effective establishment dates for these fifteen plans are as follows:

Effective Date	Plan
July 1, 2009	Department of Public Works Clerical Bargaining Unit
January 1, 2010	Professional Employees Bargaining Unit
January 1, 2010	Department of Public Works Supervisors Bargaining Unit
January 1, 2010	Water Pollution Control Supervisors Bargaining Unit
January 1, 2010	Professional Supervisors Independent Bargaining Unit
August 4, 2010	Town non-union employees
July 1, 2011	DPW Laborers / Parks / WPC Bargaining Unit
July 1, 2013	Police Civilian's Bargaining Unit
June 4, 2014	Board of Education non-union employees
July 1, 2014	Board of Education Cafeteria
July 1, 2015	Board of Education Supervisors
July 1, 2016	Board of Education Nurses
July 1, 2016	Board of Education Librarians
January 1, 2017	Board of Education Secretarial / Custodial / Maintenance
July 1, 2018	Board of Education Paraprofessionals

For further discussion on the plans, see Appendix A, "Notes to Financial Statements".

## OTHER POST-EMPLOYMENT BENEFITS

The Town administers single-employer, post-retirement healthcare plans for Town, Police and Board of Education employees. The plans provide medical, dental and prescription benefits for eligible retirees and their spouses. Benefits and contributions are established by contract and may be amended by union negotiations. The Town's contribution is actuarially determined on an annual basis using the projected unit credit method. Currently, employees do not contribute to the plans but pay a portion of the cost of the benefits. The Town established an irrevocable trust for OPEB effective June 2011.

Beginning in fiscal year 2016-17, the Town implemented Government Accounting Standards Board's (GASB) Statement No. 74. In accordance with GASB Statement 74, the net position is based on fair market value as of June 30th and the OPEB Liability is based on the actuarial assumptions as of the prior valuation date updated to the end of the fiscal year. The components of the net OPEB liability of the Town as of June 30, 2019 were as follows:

	2019	2018	2017
Total OPEB liability.....	\$ 9,727,803	\$ 8,676,532	\$ 8,202,469
Plan fiduciary net position.....	1,329,087	1,057,591	893,686
Net OPEB liability.....	<u>\$ 8,398,716</u>	<u>\$ 7,618,941</u>	<u>\$ 7,308,783</u>
Plan fiduciary net position as a % of total pension liability.....	13.66%	12.19%	10.90%

The following represents the net OPEB liability of the Town, calculated using the discount rate of 6.5%, as well as what the Town's net OPEB liability would be if it were calculated using a discount rate that is 1% lower or 1% higher than the current discount rate:

	1% Decrease (5.50%)	Current Rate (6.50%)	1% Increase (7.50%)
Town's Net OPEB Liability.....	\$ 9,538,979	\$ 8,398,716	\$ 7,428,807

The following represents the net OPEB liability of the Town, calculated using the current healthcare cost trend rates, as well as what the Town's net OPEB liability would be if it were calculated using a healthcare cost trend rate that is 1% lower or 1% higher than the current healthcare cost trend rate:

	1% Decrease	Current Trend Rate	1% Increase
Town's Net OPEB Liability.....	\$ 7,213,212	\$ 8,398,716	\$ 9,834,860

The following presents historical information regarding the post-employment benefit funding. The Town's most recent valuation was July 1, 2018. According to the July 1, 2018 valuation, the overall membership in the plan decreased from 818 to 677. In connection with the valuation, the Town's actuaries updated mortality tables, medical trend information and election rates for future retiree coverage. As a result of the changes in actuarial assumptions, the total liability increased by approximately \$1.7 million.

The following represents historic trend information of the Town's Plans:

### Schedule of Funding Progress

#### Summary (Town, Police BOE Plans)

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Over (Unfunded) AAL (UAAL) (b) - (a)	Funded Ratio (a) / (b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll [(a) - (b) / (c)]
2018	\$ 1,057,591	9,269,167	(8,211,576)	11.41%	\$39,014,808	-21.05%
2016	684,481	7,847,638	(7,163,157)	8.72%	\$52,602,048	-13.62%
2014	237,033	6,451,198	(6,214,165)	3.67%	\$43,490,526	-14.29%
2012	77,009	8,200,976	(8,123,967)	0.94%	\$42,162,309	-19.27%
2010	60,000	10,355,000	(10,295,000)	0.58%	\$41,661,617	-24.71%

## Schedule of Employer Contributions

### Summary (Town, Police, BOE Plans)

<u>Fiscal Year</u>	<u>Actuarial</u>		<u>Percentage Contributed</u>
	<u>Determined Contribution</u>	<u>Actual Contribution</u>	
2021 <sup>1</sup>	\$ 906,964	\$ 685,000	75.5%
2020 <sup>2</sup>	854,456	655,000	76.7%
2019	826,134	624,694	75.6%
2018	770,427	586,807	76.2%
2017	719,304	660,185	91.8%

<sup>1</sup> Adopted budget.

<sup>2</sup> Unaudited estimate.

## INVESTMENT POLICIES AND PROCEDURES

Under the Town Charter and under Connecticut General Statutes Sections 7-400, 7-401 and 7-402, and under an Investment Policy implemented by the finance office, the Town may invest in certificates of deposit, repurchase agreements, municipal notes and bonds, obligations of the United States of America, including joint and several obligations of the Federal Home Loan Mortgage Association, the Federal Savings and Loan Insurance Corporation, obligations of the United States Postal Service, all the Federal Home Loan Banks, all Federal Land Banks, the Tennessee Valley Authority, or any other agency of the United States government, mutual funds and money market mutual funds.

The Town's investment practices have been to invest only in certificate of deposits, repurchase agreements, the State of Connecticut Short-Term Investment Fund (STIF), and the State of Connecticut Tax-Exempt Proceeds Fund. All investments are to be approved by the Finance Officer. The Finance Officer has followed these investment practices and the Town's operating funds and capital funds are currently invested in the following short-term investments: (1) the State of Connecticut STIF; (2) overnight repurchase agreements with specified banks collateralized by U. S. government agency obligations such as the Federal Home Loan Mortgage Corporation which are valued daily; (3) overnight U. S. Treasury obligations. Under the Investment Policy, there are set investment limits for each bank named as a public depository, depending on each bank's financial performance. Quarterly financial statements (Quarterly Public Depository) are reviewed to insure the Risk-Based Capital Ratio does not fall below 4%.

All Town pension funds are invested in mutual funds and securities as determined by pension fund administrators. Board of Education pension funds are invested in a cost sharing, multiple employer public employees retirement system established by the State of Connecticut and administered by the State of Connecticut Retirement Commission to provide pension benefits for the employees of participating municipalities. For further description of the Town's Pension Plans, see Note IV, to the Town's audited financial statements in "Appendix A" herein.

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## PROPERTY TAX REVENUES

<b>Fiscal</b>	<b>Total Revenues &amp; Transfers In</b>	<b>Property Tax Revenues</b>	<b>Property Tax as a % of Total Revenues &amp; Transfers Out</b>
2021 <sup>1</sup>	\$ 94,100,096	\$73,264,623	77.9%
2020 <sup>2</sup>	94,695,725	73,024,440	77.1%
2019	103,161,372	72,973,560	70.7%
2018	98,931,160	70,116,452	70.9%
2017	96,399,470	67,962,636	70.5%
2016	95,480,987	66,502,928	69.7%
2015	92,908,740	64,116,182	69.0%
2014	91,052,450	62,683,962	68.8%
2013	87,047,424	58,939,088	67.7%
2012	88,002,442	57,327,038	65.1%

<sup>1</sup> Adopted Budget, budgetary basis, excludes on-behalf payments to the Connecticut State Teachers' Retirement System.

<sup>2</sup> Unaudited estimate, budgetary basis, excludes on-behalf payments to the Connecticut State Teachers' Retirement System.

Source: Annual audited financial statements; fiscal year 2019-20 unaudited estimate and 2020-21 adopted budgets.

## INTERGOVERNMENTAL REVENUES

<b>Fiscal Year</b>	<b>Total Revenues &amp; Transfers In</b>	<b>Intergovernmental Revenue</b>	<b>Intergovernmental Revenue as a % of Total Revenue &amp; Transfers In</b>
2021 <sup>1</sup>	\$ 94,100,096	\$ 18,582,922	19.7%
2020 <sup>2</sup>	94,695,725	18,805,948	19.9%
2019	103,161,372	26,893,336	26.1%
2018	98,931,160	25,360,411	25.6%
2017	96,399,470	25,589,647	26.5%
2016	95,480,987	25,120,365	26.3%
2015	92,908,740	25,776,430	27.7%
2014	91,052,450	25,613,730	28.1%
2013	87,047,424	25,275,405	29.0%
2012	88,002,442	27,838,711	31.6%

<sup>1</sup> Adopted Budget, budgetary basis, excludes on-behalf payments to the Connecticut State Teachers' Retirement System.

<sup>2</sup> Unaudited estimate, budgetary basis, excludes on-behalf payments to the Connecticut State Teachers' Retirement System.

Source: Annual audited financial statements; fiscal year 2019-20 unaudited estimate and 2020-21 adopted budgets.

## MUNICIPAL BUDGET EXPENDITURES CAP

Connecticut General Statutes Section 4-661 creates a cap on adopted general budget expenditures for municipalities in Connecticut in order for municipalities to be eligible to receive the full amount of the State's municipal revenue sharing grant. Beginning in fiscal year ending June 30, 2018, and in each fiscal year thereafter, the Office of Policy and Management ("OPM") must reduce the municipal revenue sharing grant amount for those municipalities whose adopted general budget expenditures (with certain exceptions including but not limited to debt service, special education, implementation of court orders or arbitration awards, budgeting for an audited deficit, nonrecurring grants, capital expenditures of \$100,000 or more, or payments on unfunded pension liabilities, and certain major disaster or emergency expenditures) exceeds the spending limits specified in the statute. For each applicable fiscal year, OPM must determine the municipality's percentage growth in general



budget expenditures over the prior fiscal year and reduce the grant if the growth rate is equal to or greater than 2.5% or the inflation rate, whichever is greater, each of those amounts adjusted by an amount proportionate to any increase in the municipality's population from the previous fiscal year. The reduction is generally equal to 50 cents for every dollar the municipality spends over this cap. Each municipality must annually certify to the Secretary of the OPM whether such municipality has exceeded the cap set forth in the statute and if so the amount by which the cap was exceeded. The 2020-2021 biennium budget legislation does not provide funding for the municipal revenue sharing grant in the fiscal years ending June 30, 2020 and June 30, 2021, but provides that such funding will resume following July 1, 2021.

#### EXPENDITURES

<b>Fiscal Year</b>	<b>Education</b>	<b>General Government</b>	<b>Public Safety</b>	<b>Town Wide</b>	<b>Debt Service</b>
2021 <sup>1</sup>	57.9%	4.1%	9.5%	9.3%	7.9%
2020 <sup>2</sup>	57.1%	4.0%	9.5%	8.8%	8.5%
2019	60.2%	3.9%	8.8%	8.7%	6.0%
2018	61.0%	4.0%	8.5%	8.7%	5.7%
2017	61.7%	3.9%	9.1%	8.5%	5.2%
2016	61.0%	4.0%	9.2%	8.5%	4.7%
2015	62.4%	3.9%	9.3%	8.2%	4.4%
2014	63.3%	3.8%	8.9%	7.9%	4.6%
2013	62.7%	3.7%	9.4%	8.1%	5.0%
2012	59.5%	3.7%	13.0%	7.7%	5.3%

<sup>1</sup> Adopted Budget, budgetary basis, excludes on-behalf payments to the Connecticut State Teachers' Retirement System.

<sup>2</sup> Unaudited estimate, budgetary basis, excludes on-behalf payments to the Connecticut State Teachers' Retirement System.

Source: Annual audited financial statements; fiscal year 2019-20 unaudited estimate and 2020-21 adopted budgets.

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**COMPARATIVE GENERAL FUND OPERATING STATEMENT – FY 2018-19**  
Budget and Actual (Budgetary Basis)

	<b>Fiscal Year 2018-19</b>		
	<b>Revised Budget</b>	<b>Actual</b>	<b>Variance Favorable (Unfavorable)</b>
<b>REVENUES</b>			
Property taxes.....	\$71,961,747	\$72,973,560	\$ 1,011,813
Intergovernmental.....	18,098,485	19,037,020	938,535
Charges for services.....	834,105	1,442,282	608,177
Licenses and permits.....	494,700	423,922	(70,778)
Fines and penalties.....	30,000	33,170	3,170
Gifts and contributions.....	-	7,865	7,865
Investment income.....	52,000	449,557	397,557
Other.....	555,913	747,450	191,537
<b>Total revenues.....</b>	<b>92,026,950</b>	<b>95,114,826</b>	<b>3,087,876</b>
<b>EXPENDITURES</b>			
Current:			
General government.....	4,138,925	3,963,472	175,453
Community development.....	246,749	237,348	9,401
Public safety.....	9,255,367	8,901,141	354,226
Maintenance and development.....	5,943,527	5,877,282	66,245
Human services.....	1,103,787	1,022,428	81,359
Parks, recreation and culture.....	1,843,788	1,814,408	29,380
Town-wide.....	9,303,037	8,734,918	568,119
Education.....	53,437,942	53,438,027	(85)
Capital outlay.....	224,000	223,674	326
Debt service.....	6,227,819	6,225,117	2,702
<b>Total expenditures.....</b>	<b>91,724,941</b>	<b>90,437,815</b>	<b>1,287,126</b>
<b>Excess of revenue over expenditures</b>	<b>302,009</b>	<b>4,677,011</b>	<b>4,375,002</b>
<b>Other Financing Sources (Uses)</b>			
Appropriation of Fund Balance.....	950,393	-	(950,393)
Appropriation of Prior Years			-
Encumbrances.....	1,827,417	-	(1,827,417)
Operating transfer in.....	144,500	65,425	(79,075)
Operating transfers out.....	(3,224,319)	(3,222,429)	1,890
<b>Total other financing sources (uses)</b>	<b>(302,009)</b>	<b>(3,157,004)</b>	<b>(2,854,995)</b>
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses.....	<u>\$ -</u>	<u>\$ 1,520,007</u>	<u>\$ 1,520,007</u>

Sources: Audited financial statements.

**COMPARATIVE GENERAL FUND OPERATING STATEMENT – FY 2019-20 & 2020-21**  
Budget and Actual (Budgetary Basis)

	<b>Fiscal Year 2019-20 (Unaudited Estimate)</b>			<b>Fiscal Year 2020-21</b>
	<b>Revised</b>	<b>Actual w/</b>	<b>Variance</b>	<b>2020-21</b>
	<b>Budget</b>	<b>Encumbrances</b>	<b>Favorable</b>	<b>Adopted</b>
			<b>(Unfavorable)</b>	<b>Budget</b>
<b>REVENUES</b>				
Property taxes.....	\$72,592,158	\$ 73,024,440	\$ 432,282	\$73,264,623
Intergovernmental.....	18,578,716	18,805,948	227,232	18,582,922
Charges for services.....	791,200	1,339,721	548,521	841,482
Licenses and permits.....	492,500	491,000	(1,500)	491,000
Fines and penalties.....	33,400	28,938	(4,462)	32,500
Investment income.....	225,000	412,500	187,500	200,000
Other.....	526,436	493,679	(32,757)	506,069
<b>Total Revenues.....</b>	<b>93,239,410</b>	<b>94,596,226</b>	<b>1,356,816</b>	<b>93,918,596</b>
<b>OTHER FINANCING SOURCES</b>				
Operating transfer in.....	181,500	99,500	(82,000)	181,500
<b>Total revenues and other</b>				
<b>financing sources.....</b>	<b>93,420,910</b>	<b>94,695,726</b>	<b>1,274,816</b>	<b>94,100,096</b>
<b>EXPENDITURES</b>				
Current:				
General government.....	3,660,997	3,766,721	(105,724)	3,852,919
Community development.....	325,618	275,664	49,954	311,558
Public safety.....	9,299,836	8,940,069	359,767	8,968,961
Maintenance and development.....	5,852,979	6,108,727	(255,748)	6,287,094
Human services.....	1,165,581	1,135,624	29,957	1,190,957
Parks, recreation and culture.....	1,990,096	2,029,282	(39,186)	2,088,360
Town-wide.....	8,974,462	8,340,967	633,495	8,789,906
Education.....	53,870,594	53,870,594	-	54,516,892
Capital improvements.....	1,884,200	1,884,200	-	659,810
Debt service.....	7,989,811	7,989,811	-	7,433,639
<b>Total expenditures.....</b>	<b>95,014,174</b>	<b>94,341,659</b>	<b>672,515</b>	<b>94,100,096</b>
<b>OTHER FINANCING USES</b>				
Operating transfers out.....	-	-	-	-
<b>Total expenditures and other</b>				
<b>financing uses</b>	<b>95,014,174</b>	<b>94,341,659</b>	<b>672,515</b>	<b>94,100,096</b>
Excess (deficiency) of revenues and other				
financing sources over expenditures and				
other financing uses.....	<u>\$(1,593,264)</u>	354,067	<u>\$ 1,947,331</u>	<u>\$ -</u>
June 30, 2019 encumbrances liquidated.		<u>-</u>		
Increase (decrease) in Unassigned				
Fund Balance.....		<u>\$ 354,067</u>		

Sources: Fiscal year 2019-20 unaudited estimate; fiscal year 2020-21 adopted budget.

**COMPARATIVE BALANCE SHEETS - GENERAL FUND**

Fiscal Years Ended:	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
<b>ASSETS</b>					
Cash and cash equivalents.....	\$12,656,001	\$13,861,671	\$15,394,454	\$24,300,526	\$20,970,663
Investments.....	-	-	-	-	-
Receivables:.....					
Property taxes.....	1,736,071	1,491,096	1,285,423	1,557,421	1,685,060
Intergovernmental.....	122,667	28,005	20,537	51,356	52,369
Other.....	79,891	41,488	25,159	123,319	51,124
Due from other funds.....	8,326,930	5,417,912	5,309,418	6,242,797	10,593,644
Advance to other funds.....	129,500	-	-	-	-
Prepaid items.....	-	-	595,917	558,850	587,300
<b>TOTAL ASSETS.....</b>	<u>\$23,051,060</u>	<u>\$20,840,172</u>	<u>\$22,630,908</u>	<u>\$32,834,269</u>	<u>\$33,940,160</u>
<b>LIABILITIES</b>					
Accounts and other payables.....	\$ 1,129,926	\$ 1,054,590	\$ 958,331	\$ 1,258,498	\$ 1,050,129
Accrued wages and benefits.....	525,010	672,962	341,339	407,607	325,684
Due to other funds.....	501,580	667,277	767,767	795,529	467,822
Unearned revenue.....	301,386	319,882	306,216	362,618	316,176
<b>TOTAL LIABILITIES.....</b>	<u>2,457,902</u>	<u>2,714,711</u>	<u>2,373,653</u>	<u>2,824,252</u>	<u>2,159,811</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>					
Unavailable revenues:					
Property taxes.....	1,507,581	1,165,205	1,043,830	1,557,421	1,685,060
Advance property tax collections.....	4,800,790	-	5,319	7,098,849	6,224,473
Total deferred inflows of resources	<u>6,308,371</u>	<u>1,165,205</u>	<u>1,049,149</u>	<u>8,656,270</u>	<u>7,909,533</u>
<b>FUND BALANCES</b>					
Nonspendable.....	1,464,018	1,448,917	1,925,692	2,258,353	3,254,535
Restricted.....	-	-	-	-	-
Assigned.....	2,003,342	2,729,466	3,201,676	2,149,417	1,319,062
Unassigned.....	10,817,427	12,781,873	14,080,738	16,945,977	19,297,219
<b>TOTAL FUND BALANCES.....</b>	<u>14,284,787</u>	<u>16,960,256</u>	<u>19,208,106</u>	<u>21,353,747</u>	<u>23,870,816</u>
<b>TOTAL LIABILITIES AND FUND BALANCES.....</b>	<u>\$23,051,060</u>	<u>\$20,840,172</u>	<u>\$22,630,908</u>	<u>\$32,834,269</u>	<u>\$33,940,160</u>

Source: Annual audited financial statements.

# STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - GENERAL FUND

Fiscal Years Ended:	2015	2016	2017	2018	2019
<b>REVENUES</b>					
Property taxes.....	\$64,116,182	\$66,502,928	\$67,962,636	\$70,116,452	\$ 72,973,560
Intergovernmental.....	25,776,430	25,120,365	25,589,647	25,360,411	26,893,336
Charges for service.....	2,356,912	3,095,638	2,288,811	2,681,217	2,024,179
Investment income.....	1,369	14,060	28,277	62,936	449,557
Other local revenues.....	490,685	510,816	456,813	577,141	755,315
<b>TOTAL REVENUES.....</b>	<b>92,741,578</b>	<b>95,243,807</b>	<b>96,326,184</b>	<b>98,798,157</b>	<b>103,095,947</b>
<b>EXPENDITURES</b>					
Current:					
General government.....	3,590,896	3,694,679	3,645,882	3,858,068	3,958,019
Community development.....	235,770	248,607	259,219	308,006	237,348
Public safety.....	8,525,361	8,561,323	8,533,042	8,239,281	8,897,450
Maintenance and development.....	5,550,883	5,408,134	5,504,582	5,721,529	5,877,282
Human services.....	962,959	938,018	915,790	929,904	1,022,428
Parks, recreation and culture.....	1,369,686	1,430,950	1,496,064	1,601,828	1,814,408
Town-wide.....	7,469,937	7,933,163	8,017,224	8,391,849	8,734,918
Education.....	57,008,315	56,591,613	58,063,599	59,077,409	60,608,276
Debt service.....	4,046,497	4,399,190	4,910,864	5,538,195	6,048,071
Capital outlay.....	363,926	740,131	257,845	412,942	223,674
<b>TOTAL EXPENDITURES</b>	<b>89,124,230</b>	<b>89,945,808</b>	<b>91,604,111</b>	<b>94,079,011</b>	<b>97,421,874</b>
Excess (deficiency) of revenues over expenditures.....	<b>3,617,348</b>	<b>5,297,999</b>	<b>4,722,073</b>	<b>4,719,146</b>	<b>5,674,073</b>
<b>OTHER FINANCING SOURCES (USES)</b>					
Sale of assets.....	-	-	-	-	-
Operating transfers in.....	167,162	237,180	73,286	133,003	65,425
Operating transfers out.....	(2,183,065)	(2,859,710)	(2,547,509)	(2,706,508)	(3,222,429)
Net other financing sources (uses)..<	<b>(2,015,903)</b>	<b>(2,622,530)</b>	<b>(2,474,223)</b>	<b>(2,573,505)</b>	<b>(3,157,004)</b>
<b>EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING USES.....</b>	<b>1,601,445</b>	<b>2,675,469</b>	<b>2,247,850</b>	<b>2,145,641</b>	<b>2,517,069</b>
Fund Balance - Beginning of year....	12,683,342	14,284,787	16,960,256	19,208,106	21,353,747
Fund Balance - End of year.....	<b>\$14,284,787</b>	<b>\$16,960,256</b>	<b>\$19,208,106</b>	<b>\$21,353,747</b>	<b>\$ 23,870,816</b>

Source: Annual audited financial statements.

## VI. DEBT SUMMARY

### PRINCIPAL AMOUNT OF INDEBTEDNESS

As of July 16, 2020  
(Pro Forma)

Date of Issue	Issue	Coupon Rate %	Original Issue Amount	Debt Outstanding Including This Issue <sup>1</sup>	Fiscal Maturity Date
04/11/12	General Obligation Refunding Bonds.....	2.00 - 4.50	\$ 34,685,000	\$ 2,785,000	2028
08/05/15	General Obligation Bonds.....	2.00 - 3.13	6,130,000	820,000	2031
08/04/16	General Obligation Bonds.....	2.00 - 4.00	6,350,000	5,075,000	2032
08/03/17	General Obligation Bonds.....	2.00 - 5.00	4,400,000	3,810,000	2033
08/02/18	General Obligation Bonds.....	3.00 - 5.00	5,000,000	4,660,000	2034
07/16/20	General Obligation Bonds, Series A.....	3.00 - 5.00	20,325,000	20,325,000	2036
07/16/20	General Obligation Bonds, Series B.....	0.95 - 2.05	3,835,000	3,835,000	2031
<b>Grand Total .....</b>			<b>\$ 80,725,000</b>	<b>\$ 41,310,000</b>	

<sup>1</sup> Excludes Refunded Bonds.

### SCHEDULE OF LONG TERM DEBT THROUGH MATURITY

As of July 16, 2020 (Pro Forma)

Fiscal Year	Principal Payments	Interest Payments	Total Payments	Refunded Bonds	Principal This Issue	Principal All Issues
2021	\$ 4,510,000	\$ 1,226,806	\$ 5,736,806	\$ -	\$ 290,000	\$ 4,800,000
2022	4,515,000	1,046,581	5,561,581	(3,045,000)	3,080,000	4,550,000
2023	4,610,000	863,744	5,473,744	(3,555,000)	3,635,000	4,690,000
2024	4,605,000	683,719	5,288,719	(3,550,000)	3,650,000	4,705,000
2025	3,660,000	530,344	4,190,344	(2,605,000)	2,710,000	3,765,000
2026	3,650,000	405,650	4,055,650	(2,595,000)	2,710,000	3,765,000
2027	3,375,000	293,113	3,668,113	(2,580,000)	2,445,000	3,240,000
2028	2,735,000	208,663	2,943,663	(1,685,000)	1,815,000	2,865,000
2029	1,460,000	152,569	1,612,569	(410,000)	745,000	1,795,000
2030	1,460,000	114,863	1,574,863	(410,000)	740,000	1,790,000
2031	1,440,000	75,944	1,515,944	(390,000)	715,000	1,765,000
2032	1,015,000	42,338	1,057,338	-	325,000	1,340,000
2033	610,000	19,463	629,463	-	325,000	935,000
2034	330,000	5,156	335,156	-	325,000	655,000
2035	-	-	-	-	325,000	325,000
2036	-	-	-	-	325,000	325,000
<b>Total</b>	<b>\$ 37,975,000</b>	<b>\$ 5,668,953</b>	<b>\$43,643,953</b>	<b>\$(20,825,000)</b>	<b>\$24,160,000</b>	<b>\$ 41,310,000</b>

Source: Annual audited financial statements.

**THE TOWN OF VERNON, CONNECTICUT HAS NEVER DEFAULTED ON THE PAYMENT OF PRINCIPAL OR INTEREST ON ITS BONDS OR NOTES**

# COMPUTATION OF STATUTORY DEBT LIMIT

As of July 16, 2020 (Pro Forma)

Total fiscal year ended 2020 tax collections (including interest and lien fees) <sup>1</sup>	\$ 73,226,367
State Reimbursement for Revenue Loss on Tax Relief for the Elderly	21,182
Base for Establishing Debt Limit	<u>\$ 73,247,549</u>

## Debt Limit

	General Purpose	Schools	Sewers	Urban Renewal	Unfunded Past Pension	Total Debt
(2.25 times base).....	\$164,806,985					
(4.50 times base).....		\$329,613,971				
(3.75 times base).....			\$ 274,678,309			
(3.25 times base).....				\$238,054,534		
(3.00 times base).....					\$219,742,647	
(7.00 times base).....						\$ 512,732,843
<b>Indebtedness (Including The Bonds)</b>						
Bonds Payable <sup>2</sup> .....	\$ 15,177,000	\$ 1,920,000	\$ 53,000	\$ -	\$ -	\$ 17,150,000
The Series A Bonds.....	10,333,000	9,714,000	278,000	-	-	20,325,000
The Series B Bonds.....	3,835,000	-	-	-	-	3,835,000
State of Connecticut						
Clean Water Interim						
Funding Obligation (IFO).....	-	-	47,819,947	-	-	47,819,947
Authorized but Unissued						
Debt.....	3,907,332	5,051,504	38,059,641	-	-	47,018,477
Gross Direct Debt	33,252,332	16,685,504	86,210,588	-	-	136,148,424
Overlapping Debt:						
Bolton Lakes Regional						
WPCA <sup>3</sup> .....	-	-	2,025,958	-	-	2,025,958
Less receivables:						
Intergovernmental <sup>4</sup> .....	-	-	(14,322,074)	-	-	(14,322,074)
State grants.....	-	-	(20,066,969)	-	-	(20,066,969)
Total Net Direct and						
Overlapping Debt.....	33,252,332	16,685,504	53,847,503	-	-	103,785,339
Excess of Limit Over						
Outstanding and						
Authorized Debt.....	<u>\$131,554,653</u>	<u>\$312,928,467</u>	<u>\$ 220,830,806</u>	<u>\$238,054,534</u>	<u>\$219,742,647</u>	<u>\$ 408,947,504</u>

<sup>1</sup> Unaudited estimate.

<sup>2</sup> Excludes the Refunded Bonds.

<sup>3</sup> Represents the Town's 30% share of total project costs. See "Overlapping Indebtedness" herein.

<sup>4</sup> Represents intergovernmental revenues from the surrounding Towns of Ellington, Manchester, South Windsor and Tolland who will contribute to the cost of the Town's Wastewater Treatment Plant upgrade as required by their inter-municipal agreement with the Town. See "Municipal Services – Water Pollution Control Authority" herein for more information.

Source: Town Officials

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**DEBT STATEMENT**  
As of July 16, 2020 (Pro Forma)

**Bonded Debt:**

The Series A Bonds.....	\$ 20,325,000
The Series B Bonds.....	3,835,000
General Purpose.....	15,177,000
Schools.....	1,920,000
Sewers.....	<u>53,000</u>
<b>Total Bonded Debt</b> <sup>1</sup> .....	41,310,000

**Short-Term Debt:**

State of Connecticut Clean Water Fund Interim Funding Obligation (IFO).....	<u>47,819,947</u>
<b>Total Short Term Debt</b> .....	<u>47,819,947</u>

<b>Total Direct Debt</b> .....	<u>89,129,947</u>
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**Exclusions:**

Intergovernmental receivable <sup>2</sup> .....	<u>(14,322,074)</u>
<b>Net Direct Debt</b> .....	<u>74,807,873</u>

**Overlapping Debt:**

Bolton Lakes Regional WPCA.....	<u>2,025,958</u>
<b>Net Direct Plus Overlapping Debt</b> .....	<u><u>\$ 76,833,831</u></u>

<sup>1</sup> Does not include authorized but unissued debt of \$47,018,477.

<sup>2</sup> Represents intergovernmental revenues from the surrounding Towns of Ellington, Manchester, South Windsor and Tolland who will contribute to the cost of the Town's Wastewater Treatment Plant upgrade as required by their inter-municipal agreement with the Town. See "Municipal Services – Water Pollution Control Authority" herein for more information.

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**CURRENT DEBT RATIOS**  
As of July 16, 2020 (Pro Forma)

Total Direct Debt.....	\$ 89,129,947
Net Direct Debt.....	\$ 74,807,873
Net Direct Plus Overlapping Debt.....	\$ 76,833,831
Population <sup>1</sup> .....	29,157
Net Taxable Grand List (10/1/18).....	\$1,830,070,306
Estimated Full Value.....	\$2,614,386,151
Equalized Net Taxable Grand List (10/1/18) <sup>2</sup> .....	\$2,855,989,613
Per Capita Income <sup>1</sup> .....	\$ 35,873

**Total Direct Debt:**

Per Capita.....	\$3,056.90
To Net Taxable Grand List.....	4.87%
To Estimated Full Value.....	3.41%
To Equalized Net Taxable Grand List.....	3.12%
Per Capita to Per Capita Income.....	8.52%

**Net Direct Debt:**

Per Capita.....	\$2,565.69
To Net Taxable Grand List.....	4.09%
To Estimated Full Value.....	2.86%
To Equalized Net Taxable Grand.....	2.62%
Per Capita to Per Capita Income.....	7.15%

**Net Direct Plus Overlapping Debt:**

Per Capita.....	\$2,635.18
To Net Taxable Grand List.....	4.20%
To Estimated Full Value.....	2.94%
To Equalized Net Taxable Grand List.....	2.69%
Per Capita to Per Capita Income.....	7.35%

<sup>1</sup> U.S. Bureau of Census.

<sup>2</sup> Office of Policy and Management, State of Connecticut

**HISTORICAL DEBT STATEMENT**

	2018-19	2017-18	2016-17	2015-16	2014-15
Population <sup>1</sup> .....	29,157	29,157	29,182	29,140	29,114
Net taxable grand list.....	\$1,820,225,893	\$1,794,830,542	\$1,768,696,503	\$1,767,082,528	\$1,762,050,886
Estimated full value.....	\$2,600,322,704	\$2,564,043,631	\$2,526,709,290	\$2,524,403,611	\$2,517,215,551
Equalized net taxable grand list <sup>2</sup> ....	\$2,940,732,662	\$2,564,921,991	\$2,514,856,763	\$2,546,983,355	\$2,520,764,900
Per capita income <sup>1</sup> .....	\$ 35,873	\$ 35,873	\$ 32,260	\$ 35,137	\$ 33,874
Short-term debt.....	\$ -	\$ 3,325,000	\$ 2,200,000	\$ 6,350,000	\$ -
Long-term debt.....	\$ 42,475,000	\$ 41,645,000	\$ 40,960,000	\$ 38,586,194	\$ 36,659,022
Total Direct Indebtedness.....	\$ 42,475,000	\$ 44,970,000	\$ 43,160,000	\$ 44,936,194	\$ 36,659,022
Net Direct Debt.....	\$ 42,475,000	\$ 44,970,000	\$ 43,160,000	\$ 44,758,357	\$ 36,130,797
Overlapping Debt.....	\$ 2,161,021	\$ 2,296,085	\$ 2,566,213	\$ 2,566,213	\$ 2,702,000
Net Direct Plus Overlapping Debt..	\$ 44,636,021	\$ 47,266,085	\$ 45,726,213	\$ 47,324,570	\$ 38,832,797

<sup>1</sup> U.S. Bureau of Census.

<sup>2</sup> Office of Policy and Management, State of Connecticut

## HISTORICAL DEBT RATIOS

<b>Total Direct debt:</b>	<b>2018-19</b>	<b>2017-18</b>	<b>2016-17</b>	<b>2015-16</b>	<b>2014-15</b>
Per capita.....	\$1,456.77	\$1,542.34	\$1,478.99	\$1,542.08	\$1,259.15
To net taxable grand list.....	2.33%	2.51%	2.44%	2.54%	2.08%
To estimated full value.....	1.63%	1.75%	1.71%	1.78%	1.46%
To equalized net taxable.....					
grand list.....	1.44%	1.75%	1.72%	1.76%	1.45%
Debt per capita to per capita income.....	4.06%	4.30%	4.58%	4.39%	3.72%
<b>Net Direct debt:</b>					
Per capita.....	\$1,456.77	\$1,542.34	\$1,478.99	\$1,535.98	\$1,241.01
To net taxable grand list.....	2.33%	2.51%	2.44%	2.53%	2.05%
To estimated full value.....	1.63%	1.75%	1.71%	1.77%	1.44%
To equalized net taxable.....					
grand list.....	1.44%	1.75%	1.72%	1.76%	1.43%
Debt per capita to per capita income.....	4.06%	4.30%	4.58%	4.37%	3.66%
<b>Net Direct Plus</b>					
Per capita.....	\$1,530.89	\$1,621.09	\$1,566.93	\$1,624.04	\$1,333.82
To net taxable grand list.....	2.45%	2.63%	2.59%	2.68%	2.20%
To estimated full value.....	1.72%	1.84%	1.81%	1.87%	1.54%
To equalized net taxable.....					
grand list.....	1.52%	1.84%	1.82%	1.86%	1.54%
Debt per capita to per capita income.....	4.27%	4.52%	4.86%	4.62%	3.94%

## OUTSTANDING SHORT-TERM INDEBTEDNESS

The Town currently has \$47,819,947 in short-term indebtedness in the form of an Interim Funding Obligation through the State of Connecticut's Clean Water Fund Program. See "Clean Water Fund Program" herein.

## CAPITAL LEASES

The Town has entered into a capital lease agreement for the purchase of two fire pumpers, a fire rescue truck, an excavator, a recycling truck and a parks tractor. The present value of future minimum lease payment as of June 30, 2020 is estimated to be \$312,776. These payments are not included in outstanding bonded debt schedules herein.

## OVERLAPPING INDEBTEDNESS

The Town of Vernon and the neighboring Town of Bolton entered into a consent order with the Connecticut Department of Environmental Protection (CTDEP) on October 14, 1999, requiring the towns to take the necessary steps to address wastewater disposal alternatives for the Bolton Lakes' area. The Bolton Lakes Regional Water Pollution Control Authority ("BLRWPCA") was created by ordinances adopted in both towns. In Vernon, Ordinance #242 was adopted in April of 2003. The formation of the regional authority gives the BLRWPCA the power and authority, granted by State Statutes, to construct a sewerage system, charge user fees, levy assessments, bill for hook-up fees and to operate and manage the sewer system. The 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 share 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. This allocation is considered overlapping debt for the Town of Vernon. The balance of overlapping debt as of July 16, 2020 is \$2,025,958.

## CLEAN WATER FUND PROGRAM

The State of Connecticut Clean Water Fund Program (Connecticut General Statutes Section 22a-475 et seq., as amended) provides financial assistance to municipalities to finance wastewater treatment projects through a combination of grants and loans bearing interest at a rate of 2% per annum. All participating municipalities receive a grant of 20% and a loan of 80% of total eligible costs (with the exception of combined sewer overflow correction projects which are financed with a 50% grant and a 50% loan).

Loans to each municipality are made pursuant to Project Grant and Project Loan Agreements (the "Loan Agreement"). Each municipality is obligated to repay only that amount which it draws down for the payment of project costs (Interim Funding Obligations). Each municipality must deliver to the State an obligation secured by the full faith and credit of the municipality, and/or a dedicated source of revenue of such municipality.

Amortization of each loan is required to begin one year from the earlier of the project completion date specified in the Loan Agreement or the actual project completion date. The final maturity of each loan is twenty years from the scheduled completion date. Principal and interest payments are made (1) in equal monthly installments commencing one month after the scheduled completion date, or (2) in single annual installments representing 1/20 of total principal not later than one year from the project completion date specified in the Loan Agreement repayable thereafter in monthly installments. Loans made under loan agreements entered into prior to July 1, 1989 are repayable in annual installments. Borrowers may elect to make level debt service payments or level principal payments. Borrowers may prepay their loans at any time prior to maturity without penalty.

The following represents the amount of State of Connecticut Clean Water Fund loans outstanding as of July 16, 2020:

<u>Project</u>	<u>Original 2% Loan Amount</u>	<u>Principal Amount Outstanding</u>
CWF IFO 705-DC	\$ 47,819,947	\$ 47,819,947

## LEGAL REQUIREMENTS FOR APPROVAL OF BORROWING

The Town has the power to incur indebtedness by issuing its bonds or notes as authorized by the Connecticut General Statutes, as amended, subject to statutory debt limitations and the requirements of the Town Charter for the authorization of indebtedness. Under the Town Charter, upon vote of the Town Council, the Town may issue bonds pursuant to the Connecticut General Statutes for the purposes and to the limit allowed by the Connecticut General Statutes. Except for refunding bonds, any borrowing that will exceed \$10,000 in any fiscal year shall be subject to approval by referendum vote. The referendum takes place at the next general election or at a special election called for and held in the manner provided by the Connecticut General Statutes. Borrowing of funds shall not proceed unless a majority of those voting thereon at referendum shall have voted in favor thereof. The issuance of refunding bonds is authorized by a resolution adopted by the Town Council.

## TEMPORARY FINANCING

When general obligation bonds have been authorized, bond anticipation notes may be issued maturing in not more than two years (CGS Sec. 7-378). Temporary notes may be renewed up to ten years from their original date of issue as long as all project grant payments are applied toward payment of project costs or temporary notes when they become due and payable, and the legislative body schedules principal reductions by the end of the third year and for each subsequent year during which such temporary notes remain outstanding, in an amount equal to a minimum of 1/20<sup>th</sup> (1/30<sup>th</sup> for sewer projects and certain school projects) of the estimated net project cost (CGS Sec. 7-378a). The term of the bond issue is reduced by the amount of time temporary financing exceeds two years.

Temporary notes must be permanently funded no later than ten years from their initial borrowing date, except sewer notes issued in anticipation of State and/or Federal grants. If written commitment exists, the municipality may renew the sewer notes from time to time in terms not to exceed six months until such time that the final grant payments are received (CGS Sec. 7-378b).

Temporary notes may also be issued for up to 15 years for certain capital projects associated with the operation of a waterworks system (CGS Sec. 7-244a) or a sewage system (CGS Sec. 7-264a). In the first year following the completion of the project(s), or in the sixth year following the original date of issue (whichever is sooner), and in each year thereafter, the notes must be reduced by 1/15<sup>th</sup> of the total amount of the notes issued by funds derived from sources of payment specified by

statute. Temporary notes may be issued in one-year maturities for up to 15 years in anticipation of sewer assessments receivable, such notes to be reduced annually by the amount of assessments received during the preceding year (CGS Sec. 7-269a).

## EXISTING AND FUTURE CAPITAL PROJECT FINANCING

On January 28, 2014 voters approved a public road improvement bond authorization of \$27,637,000 to fund improvements to over 200 Town roads. This issue is the fourth issuance against the authorization. The Town expects this issue to be the final financing against this authorization.

The Town is currently undertaking comprehensive improvements to the wastewater treatment facility including installation of screening and grit equipment, upgrading the aeration system to allow for the removal of nitrogen, improvements to filtering processes for the removal of phosphorous, switching from bleach disinfection to UV disinfection to provide for safer and cost-effective treatment, installing thickening equipment to reduce sludge hauling and disposal costs. The Town currently estimates the improvements to be approximately \$68 million, with a net share to the Town of approximately \$48 million. The Town expects to finance the improvements through the State of Connecticut Clean Water Fund program and expects that certain expenses will be eligible for grants of approximately \$20.1 million of the costs. Additionally, the Town expects that the Towns of Ellington, Tolland, South Windsor and Manchester will collectively contribute approximately 30% of the net costs of the improvements.

## CAPITAL IMPROVEMENT PLAN

The Mayor annually prepares an updated six-year capital improvement program. The plan is a systematic program to add or replace capital items for each department within the General Government and Board of Education. The 2020-2025 Plan projects a total of \$96.7 million in spending for projects and equipment, of which approximately \$48 million is expected to be financed through capital borrowing (bonds, capital leases and state loans) and approximately \$20.1 million will be funded through state grants. A complete copy of the most recent capital improvement program is available from the Finance Office.

## SCHOOL CONSTRUCTION PROJECTS

The State of Connecticut provides proportional progress payments for eligible school construction expenses on projects approved after July 1, 1996. Debt service reimbursement will continue under the old program for all projects approved prior to July 1, 1996.

Under the old program, the State of Connecticut will reimburse the Town for principal and interest costs for eligible school construction projects over the life of outstanding school bonds and the subsequent bond issues necessary to completely fund the school projects. None of the Town's current school projects are reimbursed under the old program.

Under the new program, the State of Connecticut will make proportional progress payments for eligible construction costs during certain phases of construction. The following projects will be reimbursed under this method:

<b>Project</b>	<b>Total Appropriation</b>	<b>Estimated Reimbursement Rate (%)</b>	<b>Total Estimated Grant <sup>1</sup></b>
Vernon Center Middle School Roof Replacement...	\$ 872,865	68.93	\$ 411,226
Northeast School Roof Replacement.....	1,231,881	68.93	817,833
Skinner Road School Roof Replacement.....	1,656,354	68.93	965,096
Vernon Center Middle School Roof Replacement...	1,863,227	68.21	1,146,564
<b>Total</b>	<b>\$ 5,624,327</b>		<b>\$ 3,340,719</b>

<sup>1</sup> All projects are complete and have been audited by the State of Connecticut. The Town has received \$3,340,719 in grants for the projects and does not expect to receive any additional grants.

# AUTHORIZED BUT UNISSUED DEBT

<b>Project</b>	<b>Amount of Total Authorization</b>	<b>Original Issue Premium/ Prior Debt/ Grants</b>	<b>Series A Capital Project Bonds</b>	<b>Authorized But Unissued Debt</b>
Road Reconstruction, Drainage Improv.				
Sidewalk & Bridge Replacement.....	\$ 19,103,000	\$ 18,361,310	\$ -	\$ 741,690
Sewer System Improvements.....	1,211,000	1,153,054	-	57,946
Rockville High School Project <sup>1</sup> .....	34,657,000	33,056,304	-	1,600,696
Vernon Center Middle School Project <sup>1</sup> ...	11,519,000	10,738,421	-	780,579
Various Elementary School Additions and Renovations <sup>1</sup>	22,146,000	19,475,771	-	2,670,229
Bolton Lakes Regional WPCA <sup>2</sup> .....	6,291,000	2,701,277	-	3,589,723
Road Reconstruction and Improvements...	27,637,000	19,833,358	5,000,000	2,803,642
Senior Center.....	3,245,000	2,883,000	-	362,000
Wastewater Treatment Plan Facility Improvements.....	85,972,000	51,560,028 <sup>3</sup>	-	34,411,972
<b>Total All Projects</b>	<b><u>\$211,781,000</u></b>	<b><u>\$ 159,762,523</u></b>	<b><u>\$ 5,000,000</u></b>	<b><u>\$47,018,477</u></b>

<sup>1</sup> The Town expects progress payment grants from the State of Connecticut which will reduce the authorized but unissued debt by a similar amount. Please see "School Construction Projects" herein.

<sup>2</sup> Reflects Town's 30% share of total project costs. See "Summary of Municipal Services – Water Pollution Control Authority" and "Overlapping Indebtedness" herein.

<sup>3</sup> Includes a Clean Water Fund IFO in the amount of \$47,819,947 and Clean Water Fund grants in the amount of \$3,740,081. The Town expects to receive a total grant of \$20,066,969 which will reduce the authorized but unissued debt by a similar amount.

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## **VII. LEGAL AND OTHER LITIGATION**

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### **LITIGATION**

The Town of Vernon, its officers, employees, boards and commissions are named defendants in a number of lawsuits, tax appeals, administrative proceedings and other miscellaneous claims. It is the Town Attorney's opinion that such pending litigation will not be finally determined, individually or in aggregate, so as to result in final judgments against the Town which would have a material adverse effect on the Town's financial position.

### **LEGAL MATTERS**

Day Pitney LLP, Hartford, Connecticut is serving as Bond Counsel with respect to the authorization and issuance of the Bonds and will render its opinion in substantially the forms set out in Appendices B and C to the Official Statement. Day Pitney LLP is not passing upon and does not assume responsibility for the accuracy or completeness of the statements made in this Official Statement, other than as set forth in Appendix B and C, and they make no representation that they have independently verified the same.

### **MUNICIPAL ADVISOR**

The Town has retained Hilltop Securities Inc. (the "Municipal Advisor") to serve as its municipal advisor in connection with the issuance of the Bonds. The Municipal Advisor has not independently verified any of the information contained in this Official Statement and makes no guarantee as to its completeness or accuracy. The Town may engage the Municipal Advisor to perform other services, including without limitation, providing certain investment services with regard to the investment of Bond proceeds.

### **TRANSCRIPT AND CLOSING DOCUMENTS**

Upon the delivery of the Bonds, the Underwriter will be furnished with the following:

1. Signature and No Litigation Certificates, signed by the Mayor, the Town Administrator and the Finance Officer, or any two of them, stating that at the time of delivery no litigation is pending or threatened affecting the validity of the Bonds or the levy or collection of taxes to pay them;
2. A certificate on behalf of the Town, signed by the Mayor, the Town Administrator and the Finance Officer, or any two of them, which will be dated the date of delivery and attached to a signed copy of the Official Statement, certifying that to the best of said officials' knowledge and belief, as of the date of the contract of purchase, the descriptions and statements in the Official Statement (with such supplemental information concerning ratings, interest rates, and corrections) relating to the Town and its finances were true and correct in all material respects, and did not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements therein, in light of the circumstances under which they were made, not misleading, and that there has been no material adverse change in the financial condition of the Town from that set forth in or contemplated by the Official Statement;
3. The approving opinions of Day Pitney LLP, Bond Counsel, of Hartford, Connecticut in substantially the forms set out in Appendices B and C to the Official Statement; and
4. Executed Continuing Disclosure Agreement for the Bonds in substantially the form attached hereto as Appendix D to the Official Statement;
5. Within seven business days of the execution of the Purchase Contract, the Town will furnish the Underwriter with a reasonable number of copies of the Official Statement as prepared by the Town.

The Town of Vernon has prepared an Official Statement for the Bonds which is dated July 1, 2020. The Town deems such Official Statement final as of its date for the purposes of SEC Rule 15c2-12(b)(1), but is subject to revision or amendment.

A record of the proceedings taken by the Town in authorizing the Bonds will be kept on file at the offices of U.S. Bank, National Association of Hartford, Connecticut.

## CONCLUDING STATEMENT

This Official Statement is not to be construed as a contract or agreement between the Town and the Underwriter or holders of any of the Bonds. Any statement made in this Official Statement involving matters of opinions or estimates are not intended to be representations of fact, and no representation is made that any such opinion or estimate will be realized.

Any statements in this Official Statement involving matters of opinion or estimates, whether or not expressly so stated, are intended as such and not as representations of fact. No representation is made that any of such statements will be realized.

This Official Statement is submitted only in connection with the sale of the Bonds by the Town and may not be reproduced or used in whole or part for any other purpose.

Additional information may be obtained upon request from the Finance Office at (860) 870-3690 or from HilltopSecurities at (860) 290-3002.

## TOWN OF VERNON, CONNECTICUT

BY: /s/ DANIEL A. CHAMPAGNE  
**Daniel A. Champagne**  
*Mayor*

BY: /s/ MICHAEL J. PURCARO  
**Michael J. Purcaro**  
*Town Administrator*

BY: /s/ JEFFREY A. O'NEILL  
**Jeffrey A. O'Neill**  
*Finance Officer*

**Dated: July 1, 2020**

## APPENDIX A - AUDITED FINANCIAL STATEMENTS

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June 30, 2019

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Appendix A - Financial Statements - is taken from the Comprehensive Annual Report of the Town of Vernon for the Fiscal Year ending June 30, 2019 as presented by the Auditors. This appendix does not include all schedules or the management transmittal letter made in such report. A copy of the complete report is available upon request to the Finance Officer, Town of Vernon, Connecticut.



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## 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, 2019, 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, 2019, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Other Matters**

### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 18 and the information on pages 83 through 100 to 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 combining and individual fund statements and schedules on pages 101 through 128 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.

### ***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated March 27, 2020, 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.



Certified Public Accountants  
Glastonbury, Connecticut  
March 27, 2020

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## MANAGEMENT'S DISCUSSION AND ANALYSIS

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**TOWN OF VERNON, CONNECTICUT**  
MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED  
AS OF AND FOR THE YEAR ENDED JUNE 30, 2019

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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, 2019.

**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 \$122.407 million (net position). Of this amount, \$30.375 million represents a deficit in the Town's unrestricted net position. This deficit is attributed to the Town's net pension and other post-employment benefits liabilities, which are being funded by the Town over time based on actuarially determined contributions.
- Net position of the Town's governmental activities totaled \$104.435 million, an increase of \$12.914 million over the prior year net position. Net position of the Town's business-type activities totaled \$17.972 million, a decrease of \$404 thousand over the prior year net position.
- As of the close of the current fiscal year, the Town's governmental funds reported combined ending fund balances of \$32.709 million, an increase of \$2.425 million in comparison with the prior year. Of this amount, 73.75% or \$24.123 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 \$2.517 million to \$23.871 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 \$19.297 million or 19.17% of total current year General Fund expenditures and other financing uses. Expressed another way, unassigned fund balance for the General Fund was sufficient to cover approximately 2.3 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.

**TOWN OF VERNON, CONNECTICUT**  
MANAGEMENT'S DISCUSSION AND ANALYSIS - UNAUDITED *(Continued)*  
AS OF AND FOR THE YEAR ENDED JUNE 30, 2019

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**Overview of the Financial Statements (Continued)**

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

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.

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 19 and 20 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.

**TOWN OF VERNON, CONNECTICUT**  
MANAGEMENT'S DISCUSSION AND ANALYSIS - UNAUDITED (*Continued*)  
AS OF AND FOR THE YEAR ENDED JUNE 30, 2019

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**Overview of the Financial Statements (Continued)**

**Fund Financial Statements (*Continued*)**

***Governmental Funds (Continued)***

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 Special Education Grants Fund and the Waste Treatment Plant Upgrade 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 21 through 25 of this report.

***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 26 through 28 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 29 and 30 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 31 through 82 of this report.

**TOWN OF VERNON, CONNECTICUT**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS - UNAUDITED (Continued)**  
**AS OF AND FOR THE YEAR ENDED JUNE 30, 2019**

**Overview of the Financial Statements (Continued)**

**Other Information**

In addition to the basic financial statements and accompanying notes, this report also contains required supplementary information and combining and individual fund statements and schedules.

**Government-wide Financial Analysis**

**Net Position**

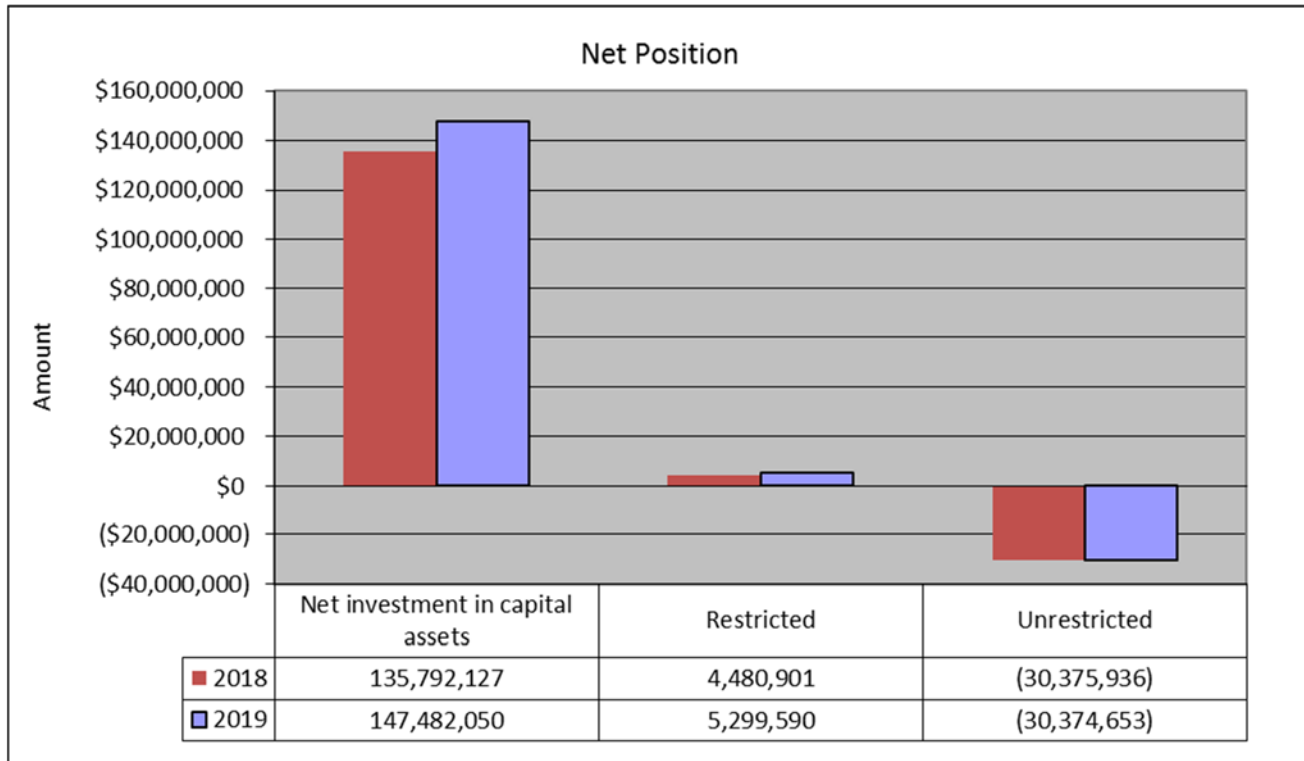
Over time, net position may serve as one measure of a government's financial position. The Town's total net position (governmental and business-type activities combined) totaled \$122.407 million as of June 30, 2019 and \$109.897 million as of June 30, 2018 and is summarized as follows.

	Net Position					
	June 30, 2019			June 30, 2018		
	Governmental Activities	Business-type Activities	Total	Total	2019 vs 2018 \$ Change	% Change
Current and other assets	\$ 48,975,228	\$ 14,289,663	\$ 63,264,891	\$ 63,186,243	\$ 78,648	0%
Capital assets	182,959,733	8,870,382	191,830,115	182,165,192	9,664,923	5%
Total assets	231,934,961	23,160,045	255,095,006	245,351,435	9,743,571	4%
Deferred outflows of resources	12,389,036	686,360	13,075,396	4,637,757	8,437,639	182%
Other liabilities	4,488,909	316,140	4,805,049	10,639,545	(5,834,496)	-55%
Long-term liabilities	121,202,499	5,155,564	126,358,063	116,257,114	10,100,949	9%
Total liabilities	125,691,408	5,471,704	131,163,112	126,896,659	4,266,453	3%
Deferred inflows of resources	14,198,015	402,288	14,600,303	13,195,441	1,404,862	11%
Net position:						
Net investment in capital assets	138,611,668	8,870,382	147,482,050	135,792,127	11,689,923	9%
Restricted	5,299,590	-	5,299,590	4,480,901	818,689	18%
Unrestricted	(39,476,684)	9,102,031	(30,374,653)	(30,375,936)	1,283	0%
Total net position	\$ 104,434,574	\$ 17,972,413	\$ 122,406,987	\$ 109,897,092	\$ 12,509,895	11%

**TOWN OF VERNON, CONNECTICUT**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS - UNAUDITED (Continued)**  
**AS OF AND FOR THE YEAR ENDED JUNE 30, 2019**

**Government-wide Financial Analysis (Continued)**

**Net Position (Continued)**



As of June 30, 2019, 120.5% 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, 2019, 4.3% 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.

Significant changes in the Town's financial position include increases in capital assets, relating to the construction of various bridge and road projects, school roof replacements, and the planning study for the Waste Treatment Plant upgrade. In addition, deferred outflows and inflows of resources and long-term liabilities were impacted by significant changes in the components of the Town's net pension and other post-employment benefit liabilities.



**TOWN OF VERNON, CONNECTICUT**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS - UNAUDITED (Continued)**  
**AS OF AND FOR THE YEAR ENDED JUNE 30, 2019**

**Government-wide Financial Analysis (Continued)**

**Changes in Net Position**

Changes in net position for the years ended June 30, 2019 and 2018 are as follows.

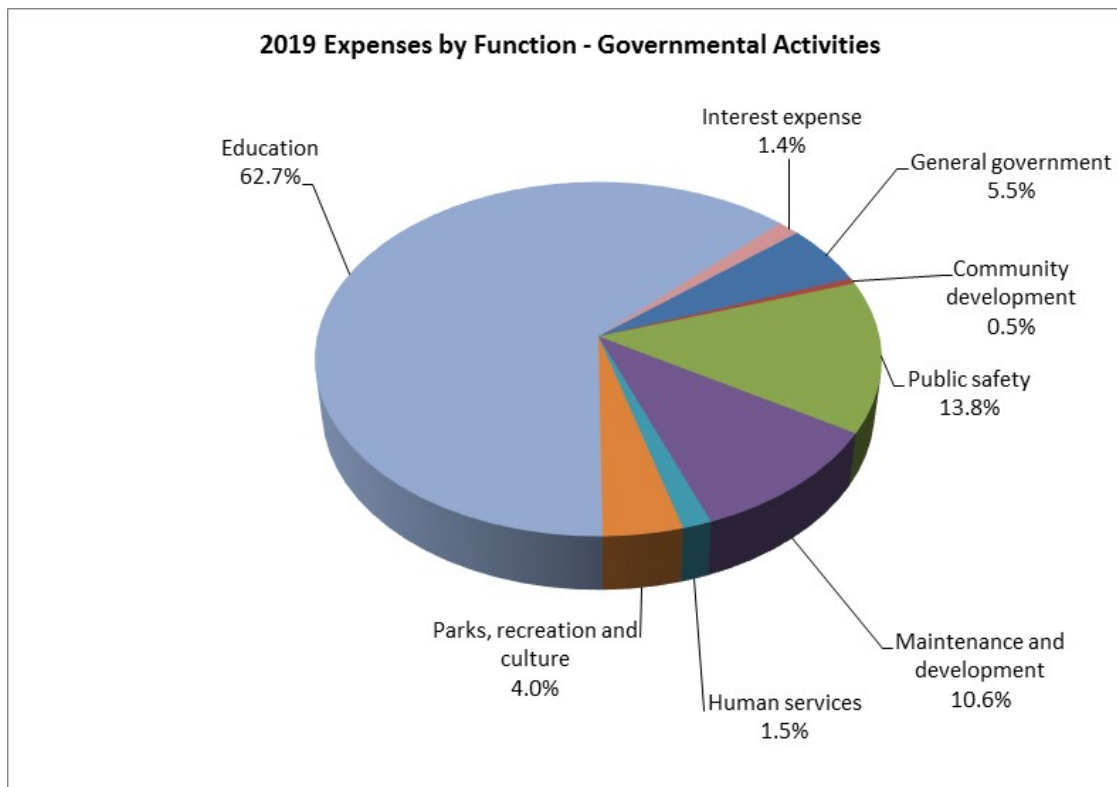
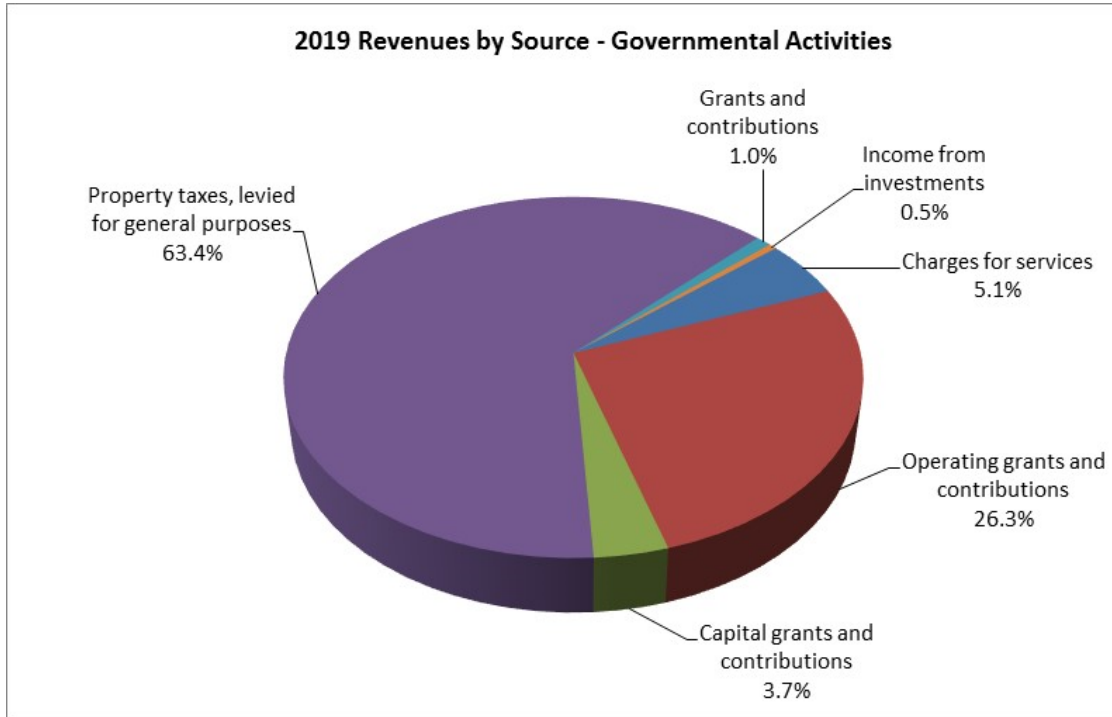
	<b>Changes in Net Position</b>					
	<b>For the Years Ended</b>				<b>2019 vs 2018</b>	
	<b>June 30, 2019</b>			<b>June 30, 2018</b>		
	<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total</b>	<b>Total</b>	<b>\$ Change</b>	<b>% Change</b>
<b>Revenues</b>						
Program revenues:						
Charges for services	\$ 5,910,668	\$ 5,544,508	\$ 11,455,176	\$ 13,063,374	\$ (1,608,198)	-12.3%
Operating grants and contributions	30,416,836	-	30,416,836	38,655,654	(8,238,818)	-21.3%
Capital grants and contributions	4,230,984	132,186	4,363,170	3,017,931	1,345,239	44.6%
General revenues:						
Property taxes, levied for general purposes	73,175,891	-	73,175,891	70,636,382	2,539,509	3.6%
Grants and contributions	1,124,707	-	1,124,707	905,765	218,942	24.2%
Investment earnings	578,316	165,664	743,980	290,823	453,157	155.8%
Total revenues	<u>115,437,402</u>	<u>5,842,358</u>	<u>121,279,760</u>	<u>126,569,929</u>	<u>(5,290,169)</u>	<u>-4.2%</u>
<b>Expenses</b>						
General government	5,923,426	-	5,923,426	5,726,965	196,461	3.4%
Community development	434,475	-	434,475	516,403	(81,928)	-15.9%
Public safety	14,959,888	-	14,959,888	14,218,806	741,082	5.2%
Maintenance and development	11,444,665	-	11,444,665	12,373,159	(928,494)	-7.5%
Human services	1,602,732	-	1,602,732	1,321,334	281,398	21.3%
Parks, recreation and culture	4,371,420	-	4,371,420	3,226,817	1,144,603	35.5%
Education	64,151,384	-	64,151,384	64,668,435	(517,051)	-0.8%
Education - State Teachers' Retirement	3,681,941	-	3,681,941	10,649,640	(6,967,699)	-65.4%
Interest expense	1,535,696	-	1,535,696	1,563,477	(27,781)	-1.8%
Sewer	-	6,065,710	6,065,710	6,428,958	(363,248)	-5.7%
Center 375 (rental)	-	180,436	180,436	211,897	(31,461)	-14.8%
Total expenses	<u>108,105,627</u>	<u>6,246,146</u>	<u>114,351,773</u>	<u>120,905,891</u>	<u>(6,554,118)</u>	<u>-5.4%</u>
Change in net position before special item	7,331,775	(403,788)	6,927,987	5,664,038	1,263,949	22.3%
Special item - transfer of library operations	5,581,908	-	5,581,908	-	5,581,908	-
Change in net position	12,913,683	(403,788)	12,509,895	<u>\$ 5,664,038</u>	<u>\$ 6,845,857</u>	120.9%
Net position, beginning	91,520,891	18,376,201	109,897,092			
Net position, ending	<u>\$ 104,434,574</u>	<u>\$ 17,972,413</u>	<u>\$ 122,406,987</u>			

**TOWN OF VERNON, CONNECTICUT**  
MANAGEMENT'S DISCUSSION AND ANALYSIS - UNAUDITED *(Continued)*  
AS OF AND FOR THE YEAR ENDED JUNE 30, 2019

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**Government-wide Financial Analysis (Continued)**

**Change in Net Position *(Continued)***



**TOWN OF VERNON, CONNECTICUT**  
MANAGEMENT'S DISCUSSION AND ANALYSIS - UNAUDITED *(Continued)*  
AS OF AND FOR THE YEAR ENDED JUNE 30, 2019

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**Government-wide Financial Analysis (Continued)**

**Change in Net Position *(Continued)***

***Governmental Activities***

Net position from governmental activities increased from \$91.521 million to \$104.435 million, an increase of \$12.914 million. Since the Town began preparing a statement of net position as of June 30, 2003, this is the fourteenth increase in the seventeen-year period.

Overall revenues decreased by \$4.878 million or 4.1% over the prior year. Key factors in this decrease were as follows:

- a decrease in operating grants and contributions of \$8.230 million primarily due to a reduction of \$6.968 million in the amount of on-behalf pension and OPEB expenses recognized by the State of Connecticut in connection with the Town's participation in the State of Connecticut State Teachers' Retirement System. This decrease also resulted in a direct decrease in education expenses; and
- a decrease in charges for services of \$1.019 million driven by a reduction of \$566 thousand in building permits; offset by
- an increase in property tax revenues of \$2,539,509 or 3.60%;
- an increase in capital grants of \$1.281 million primarily due to funding received towards upgrades to the Town's water treatment plant; and
- an increase in investment income of \$333 thousand due to increases in short-term interest rates.

Overall expenses decreased by \$6.159 million or 5.4% from the prior year. Key factors in this decrease were as follows:

- a decrease of \$6.968 million in on-behalf pension and OPEB expenses recognized by the State of Connecticut in connection with the Town's participation in the State of Connecticut State Teachers' Retirement System; offset by
- an increase in parks, recreation and culture expenses of \$1.145 million primarily due to costs incurred for the operation of the Town's library (see additional discussion below).

During July 2018, the assets, liabilities and operations of the Rockville Public Library were transferred to the Town. The library, previously operated as a nonprofit organization, now operates as a Town department. The transfer of operations to the Town resulted in the recognition of a special item in the amount of \$5.582 million, which reflects the carrying value of assets acquired over the liabilities assumed.

***Business-type Activities***

Revenues of the Town's business-type activities decreased by \$412 thousand or 6.6% and expenses decreased by \$395 thousand or 5.9%. The factors influencing revenue results were decreases in service charges of \$750 thousand (sewer use fee collections, due to a change in the billing schedule from quarterly to bi-annual, resulting in only three quarters billed and recognized as revenue in the current fiscal year) and operating grants and contributions of \$8 thousand; offset by increases in capital contributions of \$65 thousand, septic fees and other revenues of \$161 thousand and investment earnings of \$120 thousand.

The decrease in expenses of \$395 thousand is comprised of increases in utility costs of \$97 thousand, repair and maintenance costs of \$43 thousand, supplies and materials cost of \$67 thousand and administrative costs of \$40 thousand; which were offset by reductions to wages and benefits of \$428 thousand (due to reduced pension costs) and general administrative costs of \$179 thousand.

**TOWN OF VERNON, CONNECTICUT**  
MANAGEMENT'S DISCUSSION AND ANALYSIS - UNAUDITED (*Continued*)  
AS OF AND FOR THE YEAR ENDED JUNE 30, 2019

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**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.

**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 combined ending fund balances of \$32.709 million. Of total fund balance, \$19.159 million is either non-spendable, 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 \$2.517 million in the Town's General Fund. The unassigned fund balance reflects an overall increase of \$2.351 million. The unassigned fund balance of the General Fund at June 30, 2019 is \$19.297 million, which represents 20.66% of the Town's 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. In addition, income earned by keeping the funds invested assists in limiting the need for future tax increases.

The Town's other major governmental funds are the Road Improvements Bond Fund, the Special Education Grants Fund and the Waste Treatment Plant Upgrades Fund. The Road Improvements Bond Fund incurred \$3.444 million on roadway improvements costs during the current year resulting in a \$1.938 million fund balance deficit at year-end. The Town issued \$3.387 million in general obligation bonds in August 2018 to fund on-going road improvement costs and to retire the \$1.525 million bond anticipation notes outstanding as of year-end. The Special Education Grants Fund incurred costs of \$5.200 million during the fiscal year, offset by grant revenue of \$5.258 million. Available fund balance at June 30, 2019 totaled \$151 thousand. The Waste Treatment Plant Upgrade Fund incurred costs of \$2.546 million during the year, offset by grant receipts of \$1.456 million, and has a current fund balance deficit of \$3.357 million.

Changes in fund balances of Non-major Governmental Funds include the following:

*Nonmajor Special Revenue Funds* - there was an increase of \$373 thousand, with gains of \$49 thousand in the Ambulance Medical Services Fund, \$193 thousand in the Public Safety Complex Fund, \$48 thousand in the Cafeteria Fund, \$39 thousand in the Parks and Recreation Programs Fund and \$96 thousand in the Miscellaneous Special Revenue Fund. Fund balance decreases include \$39 thousand in the Insurance Exchange Fund, \$67 thousand in the Sewer Connections Fund and \$20 thousand in the Town Aid Road Fund.

*Nonmajor Debt Service Fund* - the Fund received a transfer in of \$951 thousand during the fiscal year and currently has \$1.415 million of fund balance available to cover future debt service requirements of the Waste Treatment Plant facility upgrades.

**TOWN OF VERNON, CONNECTICUT**  
MANAGEMENT'S DISCUSSION AND ANALYSIS - UNAUDITED (*Continued*)  
AS OF AND FOR THE YEAR ENDED JUNE 30, 2019

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**Financial Analysis of the Town's Funds (Continued)**

**Governmental Funds (*Continued*)**

*Nonmajor Capital Projects Funds* - there was a decrease of \$289 thousand ,including fund balance decreases of \$59 thousand in the Senior Center Acquisition and Renovations Fund, \$263 thousand in the School Roof Replacements and Renovations Fund, \$248 thousand in the Pleasantview Drive Bridge Renovations Fund, \$106 thousand in the Town Capital and Nonrecurring Fund, \$77 thousand in the South Street Reconstruction Fund and \$60 thousand in the Citizens Block Renovations Fund. Increases include \$125 thousand in the Dart Hill Road Bridge Reconstruction Fund, \$419 thousand in the Education Capital Nonrecurring Fund and \$49 thousand in the Main Street Bridge reconstruction Fund. The Permanent Trust Fund increased by \$1.334 million due primarily to a \$1.211 million Rockville Library Trust Endowment and an increase in the fair value of investments.

**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 reduced change in net position of \$428 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 decrease to the Sewer User Fund net position was \$434 thousand compared to a decrease of \$372 thousand in the prior year. The current year decrease is attributable to operating expenses exceeding operating revenues by \$702 thousand. The primary reason for the operating loss was due to a change from a quarterly billing of charges to a bi-annual billing. This resulted in only three quarterly billings recognized for the fiscal year, a reduction of \$750 thousand in charges from the prior year. The October 1, 2018 sewer rate was kept level at its prior year rate of \$5.99/1,000. An increase in treated waste helped mitigate the decrease in user fee collections. There was a combined \$161 thousand increase in septic fees, delinquent interest and other revenues. Other revenue, non-operating revenue and capital contributions were \$160 thousand higher than prior year. Operating expenses decreased \$367 thousand from the prior year primarily due to reduced wage and benefits costs of \$428 thousand, offset by an increase of \$117 thousand in utility costs and \$54 thousand in maintenance costs. The plant is in its twenty second year of operation since major renovations, and its latest upgrade 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 increased net position by \$6 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 \$117 thousand as contributions from the General Fund increased by \$101 thousand. A \$180 thousand decrease in the Fund's wage and benefit costs accounted for the majority of the \$78 thousand decrease 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.

**TOWN OF VERNON, CONNECTICUT**  
MANAGEMENT'S DISCUSSION AND ANALYSIS - UNAUDITED (*Continued*)  
AS OF AND FOR THE YEAR ENDED JUNE 30, 2019

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**Financial Analysis of the Town's Funds (Continued)**

**Proprietary Funds (Continued)**

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, revenue exceeded expenses by \$80 thousand, decreasing the prior year net position deficit from \$1.661 million to \$1.580 million. Contributions to the Fund were level from the prior year while claims incurred increased from \$691 thousand in the prior year to \$757 thousand 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. Effective July 1, 2017, dental coverage for education 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 \$1.044 million, an increase of \$108 thousand from the prior year, primarily due to favorable dental claims experience.

**General Fund Budgetary Highlights**

Differences between the original budget and the final amended budget amounted to an increase of \$2.778 million. Included in this amount is \$1.828 million of encumbrances carried forward from the previous fiscal year and \$950 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 \$393 thousand during the year, including \$14 thousand for capital equipment; \$199 thousand for collections remitted to the State of Connecticut by the Town Clerk for the community investment and historic preservation acts; \$174 thousand in police special services pay. 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 \$557 thousand, including \$65 thousand for snow removal; \$87 thousand for tax refunds and reimbursements, \$250 thousand for sidewalk improvements, \$40 thousand for park improvements, \$58 thousand for information technology hardware, \$36 thousand for police equipment, \$18 thousand for primary worker wages and \$3 thousand for other costs.

Actual final expenditures totaled \$90.438 million and can be summarized as follows. The budgetary unexpended, unencumbered resulted in a favorable amount of \$1.287 million. Contained within this amount are favorable variances of \$175 thousand in general government spending; \$9 thousand in community development; \$354 thousand for police and firefighting services and other public safety expenditures; \$7 thousand in refuse and recycling collection and \$45 thousand in public works maintenance; \$81 thousand in human services expenditures; \$30 thousand for parks recreation administration and maintenance; \$62 thousand for FICA, \$245 thousand in group and municipal insurance; and \$237 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.

**TOWN OF VERNON, CONNECTICUT**  
MANAGEMENT'S DISCUSSION AND ANALYSIS - UNAUDITED *(Continued)*  
AS OF AND FOR THE YEAR ENDED JUNE 30, 2019

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**General Fund Budgetary Highlights (Continued)**

On the revenue side, final actual revenues exceeded the original budget by \$3.088 million due to favorable variances in the following categories: \$1.012 million in total tax collections including \$341 thousand in current taxes; intergovernmental revenues were \$939 thousand above estimates including \$177 thousand from excess special education and state agency placement grants. Charges for services were above estimates by \$608 thousand due in most part to the farmland preservation surcharge of \$115 thousand; police special services of \$202 thousand; and MERS receipts of \$47 thousand, which in turn are appropriated to cover respective costs. Town Clerk recording fees exceeded estimates by \$117 thousand. Education tuition receipts were above projections by \$25 thousand. Licenses and permits were below projections by \$71 thousand due primarily to an unfavorable building permits variance of \$76 thousand. Fines and penalties were \$3 thousand above projections. An increase in interest rates and enhanced cash management produced a surplus of \$398 thousand in investment income. Other financing sources were below original estimates by \$79 thousand and other revenue, which includes items such as education, insurance and gasoline reimbursements, were above estimates by \$191 thousand.

**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, 2019 totaled \$191.830 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 \$9.665 million or 5.31% more than last year.

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

- \$4.203 million in road reconstruction and improvements;
- \$2.546 million in engineering costs for the upgrade of the Waste Treatment Plant facility;
- \$1.259 million in bridge reconstruction costs;
- \$1.008 million minor capital improvements to the Town's educational facilities, including roof replacements;
- \$755 thousand in park improvements;
- \$417 thousand in sidewalk improvements;
- \$203 thousand in public safety improvements; and
- \$105 thousand in renovations to the new Senior Center facility.

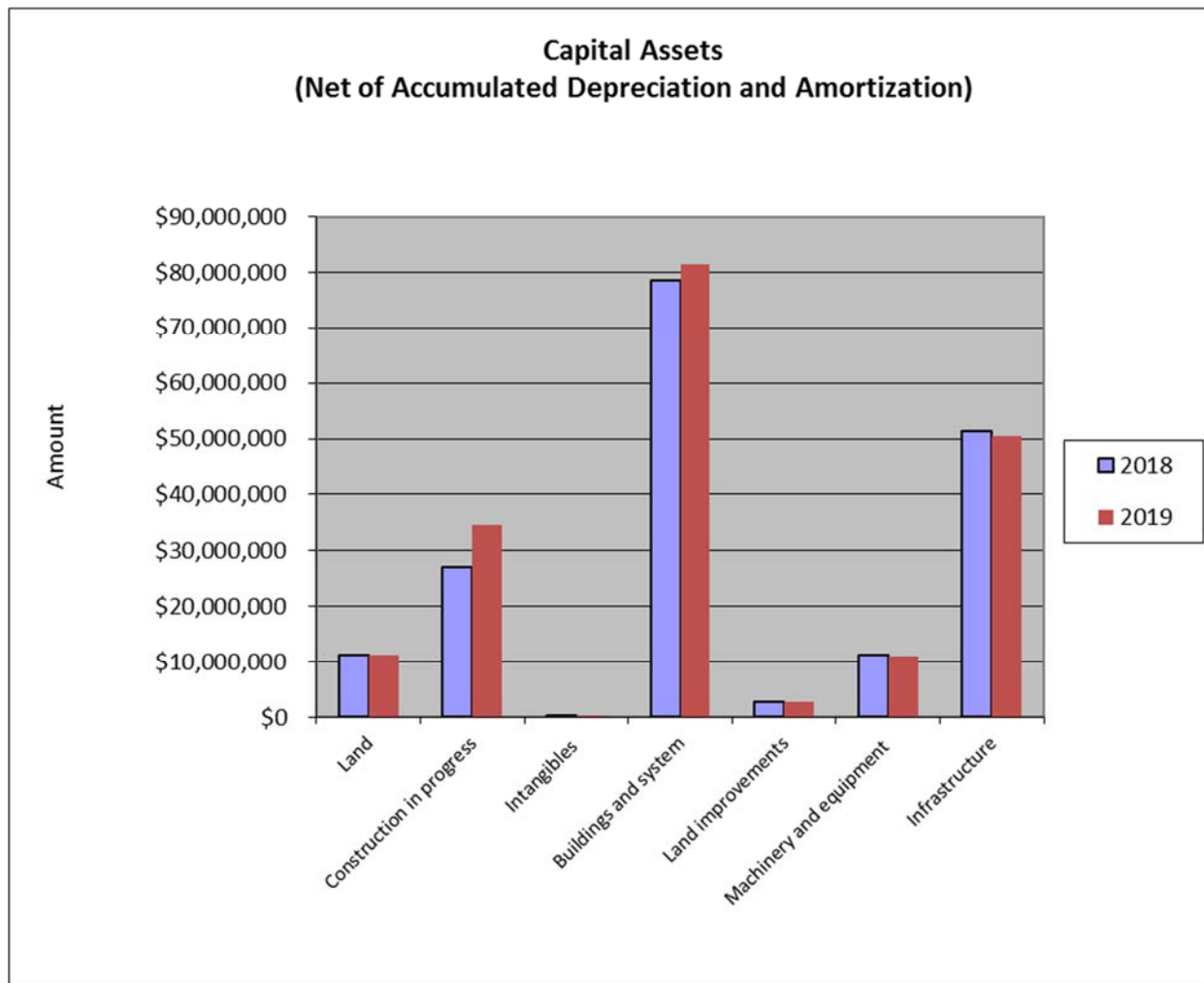
**TOWN OF VERNON, CONNECTICUT**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS - UNAUDITED (Continued)**  
**AS OF AND FOR THE YEAR ENDED JUNE 30, 2019**

**Capital Asset and Debt Administration (Continued)**

**Capital Assets (Continued)**

The following table is a two-year comparison of the investment in capital assets:

	Governmental Activities		Business-type Activities		Total	
	2019	2018	2019	2018	2019	2018
Land	\$ 9,868,228	\$ 9,866,728	\$ 1,322,840	\$ 1,322,840	\$ 11,191,068	\$ 11,189,568
Construction in progress	34,696,970	27,042,402	-	-	34,696,970	27,042,402
Intangibles	19,641	23,212	29,626	44,064	49,267	67,276
Buildings and system	80,502,207	77,414,116	992,882	1,114,932	81,495,089	78,529,048
Land improvements	2,713,987	2,647,381	124,312	133,727	2,838,299	2,781,108
Machinery and equipment	9,766,798	9,888,689	1,313,452	1,330,842	11,080,250	11,219,531
Infrastructure	45,391,902	46,050,958	5,087,270	5,285,301	50,479,172	51,336,259
Totals	<u>\$ 182,959,733</u>	<u>\$ 172,933,486</u>	<u>\$ 8,870,382</u>	<u>\$ 9,231,706</u>	<u>\$ 191,830,115</u>	<u>\$ 182,165,192</u>



Additional information on the Town's capital assets can be found in Note 4 to the financial statements beginning on page 44.



**TOWN OF VERNON, CONNECTICUT**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS - UNAUDITED (Continued)**  
**AS OF AND FOR THE YEAR ENDED JUNE 30, 2019**

**Capital Asset and Debt Administration (Continued)**

**Debt Administration**

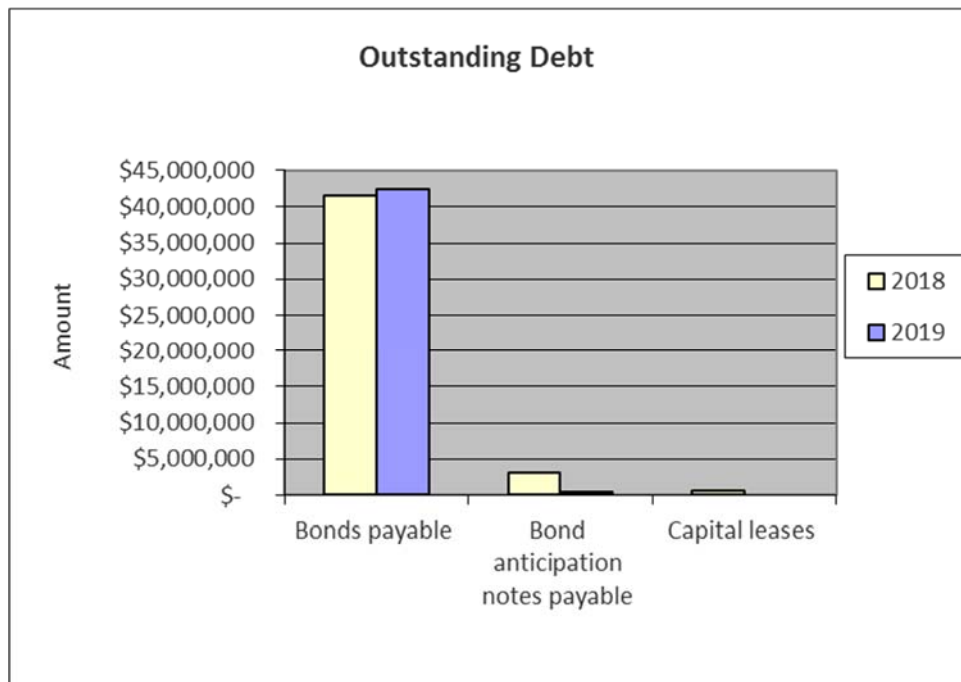
At the end of the current fiscal year, the Town had \$42.940 million in long-term bonds, notes and lease purchase obligations outstanding compared to \$45.477 million at the end of the prior fiscal year, a decrease of \$2.536 million or 5.58%. The following is a two-year comparison of long-term debt:

**Long-term Debt  
June 30, 2019**

	Governmental Activities	Business-type Activities	Total
Bonds payable	\$ 42,475,000	\$ -	\$ 42,475,000
Capital leases	465,300	-	465,300
Totals	<u>\$ 42,940,300</u>	<u>\$ -</u>	<u>\$ 42,940,300</u>

**Long-term Debt  
June 30, 2018**

	Governmental Activities	Business-type Activities	Total
Bonds payable	\$ 41,645,000	\$ -	\$ 41,645,000
Bond anticipation notes payable	3,138,000	-	3,138,000
Capital leases	693,718	-	693,718
Totals	<u>\$ 45,476,718</u>	<u>\$ -</u>	<u>\$ 45,476,718</u>



**TOWN OF VERNON, CONNECTICUT**  
MANAGEMENT'S DISCUSSION AND ANALYSIS - UNAUDITED *(Continued)*  
AS OF AND FOR THE YEAR ENDED JUNE 30, 2019

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**Capital Asset and Debt Administration (Continued)**

**Debt Administration (Continued)**

During the current fiscal year long-term debt principal payments of \$4.398 million were made. In August 2018, the Town issued general obligation bonds of \$3.387 million to fund road reconstruction and improvement projects that commenced in fiscal year 2013-2014. Also in August 2018, the Town issued general obligation bonds of \$1.613 million to fund improvements to the new Senior Citizen Center facility. The August 2018 bond issues retired the June 30, 2018 bond anticipation notes of \$3.138 million.

The Town's Aa2 general obligation bond rating was reviewed and reaffirmed by Moody's Investors on July 23, 2018. The Town's prior ratings, from July 24, 2017, 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 municipalities 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 the state-imposed limit.

Additional information on the Town's long-term debt can be found in Note 8 to the financial statements beginning on page 47.

**Economic Factors and Next Year's Budget and Rates**

The Town's elected and appointed officials considered many factors when setting the fiscal year 2019-2020 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 3.7%, 0.5% less than the prior year-end. This compares similarly with the State's unemployment rate of 3.7% and the national rate of 3.7%.

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 1.71% for fiscal year 2019 compared with the average U.S. town rate of 1.65%.

These indicators were also taken into account when adopting the General Fund budget for fiscal year 2019-2020. Total appropriations in the General Fund budget are \$93.421 million, an increase of \$1.249 million over the original 2018-2019 budget. Property taxes total \$72.592 million, a revenue increase of \$630 thousand from the prior year. In the next fiscal year, the estimated aid from the State of Connecticut is expected to increase by \$480 thousand to \$18.579 million, which represents 19.89% 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. Increases of \$726 thousand in education, \$327 thousand in debt service requirements, \$100 thousand in public safety, \$81 thousand in general government, \$37 thousand in maintenance and development and \$11 thousand in pension contributions, comprise the major increases in the fiscal year 2019-2020 budget. Decreases in the fiscal year 2019-2020 budget include \$22 thousand in group insurance, \$23 thousand in contingency costs, \$30 thousand in capital improvements and \$38 thousand in Library operational costs.

**TOWN OF VERNON, CONNECTICUT**  
MANAGEMENT'S DISCUSSION AND ANALYSIS - UNAUDITED *(Continued)*  
AS OF AND FOR THE YEAR ENDED JUNE 30, 2019

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

The 2019-2020 Town budget experienced an overall 1.36% increase in appropriations with no change to the tax rate of 39.63. The Grand List for fiscal year 2019-2020 increased .54% providing \$390 thousand of additional funding. State grant funding is projected to provide \$18.579 million, an increase of \$480 thousand. While the Town continues to deliver current town and school services in a cost effective manner, funding for expanded senior center programs and activities are offered in the 2019-2020 budget.

Examples of cost containment measures include a shared services collaborative with the Town and school system employing sound risk management strategies which have resulted in reduced general liability and health insurance costs; fully self-insuring for dental and workers compensation costs; transitioning from a defined benefit to a defined contribution retirement plan for new employees; the acquisition of all streetlights using efficient LED lighting, and upgrading the Enterprise Resource Planning system to improve workflow efficiencies and reduce costs of materials such as office supplies which will continue into future years.

Concerning the Town's business-type activities, the Town will continue to preserve a favorable unrestricted net position. As a sustainable community, the town will continue to work to identify viable opportunities to reduce the impact and cost of energy usage, promoting natural resource options where applicable. Purchasing solar credits and searching out locations for new solar array installations are examples of initiatives that Vernon has and will continue to research and implement.

**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.

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## **BASIC FINANCIAL STATEMENTS**

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**TOWN OF VERNON, CONNECTICUT**  
**STATEMENTS OF NET POSITION**  
**AS OF JUNE 30, 2019**

	<b>Primary Government</b>		
	<b>Governmental</b>	<b>Business-type</b>	
	<b>Activities</b>	<b>Activities</b>	<b>Total</b>
<b>ASSETS</b>			
Cash and cash equivalents	\$ 39,232,494	\$ 12,610,131	\$ 51,842,625
Investments	3,066,468	-	3,066,468
Receivables:			
Property taxes and interest, net	2,151,397	-	2,151,397
User charges and interest, net	-	1,193,769	1,193,769
Grants and contracts	2,936,512	-	2,936,512
Other	691,986	-	691,986
Internal balances	(456,763)	456,763	-
Other	723,963	29,000	752,963
Noncurrent assets:			
Receivables:			
Loans	629,171	-	629,171
Capital assets:			
Non-depreciable	44,565,198	1,322,840	45,888,038
Depreciable, net	138,394,535	7,547,542	145,942,077
Total assets	<u>231,934,961</u>	<u>23,160,045</u>	<u>255,095,006</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Deferred charges on pension expense	8,121,937	533,450	8,655,387
Deferred charges on OPEB expense	4,267,099	152,910	4,420,009
Total deferred outflows of resources	<u>12,389,036</u>	<u>686,360</u>	<u>13,075,396</u>
<b>LIABILITIES</b>			
Accounts payable	3,271,767	316,140	3,587,907
Accrued interest payable	575,286	-	575,286
Accrued liabilities	325,684	-	325,684
Unearned revenue	316,176	-	316,176
Noncurrent liabilities:			
Due in one year	6,758,498	94,853	6,853,351
Due in more than one year	114,443,997	5,060,711	119,504,708
Total liabilities	<u>125,691,408</u>	<u>5,471,704</u>	<u>131,163,112</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Advance tax collections	6,224,473	-	6,224,473
Deferred charges on OPEB expense	3,886,549	139,273	4,025,822
Deferred charges on pension expense	3,240,441	263,015	3,503,456
Deferred charge on refunding	846,552	-	846,552
Total deferred inflows of resources	<u>14,198,015</u>	<u>402,288</u>	<u>14,600,303</u>
<b>NET POSITION</b>			
Net investment in capital assets	138,611,668	8,870,382	147,482,050
Restricted for:			
Endowments:			
Nonexpendable	1,757,835	-	1,757,835
Expendable	2,160,643	-	2,160,643
Grants and other programs	1,381,112	-	1,381,112
Unrestricted	(39,476,684)	9,102,031	(30,374,653)
Total net position	<u>\$ 104,434,574</u>	<u>\$ 17,972,413</u>	<u>\$ 122,406,987</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, 2019**

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
<b>Primary Government:</b>							
Governmental activities:							
General government	\$ 5,923,426	\$ 1,611,470	\$ -	\$ -	\$ (4,311,956)	\$ -	\$ (4,311,956)
Community development	434,475	92,146	113,467	-	(228,862)	-	(228,862)
Public safety	14,959,888	1,770,204	83,112	-	(13,106,572)	-	(13,106,572)
Maintenance and development	11,444,665	235,363	469,575	3,499,155	(7,240,572)	-	(7,240,572)
Human services	1,602,732	153,985	109,320	-	(1,339,427)	-	(1,339,427)
Parks, recreation and culture	4,371,420	960,507	277,120	-	(3,133,793)	-	(3,133,793)
Education	64,151,384	1,086,993	25,682,301	731,829	(36,650,261)	-	(36,650,261)
Education - State Teachers' Retirement	3,681,941	-	3,681,941	-	-	-	-
Interest expense	1,535,696	-	-	-	(1,535,696)	-	(1,535,696)
Total governmental activities	<u>108,105,627</u>	<u>5,910,668</u>	<u>30,416,836</u>	<u>4,230,984</u>	<u>(67,547,139)</u>	<u>-</u>	<u>(67,547,139)</u>
Business-type activities:							
Sewer	6,065,710	5,378,154	-	132,186	-	(555,370)	(555,370)
Center 375 (building rental)	180,436	166,354	-	-	-	(14,082)	(14,082)
Total business-type activities	<u>6,246,146</u>	<u>5,544,508</u>	<u>-</u>	<u>132,186</u>	<u>-</u>	<u>(569,452)</u>	<u>(569,452)</u>
Total primary government	<u>\$ 114,351,773</u>	<u>\$ 11,455,176</u>	<u>\$ 30,416,836</u>	<u>\$ 4,363,170</u>	<u>(67,547,139)</u>	<u>(569,452)</u>	<u>(68,116,591)</u>
General revenues:							
Property taxes, levied for general purposes					73,175,891	-	73,175,891
Grants and contributions not restricted to specific programs					1,124,707	-	1,124,707
Investment earnings					578,316	165,664	743,980
Total general revenues					<u>74,878,914</u>	<u>165,664</u>	<u>75,044,578</u>
Change in net position before special item					7,331,775	(403,788)	6,927,987
Special item - transfer of library operations					<u>5,581,908</u>	<u>-</u>	<u>5,581,908</u>
Change in net position					12,913,683	(403,788)	12,509,895
Net position - beginning					<u>91,520,891</u>	<u>18,376,201</u>	<u>109,897,092</u>
Net position - ending					<u>\$ 104,434,574</u>	<u>\$ 17,972,413</u>	<u>\$ 122,406,987</u>

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

**TOWN OF VERNON, CONNECTICUT**  
BALANCE SHEETS  
GOVERNMENTAL FUNDS  
AS OF JUNE 30, 2019

	General Fund	Road Improvements Bond Fund	Special Education Grants Fund	Waste Treatment Plant Upgrade Fund	Other Governmental Funds	Total Governmental Funds
<b>ASSETS</b>						
Cash and cash equivalents	\$ 20,970,663	\$ 317,167	\$ 2,673,951	\$ -	\$ 12,264,389	\$ 36,226,170
Investments	-	-	-	-	3,066,468	3,066,468
Receivables:						
Property taxes, net	1,685,060	-	-	-	-	1,685,060
Grants and contracts	52,369	-	396,514	1,452,598	1,035,031	2,936,512
Loans	-	-	-	-	629,171	629,171
Assessments	-	-	-	-	508	508
Other	51,124	-	-	-	606,542	657,666
Due from other funds	10,593,644	-	20,875	-	1,446,979	12,061,498
Inventories	-	-	-	-	31,022	31,022
Prepaid items	587,300	-	-	-	1,050	588,350
Total assets	<u>\$ 33,940,160</u>	<u>\$ 317,167</u>	<u>\$ 3,091,340</u>	<u>\$ 1,452,598</u>	<u>\$ 19,081,160</u>	<u>\$ 57,882,425</u>
<b>LIABILITIES</b>						
Accounts payable	\$ 1,050,129	\$ 755,106	\$ 158,529	\$ 173,977	\$ 1,025,297	\$ 3,163,038
Accrued liabilities	325,684	-	-	-	-	325,684
Due to other funds	467,822	1,499,916	2,372,677	4,636,022	2,906,993	11,883,430
Unearned revenue	316,176	-	-	-	-	316,176
Total liabilities	<u>2,159,811</u>	<u>2,255,022</u>	<u>2,531,206</u>	<u>4,809,999</u>	<u>3,932,290</u>	<u>15,688,328</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>						
Advance tax collections	6,224,473	-	-	-	-	6,224,473
Unavailable revenue - property tax and interest	1,685,060	-	-	-	-	1,685,060
Unavailable revenue - grants and other	-	-	409,411	-	1,165,805	1,575,216
Total deferred inflows of resources	<u>7,909,533</u>	<u>-</u>	<u>409,411</u>	<u>-</u>	<u>1,165,805</u>	<u>9,484,749</u>
<b>FUND BALANCES</b>						
Nonspendable	3,254,535	-	-	-	1,789,907	5,044,442
Restricted	-	-	150,723	-	3,391,032	3,541,755
Committed	-	-	-	-	9,253,805	9,253,805
Assigned	1,319,062	-	-	-	-	1,319,062
Unassigned	19,297,219	(1,937,855)	-	(3,357,401)	(451,679)	13,550,284
Total fund balances	<u>23,870,816</u>	<u>(1,937,855)</u>	<u>150,723</u>	<u>(3,357,401)</u>	<u>13,983,065</u>	<u>32,709,348</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 33,940,160</u>	<u>\$ 317,167</u>	<u>\$ 3,091,340</u>	<u>\$ 1,452,598</u>	<u>\$ 19,081,160</u>	<u>\$ 57,882,425</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**  
**AS OF JUNE 30, 2019**

Total fund balances for governmental funds		\$	32,709,348
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.			181,402,014
Deferred outflows and inflows of resources resulting from changes in the components of the Town's net pension and OPEB liabilities are reported in the statement of net position.			5,262,046
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.			3,260,276
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	\$	754,337	
Less allowance for uncollectible accounts		(288,000)	
			466,337
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		(575,286)	
Long-term debt:			
Bonds and notes payable		(42,475,000)	
Unamortized bond premium		(561,213)	
Deferred charges on refunding		(846,552)	
Other long-term liabilities:			
Capital lease obligations		(465,300)	
Compensated absences		(3,265,437)	
Termination benefits		(2,453,880)	
Claims payable		(370,065)	
Net pension liability		(60,384,431)	
Net OPEB liability		(8,108,163)	
Total long-term liabilities			(119,505,327)
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.			839,880
Net position of governmental activities		\$	104,434,574

*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, 2019**

	General Fund	Road Improvements Bond Fund	Special Education Grants Fund	Waste Treatment Plant Upgrade Fund	Other Governmental Funds	Total Governmental Funds
<b>REVENUES</b>						
Property taxes	\$ 72,973,560	\$ -	\$ -	\$ -	\$ -	\$ 72,973,560
Grants and contracts	26,893,336	-	5,258,194	1,456,045	5,937,491	39,545,066
Charges for services	2,024,179	-	-	-	2,736,446	4,760,625
Contributions	-	-	-	-	193,065	193,065
Interest and dividend income	449,557	718	-	-	145,070	595,345
Net change in the fair value of investments	-	-	-	-	163,779	163,779
Other	755,315	-	-	-	473,017	1,228,332
Total revenues	<u>103,095,947</u>	<u>718</u>	<u>5,258,194</u>	<u>1,456,045</u>	<u>9,648,868</u>	<u>119,459,772</u>
<b>EXPENDITURES</b>						
Current:						
General government	3,958,019	-	-	-	4,647	3,962,666
Community development	237,348	-	-	-	93,643	330,991
Public safety	8,897,450	-	-	-	1,069,311	9,966,761
Maintenance and development	5,877,282	-	-	-	702,684	6,579,966
Human services	1,022,428	-	-	-	204,317	1,226,745
Parks, recreation and culture	1,814,408	-	-	-	865,805	2,680,213
Townwide	8,734,918	-	-	-	-	8,734,918
Education	60,608,276	-	5,199,708	-	3,263,631	69,071,615
Debt service	6,048,071	37,770	-	-	19,891	6,105,732
Capital outlays	223,674	3,406,565	-	2,546,266	5,445,887	11,622,392
Total expenditures	<u>97,421,874</u>	<u>3,444,335</u>	<u>5,199,708</u>	<u>2,546,266</u>	<u>11,669,816</u>	<u>120,281,999</u>
Excess (deficiency) of revenues over expenditures	5,674,073	(3,443,617)	58,486	(1,090,221)	(2,020,948)	(822,227)
<b>OTHER FINANCING SOURCES (USES)</b>						
Issuance of bonds	-	3,387,000	-	-	-	3,387,000
Premium on bonds issued	-	135,760	-	-	64,653	200,413
Repayment of notes	-	(1,525,000)	-	-	-	(1,525,000)
Transfer of library operations	-	-	-	-	1,184,443	1,184,443
Transfers in	65,425	-	-	-	3,568,132	3,633,557
Transfers out	(3,222,429)	-	-	-	(411,128)	(3,633,557)
Total other financing sources (uses)	<u>(3,157,004)</u>	<u>1,997,760</u>	<u>-</u>	<u>-</u>	<u>4,406,100</u>	<u>3,246,856</u>
Net change in fund balances	2,517,069	(1,445,857)	58,486	(1,090,221)	2,385,152	2,424,629
Fund balances - beginning	<u>21,353,747</u>	<u>(491,998)</u>	<u>92,237</u>	<u>(2,267,180)</u>	<u>11,597,913</u>	<u>30,284,719</u>
Fund balances - ending	<u>\$ 23,870,816</u>	<u>\$ (1,937,855)</u>	<u>\$ 150,723</u>	<u>\$ (3,357,401)</u>	<u>\$ 13,983,065</u>	<u>\$ 32,709,348</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, 2019**

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Net change in fund balances - total governmental funds \$ 2,424,629

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	\$ 17,009,279	
Depreciation and amortization expense	<u>(6,849,073)</u>	
Net adjustment		10,160,206

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. 74,692

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:		
Bonds issued	(1,862,000)	
Premium on bonds issued	(200,413)	
Principal repayments:		
Bonds and notes payable	4,170,000	
Capital lease financing	<u>228,418</u>	
Net adjustment		2,336,005

Deferred outflows and inflows of resources resulting from changes in the components of the net pension and OPEB liabilities are amortized as a component of pension and OPEB expense in the statement of activities. 5,650,043

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. 280,797

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. 202,118  
(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, 2019

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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	\$	36,722	
Amortization of bond premiums		40,833	
Amortization of deferred charges on refunding		94,063	
Compensated absences		182,325	
Termination benefits		(10,458)	
Claims payable		18,537	
Net OPEB liability		(755,262)	
Net pension liability		<u>(7,821,567)</u>	
			<u>\$ (8,214,807)</u>
Change in net position of governmental activities			<u>\$ 12,913,683</u> <i>(Concluded)</i>

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

**TOWN OF VERNON, CONNECTICUT**  
**STATEMENTS OF NET POSITION**  
**PROPRIETARY FUNDS**  
**AS OF JUNE 30, 2019**

	<b>Business-type Activities</b>			<b>Governmental Activities</b>
	<b>Sewer User Fund</b>	<b>Nonmajor Center 375 Fund</b>	<b>Total</b>	<b>Internal Service Funds</b>
<b>ASSETS</b>				
Current assets:				
Cash and cash equivalents	\$ 11,654,989	\$ 955,142	\$ 12,610,131	\$ 3,006,324
Receivables:				
User charges and interest, net	1,193,769	-	1,193,769	-
Other	-	-	-	33,812
Prepaid expenses	29,000	-	29,000	104,591
Total current assets	<u>12,877,758</u>	<u>955,142</u>	<u>13,832,900</u>	<u>3,144,727</u>
Capital assets:				
Non-depreciable	762,160	560,680	1,322,840	37,203
Depreciable, net	6,957,032	590,510	7,547,542	1,520,516
Total noncurrent assets	<u>7,719,192</u>	<u>1,151,190</u>	<u>8,870,382</u>	<u>1,557,719</u>
Total assets	<u>20,596,950</u>	<u>2,106,332</u>	<u>22,703,282</u>	<u>4,702,446</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>				
Deferred charges on pension expense	533,450	-	533,450	-
Deferred charges on OPEB expense	152,910	-	152,910	-
Total deferred outflows of resources	<u>686,360</u>	<u>-</u>	<u>686,360</u>	<u>-</u>
<b>LIABILITIES</b>				
Current liabilities:				
Accounts payable	304,793	11,347	316,140	108,728
Claims payable	-	-	-	782,027
Compensated absences	94,853	-	94,853	43,750
Due to other funds	137,775	3,101	140,876	37,192
Total current liabilities	<u>537,421</u>	<u>14,448</u>	<u>551,869</u>	<u>971,697</u>
Noncurrent liabilities:				
Compensated absences	225,147	-	225,147	18,243
Claims payable	-	-	-	2,274,987
Net pension liability	4,545,011	-	4,545,011	-
Net OPEB liability	290,553	-	290,553	-
Total non-current liabilities	<u>5,060,711</u>	<u>-</u>	<u>5,060,711</u>	<u>2,293,230</u>
Total liabilities	<u>5,598,132</u>	<u>14,448</u>	<u>5,612,580</u>	<u>3,264,927</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Deferred charges on OPEB expense	139,273	-	139,273	-
Deferred charges on pension expense	263,015	-	263,015	-
Total deferred inflows of resources	<u>402,288</u>	<u>-</u>	<u>402,288</u>	<u>-</u>
<b>NET POSITION</b>				
Net investment in capital assets	7,719,192	1,151,190	8,870,382	1,520,516
Unrestricted	7,563,698	940,694	8,504,392	(82,997)
Total net position	<u>\$ 15,282,890</u>	<u>\$ 2,091,884</u>	<u>17,374,774</u>	<u>\$ 1,437,519</u>
Cumulative adjustment to reflect the consolidation of internal service fund activities related to enterprise funds.			<u>597,639</u>	
Net position of business-type activities			<u>\$ 17,972,413</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, 2019**

	<b>Business-type Activities</b>			<b>Governmental Activities</b>
	<b>Sewer User Fund</b>	<b>Nonmajor Center 375 Fund</b>	<b>Total</b>	<b>Internal Service Funds</b>
<b>OPERATING REVENUES</b>				
Charges for services	\$ 4,585,317	\$ 165,721	\$ 4,751,038	\$ 3,396,503
Other	792,837	633	793,470	69,575
Total operating revenues	5,378,154	166,354	5,544,508	3,466,078
<b>OPERATING EXPENSES</b>				
Wages and benefits	2,640,356	6,235	2,646,591	1,054,485
Repairs, maintenance and rentals	324,514	17,030	341,544	477,967
Utilities	1,736,254	43,120	1,779,374	13,769
Supplies and materials	583,791	6,135	589,926	1,456
General and administrative	222,058	60,341	282,399	170,882
Claims incurred	-	-	-	1,252,313
Depreciation	573,434	47,575	621,009	206,882
Total operating expenses	6,080,407	180,436	6,260,843	3,177,754
Operating income (loss)	(702,253)	(14,082)	(716,335)	288,324
<b>NON-OPERATING REVENUES (EXPENSES)</b>				
Loss in disposal of asset	(9,862)	-	(9,862)	-
Interest income	145,718	19,946	165,664	17,032
Total non-operating revenues (expenses), net	135,856	19,946	155,802	17,032
Change in net position before capital contributions	(566,397)	5,864	(560,533)	305,356
Capital contributions	132,186	-	132,186	-
Change in net position	(434,211)	5,864	(428,347)	305,356
Net position - beginning, as originally reported	15,717,101	2,086,020		423,963
Adjustment (See Note 1)	-	-		708,200
Net position - beginning, as adjusted	15,717,101	2,086,020		1,132,163
Net position - ending	\$ 15,282,890	\$ 2,091,884		\$ 1,437,519
Net current year adjustment to reflect the consolidation of internal service fund activities related to enterprise funds.			24,559	
Net change in net position of business-type activities			\$ (403,788)	

*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, 2019**

	<b>Business-type Activities</b>			<b>Governmental Activities</b>
	<b>Sewer User Fund</b>	<b>Nonmajor Center 375 Fund</b>	<b>Total</b>	<b>Internal Service Funds</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Cash received for the following:				
Charges for services	\$ 6,398,346	\$ 165,721	\$ 6,564,067	\$ 3,393,704
Other operating revenues received	436,481	633	437,114	31,995
Cash paid for the following:				
Claims incurred	-	-	-	(1,016,129)
Employee wages and benefits	(2,507,616)	-	(2,507,616)	(1,010,766)
Goods and services	(2,834,674)	(193,168)	(3,027,842)	(739,424)
Net cash provided by (used in) operating activities	<u>1,492,537</u>	<u>(26,814)</u>	<u>1,465,723</u>	<u>659,380</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>				
Interfund activities	<u>(472,772)</u>	<u>(7,909)</u>	<u>(480,681)</u>	<u>-</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>				
Purchases of capital assets	<u>(119,504)</u>	<u>(7,995)</u>	<u>(127,499)</u>	<u>(72,923)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Investment income	<u>145,718</u>	<u>19,946</u>	<u>165,664</u>	<u>17,032</u>
Net increase (decrease) in cash and cash equivalents	<u>1,045,979</u>	<u>(22,772)</u>	<u>1,023,207</u>	<u>603,489</u>
Cash and cash equivalents, beginning of year	<u>10,609,010</u>	<u>977,914</u>	<u>11,586,924</u>	<u>2,402,835</u>
Cash and cash equivalents, end of year	<u>\$ 11,654,989</u>	<u>\$ 955,142</u>	<u>\$ 12,610,131</u>	<u>\$ 3,006,324</u>
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES</b>				
Operating income (loss)	\$ (702,253)	\$ (14,082)	\$ (716,335)	\$ 288,324
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:				
Depreciation and amortization	573,434	47,575	621,009	206,882
Changes in assets and liabilities:				
(Increase) decrease in receivables	1,428,023	-	1,428,023	(1,483)
Increase (decrease) in accounts payable	(42,536)	(60,307)	(102,843)	340,909
Decrease in accrued liabilities	(72,497)	-	(72,497)	(6,863)
Increase in net pension liability	697,247	-	697,247	-
Increase in net OPEB liability	24,513	-	24,513	-
Decrease in due to other funds	-	-	-	(120,301)
(Increase) decrease in prepaid expense	900	-	900	(48,088)
Increase in deferred outflows of resources	(425,039)	-	(425,039)	-
Increase in deferred inflows of resources	10,745	-	10,745	-
Net cash provided by (used in) operating activities	<u>\$ 1,492,537</u>	<u>\$ (26,814)</u>	<u>\$ 1,465,723</u>	<u>\$ 659,380</u>
<b>NONCASH CAPITAL AND RELATED FINANCING ACTIVITIES</b>				
Acquisition of capital assets through capital contributions	\$ 132,186	\$ -	\$ 132,186	\$ -

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

**TOWN OF VERNON, CONNECTICUT**  
**STATEMENT OF FIDUCIARY NET POSITION**  
**FIDUCIARY FUNDS**  
**AS OF JUNE 30, 2019**

	<b>Pension Trust Funds</b>	<b>Private Purpose Trust Fund</b>	<b>Agency Funds</b>
<b>ASSETS</b>			
Cash and cash equivalents	\$ 660,876	\$ 318,267	\$ 641,670
Investments:			
Certificates of deposit	-	86,356	-
Fixed insurance contracts	12,646,280	-	-
Variable insurance contracts	50,947,209	-	-
Common stock	494,676	-	-
Mutual funds	2,042,685	127,513	-
Receivables	930	-	8,039
Total assets	<u>66,792,656</u>	<u>532,136</u>	<u>\$ 649,709</u>
<b>LIABILITIES</b>			
Due to others	-	-	\$ 629,725
Payables	23,416	28	19,984
Unearned revenue	73,215	-	-
Total liabilities	<u>96,631</u>	<u>28</u>	<u>\$ 649,709</u>
<b>NET POSITION</b>			
Restricted for pension, other post- employment benefits and other purposes	66,696,025	532,108	
Total net position	<u>\$ 66,696,025</u>	<u>\$ 532,108</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 YEAR ENDED JUNE 30, 2019**

	<b>Pension Trust Funds</b>	<b>Private Purpose Trust Fund</b>
<b>ADDITIONS</b>		
Contributions:		
Employer	\$ 5,177,906	\$ -
Employee	1,256,855	-
Retirees	598,200	-
State	78,895	-
Private	-	115,061
Other	6,305	-
Total contributions	<u>7,118,161</u>	<u>115,061</u>
Investment earnings:		
Net investment income (loss)	(2,242,815)	5,093
Less investment expenses	(313,027)	-
Total investment earnings	<u>(2,555,842)</u>	<u>5,093</u>
Total additions	<u>4,562,319</u>	<u>120,154</u>
<b>DEDUCTIONS</b>		
Benefit payments	7,784,702	-
Refunds of contributions	294,463	-
Awards expense	-	35,889
Administrative expenses	201,531	-
Total deductions	<u>8,280,696</u>	<u>35,889</u>
Change in net position	(3,718,377)	84,265
Net position - beginning	<u>70,414,402</u>	<u>447,843</u>
Net position - ending	<u><u>\$ 66,696,025</u></u>	<u><u>\$ 532,108</u></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, 2019

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**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, Connecticut, 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.

During July 2018, the assets, liabilities and operations of the Rockville Public Library were transferred to the Town. The library, previously operated as a nonprofit organization, now operates as a Town department. The transfer of operations to the Town resulted in the recognition of a special item in the amount of \$5,581,908, which reflects the carrying value of the assets acquired over the liabilities assumed.

**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, 2019

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**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.

**Special Education Grants Fund** – This fund is used to account for the financial activity of state and federal education related grants.

**Waste Treatment Plant Upgrade Fund** – This fund is used to account for the financial activity of the improvements to the waste water discharge system.

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, 2019

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**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 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, 2019

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

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

**Cash and 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. Investments in certain external investment pools consist of money market mutual funds and investments in 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.

**Donor-Restricted Endowments**

The Town maintains certain endowments for the perpetual care and maintenance of cemeteries, its library and for various other purposes. The amount of net appreciation of endowments available for expenditure totaled \$248,558 for the year ended June 30, 2019. As of June 30, 2019, \$1,757,835 of the Town's \$3,918,478 in endowments are considered nonexpendable/nonspendable with the remaining balance of \$2,160,643 reported as a component of restricted net position/fund balance. The Town allocates investment income on endowment investments in accordance with donor restrictions and Connecticut law. The State of Connecticut has adopted the provisions of the Uniform Prudent Management of Institutional Funds Act (UPMIFA). UPMIFA requires the investment of endowments in good faith and with the care that an ordinarily prudent person in a like position would exercise under similar circumstances. It requires prudence in incurring investment costs, authorizing only costs that are appropriate and reasonable. Factors to be considered in investing are expanded to include, for example, the effects of inflation. UPMIFA emphasizes that investment decisions. Endowment expenditures are approved by the appropriate governing body.

**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, 2019 of \$166,000 and \$288,000, 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.

**TOWN OF VERNON, CONNECTICUT**  
NOTES TO THE BASIC FINANCIAL STATEMENTS *(Continued)*  
AS OF AND FOR THE YEAR ENDED JUNE 30, 2019

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

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

**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, 2019, loans receivable totaled \$629,171 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.

**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.

**TOWN OF VERNON, CONNECTICUT**  
NOTES TO THE BASIC FINANCIAL STATEMENTS *(Continued)*  
AS OF AND FOR THE YEAR ENDED JUNE 30, 2019

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

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

**Deferred Outflows and 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 consists of deferred charges on pension and OPEB expenses reported in the government-wide financial statements. Deferred charges on pension and OPEB expenses result from changes in the components of the Town's net pension and OPEB liabilities and are amortized as a component of pension and OPEB expenses on a systematic and rational basis. Deferred inflows of resources also include deferred charges on refundings reported in the government-wide financial statements and unavailable revenues reported 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, 2019 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.

**TOWN OF VERNON, CONNECTICUT**  
NOTES TO THE BASIC FINANCIAL STATEMENTS *(Continued)*  
AS OF AND FOR THE YEAR ENDED JUNE 30, 2019

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

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

**Net Position and Fund Balance *(Continued)***

***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.

***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, 2019

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**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, 2018, the Town adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*. This Statement defines debt for purposes of disclosure in notes to financial statements as a liability (or other assets that may be used in lieu of cash) in one or more payments to settle an amount that is fixed at the date the contractual obligation is established. This Statement requires that additional essential information related to debt be disclosed in notes to financial statements, including unused lines of credit; assets pledged as collateral for the debt; and terms specified in debt agreements related to significant events of default with finance-related consequences, significant termination events with finance-related consequences, and significant subjective acceleration clauses. For notes to financial statements related to debt, this Statement also requires that existing and additional information be provided for direct borrowings and direct placements of debt separately from other debt. The adoption of this statement 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, 2019

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

**Implementation of Accounting Standards *(Continued)***

Effective July 1, 2018, the Town adopted the provisions of GASB Statement No. 83, *Certain Asset Retirement Obligations*. GASB Statement No. 83 addresses accounting and financial reporting for certain asset retirement obligations (AROs). The Statement established criteria for determining the timing and pattern of recognition of a liability and a corresponding deferred outflow of resources for AROs. The adoption of this statement did not have a material effect on the Town's financial statements.

**Adjustment to Amounts Reported in Previously Issued Financial Statements**

The Town has reported the following adjustment to the beginning net position of its Data Processing Fund (a nonmajor internal service fund) as of July 1, 2018:

	<b>Governmental Activities</b>	
	<b>Data</b>	
	<b>Processing</b>	<b>Internal</b>
	<b>Fund</b>	<b>Service Funds</b>
Net position - beginning, as originally reported	\$ 1,149,717	\$ 423,963
Adjustment to remove the net pension liability previously allocated	708,200	708,200
Net position - beginning, as adjusted	<u>\$ 1,857,917</u>	<u>\$ 1,132,163</u>

This adjustment reflects the fact that pension contributions for employees charged to the Data Processing Fund are funded by the General Fund rather than from the Data Processing Fund. As such, the portion of the net pension liability previously allocated to the Data Processing Fund has been allocated directly to the governmental activities.

**NOTE 2 - CASH DEPOSITS AND INVESTMENTS**

**Cash Deposits**

A reconciliation of the Town's cash deposits as of June 30, 2019 is as follows:

<b>Government-wide statement of net position:</b>	
Cash and cash equivalents	\$ 51,842,625
<b>Statement of fiduciary net position:</b>	
Cash and cash equivalents	1,620,813
	<u>53,463,438</u>
Add: certificates of deposit presented as investments	115,689
Less: investments presented as cash equivalents	<u>(22,250,164)</u>
	<u>\$ 31,328,963</u>

**TOWN OF VERNON, CONNECTICUT**  
NOTES TO THE BASIC FINANCIAL STATEMENTS *(Continued)*  
AS OF AND FOR THE YEAR ENDED JUNE 30, 2019

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**NOTE 2 - CASH DEPOSITS AND INVESTMENTS *(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, 2019, \$32,519,919 of the Town's bank balance of \$33,047,900 was exposed to custodial credit risk as follows:

Uninsured and uncollateralized	\$ 29,267,927
Uninsured and collateralized with securities held by the pledging bank's trust department or agent but not in the Town's name	<u>3,251,992</u>
	<u><u>\$ 32,519,919</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, 2019 is as follows:

**Government-wide statement of net position:**

Investments	\$ 3,066,468
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**Statement of fiduciary net position:**

Investments	<u>66,344,719</u>
	69,411,187
Less: certificates of deposit presented as investments	(115,689)
Add: investments presented as cash equivalents	<u>22,250,164</u>
	<u><u>\$ 91,545,662</u></u>

**TOWN OF VERNON, CONNECTICUT**  
NOTES TO THE BASIC FINANCIAL STATEMENTS *(Continued)*  
AS OF AND FOR THE YEAR ENDED JUNE 30, 2019

**NOTE 2 - CASH DEPOSITS AND INVESTMENTS *(Continued)***

***Investments (Continued)***

As of June 30, 2019, 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	More Than 10
Debt Securities:						
Governmental Activities:						
Short-Term Investment Fund	Net asset value	\$ 13,287,721	\$ 13,287,721	\$ -	\$ -	\$ -
Money market mutual funds	Net asset value	83,257	83,257	-	-	-
Business-Type Activities:						
Short-Term Investment Fund	Net asset value	8,424,952	8,424,952	-	-	-
Fiduciary Funds:						
Short-Term Investment Fund	Net asset value	290,795	290,795	-	-	-
Money market mutual funds	Net asset value	163,439	163,439	-	-	-
		22,250,164	\$ 22,250,164	\$ -	\$ -	\$ -
Other Investments:						
Governmental Activities:						
Common stock	Fair value	610,237				
Mutual funds	Fair value	2,426,898				
Fiduciary Funds:						
Common stock	Fair value	494,676				
Mutual funds	Fair value	2,170,198				
Variable insurance contracts	Contract value	50,947,209				
Fixed insurance contracts	Contract value	12,646,280				
		\$ 91,545,662				

**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, 2019

**NOTE 2 - CASH DEPOSITS AND INVESTMENTS *(Continued)***

**Investments *(Continued)***

**Credit Risk *(Continued)***

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

<u>Investment Type</u>	<u>AAA</u>	<u>Unrated</u>	<u>Total</u>
<b>Debt Securities:</b>			
<b><i>Governmental Activities:</i></b>			
Short-Term Investment Fund	\$ 13,287,721	\$ -	\$ 13,287,721
Money market mutual funds	-	83,257	83,257
<b><i>Business-Type Activities:</i></b>			
Short-Term Investment Fund	8,424,952	-	8,424,952
<b><i>Fiduciary Funds:</i></b>			
Short-Term Investment Fund	290,795	-	290,795
Money market mutual funds	-	163,439	163,439
	<u>\$ 22,003,468</u>	<u>\$ 246,696</u>	<u>\$ 22,250,164</u>

**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, 2019, more than 10% of the Town's investments within its governmental activities, business-type activities and fiduciary funds were invested in the following:

<u>Issuer</u>	<u>Investment</u>	<u>Value</u>	<u>% of Investments</u>
<b><i>Governmental Activities:</i></b>			
State of CT Treasurer	Short-Term Investment Fund	\$ 13,287,721	81.0%
<b><i>Business-type Activities:</i></b>			
State of CT Treasurer	Short-Term Investment Fund	8,424,952	100.0%
<b><i>Fiduciary Funds:</i></b>			
PRIAC*	Variable Separate Accounts	50,947,209	76.4%
PRIAC*	Guaranteed Deposit Accounts	12,646,280	19.0%

\* Prudential Retirement Insurance and Annuity Company

**TOWN OF VERNON, CONNECTICUT**  
NOTES TO THE BASIC FINANCIAL STATEMENTS *(Continued)*  
AS OF AND FOR THE YEAR ENDED JUNE 30, 2019

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**NOTE 3 - 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 measures Level 2 investments based on quoted prices for similar investments in active markets. Investments 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, 2019, 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)	Total
<b><i>Governmental Activities:</i></b>				
Common stock	\$ 610,237	\$ -	\$ -	\$ 610,237
Mutual funds	2,426,898	-	-	2,426,898
<b><i>Fiduciary Funds:</i></b>				
Common stock	494,676	-	-	494,676
Mutual funds	2,170,198	-	-	2,170,198
	<u>\$ 5,702,009</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,702,009</u>

**TOWN OF VERNON, CONNECTICUT**  
NOTES TO THE BASIC FINANCIAL STATEMENTS *(Continued)*  
AS OF AND FOR THE YEAR ENDED JUNE 30, 2019

**NOTE 4 - CAPITAL ASSETS**

Capital asset activity for governmental activities for the year ended June 30, 2019 consisted of the following:

	Beginning Balance	Increases	Decreases	Transfers	Ending Balance
<b>Governmental Activities</b>					
Capital assets, not being depreciated:					
Land	\$ 9,866,728	\$ 1,500	\$ -	\$ -	\$ 9,868,228
Construction in progress	27,042,402	10,907,461	-	(3,252,893)	34,696,970
Total capital assets, not being depreciated	36,909,130	10,908,961	-	(3,252,893)	44,565,198
Capital assets, being depreciated:					
Land improvements	7,697,214	177,319	-	90,591	7,965,124
Buildings and improvements	116,627,116	4,104,925	-	2,062,479	122,794,520
Machinery and equipment	47,805,372	1,800,775	(8,477)	37,251	49,634,921
Intangibles - computer software	412,276	-	-	-	412,276
Infrastructure	80,954,512	90,222	-	1,062,572	82,107,306
Total capital assets, being depreciated	253,496,490	6,173,241	(8,477)	3,252,893	262,914,147
Less accumulated depreciation and amortization for:					
Land improvements	5,049,833	201,304	-	-	5,251,137
Buildings and improvements	39,213,000	3,079,313	-	-	42,292,313
Machinery and equipment	37,916,683	1,959,917	(8,477)	-	39,868,123
Intangibles - computer software	389,064	3,571	-	-	392,635
Infrastructure	34,903,554	1,811,850	-	-	36,715,404
Total accumulated depreciation and amortization	117,472,134	7,055,955	(8,477)	-	124,519,612
Total capital assets, being depreciated, net	136,024,356	(882,714)	-	3,252,893	138,394,535
Governmental activities capital assets, net	<u>\$ 172,933,486</u>	<u>\$ 10,026,247</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 182,959,733</u>

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

<b>Governmental Activities:</b>	
General government	\$ 222,155
Community development	50
Public safety	653,323
Maintenance and development	2,601,302
Human services	867
Parks, recreation and culture	1,115,021
Education	2,463,237
Total depreciation and amortization expense - governmental activities	<u>\$ 7,055,955</u>

**TOWN OF VERNON, CONNECTICUT**  
NOTES TO THE BASIC FINANCIAL STATEMENTS *(Continued)*  
AS OF AND FOR THE YEAR ENDED JUNE 30, 2019

**NOTE 4 - CAPITAL ASSETS *(Continued)***

Capital asset activity for business-type activities for the year ended June 30, 2019 consisted of the following:

	Beginning Balance	Increases	Decreases	Ending Balance
<b>Business-type Activities</b>				
Capital assets, not being depreciated:				
Land	\$ 1,322,840	\$ -	\$ -	\$ 1,322,840
Total capital assets, not being depreciated	<u>1,322,840</u>	<u>-</u>	<u>-</u>	<u>1,322,840</u>
Capital assets, being depreciated:				
Buildings and system	6,516,242	7,994	-	6,524,236
Improvements other than building	278,230	-	-	278,230
Machinery and equipment	9,140,346	238,235	(90,278)	9,288,303
Intangibles - computer software	118,824	-	-	118,824
Infrastructure	11,406,024	13,456	-	11,419,480
Total capital assets, being depreciated	<u>27,459,666</u>	<u>259,685</u>	<u>(90,278)</u>	<u>27,629,073</u>
Less accumulated depreciation and amortization for:				
Buildings and system	5,401,310	130,044	-	5,531,354
Improvements other than building	144,503	9,415	-	153,918
Machinery and equipment	7,809,504	255,625	(90,278)	7,974,851
Intangibles - computer software	74,760	14,438	-	89,198
Infrastructure	6,120,723	211,487	-	6,332,210
Total accumulated depreciation and amortization	<u>19,550,800</u>	<u>621,009</u>	<u>(90,278)</u>	<u>20,081,531</u>
Total capital assets, being depreciated, net	<u>7,908,866</u>	<u>(361,324)</u>	<u>-</u>	<u>7,547,542</u>
Business-type activities capital assets, net	<u>\$ 9,231,706</u>	<u>\$ (361,324)</u>	<u>\$ -</u>	<u>\$ 8,870,382</u>

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

<b>Business-Type Activities:</b>	
Sewer Use	\$ 573,434
Rental of building	<u>47,575</u>
Total depreciation and amortization expense - business-type activities	<u>\$ 621,009</u>

**TOWN OF VERNON, CONNECTICUT**  
NOTES TO THE BASIC FINANCIAL STATEMENTS *(Continued)*  
AS OF AND FOR THE YEAR ENDED JUNE 30, 2019

**NOTE 5 - INTERFUND RECEIVABLES AND PAYABLES**

Interfund receivable and payable balances at June 30, 2019 are as follows:

Receivable Fund	Payable Fund	Amount
<b>Governmental Funds:</b>		
General Fund	Waste Treatment Plant Upgrade Fund	\$ 4,636,022
	Special Education Grants Fund	2,372,677
	Other Governmental Funds	1,906,961
	Road Improvements Bond Fund	1,499,916
	Sewer User Fund	137,775
	Internal Service Funds	37,192
	Other Enterprise Funds	3,101
		<u>10,593,644</u>
Special Education Grants Fund	Other Governmental Funds	<u>20,875</u>
Other Governmental Funds	General Fund	467,822
	Other Governmental Funds	979,157
		<u>1,446,979</u>
		<u>\$ 12,061,498</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. The General Fund has previously advanced funds to the Town Capital and Nonrecurring Fund, a nonmajor governmental fund. The purpose of the advances were to provide internal financing through the use of General Fund cash for the purchase of capital equipment in order to reduce the Town's overall borrowing costs. The Town funds each advance over a periods ranging from 5 to 12 years through annual appropriations for debt service in the General Fund. In March 2020, the Town subsequently authorized the permanent financing of these arrangements from the fund balance of the General Fund. Accordingly, the Town has reflected the outstanding balance on these borrowings in the amount of \$2,667,235 as nonspendable fund balance in the General Fund.

**NOTE 6 - INTERFUND TRANSFERS**

Interfund transfers for the year ended June 30, 2019 consisted of the following:

Transfers In	Transfers Out	Amount
<b>Governmental Funds:</b>		
General Fund	Other Governmental Funds	\$ 65,425
Other Governmental Funds	General Fund	3,222,429
	Other Governmental Funds	345,703
		<u>3,568,132</u>
		<u>\$ 3,633,557</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, 2019

**NOTE 7 - SHORT-TERM DEBT - BOND ANTICIPATION NOTES PAYABLE**

The following is a summary of terms and changes in bond anticipation notes payable for the year ended June 30, 2019:

	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
<b>Governmental Activities</b>						
Bond anticipation notes payable	1.0%	August 2018	<u>\$ 3,325,000</u>	<u>\$ -</u>	<u>\$ (3,325,000)</u>	<u>\$ -</u>

In August 2018, the Town retired the outstanding bond anticipation notes through proceeds from the issuance of general obligation bonds (see Note 8) and the use of available funds. The purpose of the notes were to provide short-term financing to fund authorized capital projects.

**NOTE 8 - LONG-TERM DEBT**

The applicable accounting standards define debt as a liability that arises from a contractual obligation to pay cash, or other assets that may be used in lieu of cash, in one or more payments to settle an amount that is fixed at the date the contractual obligation is established. For disclosure purposes, debt does not include accounts payable or leases, except for contracts reported as financed purchase of the underlying asset.

The following is a summary of changes in long-term debt for the year ended June 30, 2019:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
<b>Governmental Activities</b>					
Bonds payable:					
General obligation bonds	\$ 41,645,000	\$ 5,000,000	\$ (4,170,000)	\$ 42,475,000	\$ 4,500,000
Unamortized premiums	<u>401,633</u>	<u>200,413</u>	<u>(40,833)</u>	<u>561,213</u>	<u>-</u>
Total bonds and notes payable	42,046,633	5,200,413	(4,210,833)	43,036,213	4,500,000
Capital leases from direct borrowings:					
Fire trucks	615,302	-	(150,002)	465,300	152,523
Asphalt box reclaimer	<u>78,416</u>	<u>-</u>	<u>(78,416)</u>	<u>-</u>	<u>-</u>
Total capital leases from direct borrowings	693,718	-	(228,418)	465,300	152,523
	<u>\$ 42,740,351</u>	<u>\$ 5,200,413</u>	<u>\$ (4,439,251)</u>	<u>\$ 43,501,513</u>	<u>\$ 4,652,523</u>

Long-term debt above typically have been liquidated by the General Fund for governmental activities.

**TOWN OF VERNON, CONNECTICUT**  
NOTES TO THE BASIC FINANCIAL STATEMENTS *(Continued)*  
AS OF AND FOR THE YEAR ENDED JUNE 30, 2019

**NOTE 8 - LONG-TERM DEBT *(Continued)***

**General Obligation Bonds**

A summary of general obligation bonds outstanding at June 30, 2019 is as follows:

<b>Purpose of Bonds</b>	<b>Fiscal Date of Issue</b>	<b>Original Issue</b>	<b>Interest Rates</b>	<b>Fiscal Maturity Date</b>	<b>Amount Outstanding</b>
<b>Governmental Activities:</b>					
Bonds Payable:					
General Obligation Bonds	2011	\$ 3,755,000	2.00% - 3.75%	2026	\$ 1,785,000
General Obligation Refunding Bonds	2012	33,892,000	2.00% - 4.50%	2028	20,769,000
General Obligation Refunding Bonds	2012	793,000	2.00% - 4.50%	2028	416,000
General Obligation Bonds	2016	6,130,000	2.00% - 3.13%	2031	4,900,000
General Obligation Bonds	2017	6,350,000	2.00% - 4.00%	2032	5,500,000
General Obligation Bonds	2018	4,400,000	2.00% - 5.00%	2033	4,105,000
General Obligation Bonds	2018	5,000,000	3.00% - 5.00%	2033	5,000,000
					<u>\$ 42,475,000</u>

Annual debt service requirements to maturity on general obligation bonds are as follows as of June 30, 2019:

<b>Year ending June 30:</b>	<b>Governmental Activities</b>		
	<b>Bonds Payable</b>		
	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2020	\$ 4,500,000	\$ 1,405,295	\$ 5,905,295
2021	4,510,000	1,226,807	5,736,807
2022	4,515,000	1,046,581	5,561,581
2023	4,610,000	863,743	5,473,743
2024	4,605,000	683,719	5,288,719
2025-2029	14,880,000	1,590,333	16,470,333
2030-2034	4,855,000	257,761	5,112,761
	<u>\$ 42,475,000</u>	<u>\$ 7,074,239</u>	<u>\$ 49,549,239</u>

**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, 2019.

**TOWN OF VERNON, CONNECTICUT**  
NOTES TO THE BASIC FINANCIAL STATEMENTS *(Continued)*  
AS OF AND FOR THE YEAR ENDED JUNE 30, 2019

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**NOTE 8 - LONG-TERM DEBT *(Continued)***

**General Obligation Bonds *(Continued)***

**Advanced Debt Refundings**

In prior years, the Town defeased general obligation bonds by creating separate irrevocable trusts. New debt was issued and the proceeds were 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 of year end, the amount of defeased debt outstanding amounted to \$14,825,000 (net of \$7,500,000 called debt).

**Authorized/Unissued Debt**

The amount of authorized, unissued bonds at June 30, 2019 totaled to \$9,491,690 for general purposes, \$5,051,504 for schools and \$86,029,946 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, 2019 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, 2019 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, 2019 is \$8,388,000 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. Of the \$3,245,000 authorization, the remaining unissued Senior Center authorization as of June 30, 2019 is \$362,000 for general purposes.

On January 15, 2019, a referendum was held that appropriated \$85,972,000 for Waste Treatment Plant Facility Improvements. As of June 30, 2019, no debt has been issued against this appropriation, thus \$85,972,000 remains unissued for sewer 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, 2019, the overlapping debt balance is \$2,161,021.

**TOWN OF VERNON, CONNECTICUT**  
NOTES TO THE BASIC FINANCIAL STATEMENTS *(Continued)*  
AS OF AND FOR THE YEAR ENDED JUNE 30, 2019

**NOTE 8 - LONG-TERM DEBT *(Continued)***

**Capital Leases from Direct Borrowings**

Capital leases from direct borrowings include non-appropriation clauses and provide the obligor with a security interest in the underlying equipment in the event of default. A summary of assets acquired through capital leases is as follows as of June 30, 2019:

	<b>Governmental Activities</b>
Equipment	\$ 1,972,354
Less: accumulated amortization	1,529,269
	<u>\$ 443,085</u>

Amortization expense relative to leased property under capital leases totaled \$230,913 for the year ended June 30, 2019 and is included in depreciation and amortization expense disclosed in Note 4.

Future minimum lease obligations and the net present value of the minimum lease payments as of June 30, 2019 is as follows:

	<b>Governmental Activities</b>
Year Ending June 30:	
2020	\$ 160,340
2021	160,340
2022	160,341
Total minimum lease payments	481,021
Less: amount representing interest	15,721
Present value of minimum lease payments	<u>\$ 465,300</u>

**NOTE 9 - OTHER LONG-TERM LIABILITIES**

Changes in other long-term liabilities for the year ended June 30, 2019 are as follows:

<b>Governmental Activities</b>	<b>Beginning Balance</b>	<b>Increases</b>	<b>Decreases</b>	<b>Ending Balance</b>	<b>Due Within One Year</b>
Compensated absences:					
Town	\$ 2,616,699	\$ 264,250	\$ (403,450)	\$ 2,477,499	\$ 743,212
Board of Education ("BOE")	831,063	-	(43,125)	787,938	264,085
Internal Service Fund	68,856	5,679	(12,541)	61,994	43,750
Total compensated absences	3,516,618	269,929	(459,116)	3,327,431	1,051,047
Termination benefits:					
BOE estimated retirement pay	1,995,015	102,817	(150,570)	1,947,262	116,725
BOE early retirement pay	448,407	217,391	(159,180)	506,618	145,976
Total termination benefits	2,443,422	320,208	(309,750)	2,453,880	262,701
Risk management:					
Claims payable	2,746,055	1,252,314	(941,353)	3,057,016	782,027
Heart and hypertension	388,602	-	(18,537)	370,065	10,200
Total risk management	3,134,657	1,252,314	(959,890)	3,427,081	792,227
Net pension liability	52,562,864	12,092,528	(4,270,961)	60,384,431	-
Net OPEB liability	7,352,901	1,359,956	(604,694)	8,108,163	-
Total long-term liabilities	<u>\$ 69,010,462</u>	<u>\$ 15,294,935</u>	<u>\$ (6,604,411)</u>	<u>\$ 77,700,986</u>	<u>\$ 2,105,975</u>

**TOWN OF VERNON, CONNECTICUT**  
NOTES TO THE BASIC FINANCIAL STATEMENTS *(Continued)*  
AS OF AND FOR THE YEAR ENDED JUNE 30, 2019

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

<b>Business-type Activities</b>	<b>Beginning Balance</b>	<b>Increases</b>	<b>Decreases</b>	<b>Ending Balance</b>	<b>Due Within One Year</b>
Compensated absences	\$ 392,497	\$ 32,012	\$ (104,509)	\$ 320,000	\$ 94,853
Net pension liability	3,847,764	979,498	(282,251)	4,545,011	-
Net OPEB liability	266,040	44,513	(20,000)	290,553	-
	<u>\$ 4,506,301</u>	<u>\$ 1,056,023</u>	<u>\$ (406,760)</u>	<u>\$ 5,155,564</u>	<u>\$ 94,853</u>

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

**Heart and Hypertension Claims**

Heart and hypertension outstanding claims, including an estimated \$136,265 of incurred, but not reported claims, totaled \$370,065 as of June 30, 2019. There are three heart and hypertension claims outstanding at year-end. Medical claims of \$12,866 were made during the year ended June 30, 2019.

**Termination Benefits**

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

**School Administrators**

As part of the early retirement incentive plan for school administrators, the Town offers to pay a percentage of the early retiree's health insurance premium and a cash payout. Such benefit provisions, included in the school administrators' bargaining agreement with the Vernon Board of Education, require Town Council approval. Currently, there are no former school administrator receiving this benefit.

In addition to healthcare termination benefits, cash payments are available to school administrator early retirees. There are 3 former school administrators receiving this benefit. The cost to the Town for the year ended June 30, 2019 was \$30,428. The early retirement liability of \$178,939 has been calculated based upon the discounted present value of expected future benefits and a 2.412% 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 33 former teachers receiving this benefit. The cost to the Town for the year ended June 30, 2019 was \$128,752. The early retirement liability of \$327,679 as of June 30, 2019 has been calculated based upon the discounted present value of expected future benefits and a 2.412% yield of investments that are expected to be used to finance such benefit payments.

**TOWN OF VERNON, CONNECTICUT**  
NOTES TO THE BASIC FINANCIAL STATEMENTS *(Continued)*  
AS OF AND FOR THE YEAR ENDED JUNE 30, 2019

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

**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. The early retirement pay liability totaled \$1,947,262 as of June 30, 2019. Paid benefits for the year ended June 30, 2019 were \$150,570.

**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, 2018, the measurement date, plan membership consisted of the following:

	<b>Town</b>	<b>Police</b>	<b>LOSAP</b>
Retirees and beneficiaries receiving benefits	219	58	23
Terminated plan members entitled to but not yet receiving benefits	223	5	53
Active plan members	323	47	89
	<u>765</u>	<u>110</u>	<u>165</u>

***Benefits Provided***

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

**TOWN OF VERNON, CONNECTICUT**  
NOTES TO THE BASIC FINANCIAL STATEMENTS *(Continued)*  
AS OF AND FOR THE YEAR ENDED JUNE 30, 2019

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**NOTE 10 - EMPLOYEE RETIREMENT PLANS *(Continued)***

**Pension Trust Fund *(Continued)***

**Plan Description *(Continued)***

**Benefits Provided *(Continued)***

**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 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.

**TOWN OF VERNON, CONNECTICUT**  
NOTES TO THE BASIC FINANCIAL STATEMENTS *(Continued)*  
AS OF AND FOR THE YEAR ENDED JUNE 30, 2019

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**NOTE 10 - EMPLOYEE RETIREMENT PLANS *(Continued)***

**Pension Trust Fund *(Continued)***

**Plan Description *(Continued)***

**Benefits Provided *(Continued)***

**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.

**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, 2019, the average active member contribution rate was 8.50% of annual base compensation, and the Town's average contribution rate was 38.41% of annual payroll.



**TOWN OF VERNON, CONNECTICUT**  
NOTES TO THE BASIC FINANCIAL STATEMENTS *(Continued)*  
AS OF AND FOR THE YEAR ENDED JUNE 30, 2019

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**NOTE 10 - EMPLOYEE RETIREMENT PLANS *(Continued)***

**Pension Trust Fund *(Continued)***

**Plan Description *(Continued)***

***Contributions (Continued)***

*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 16.87% of annual payroll.

*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.

**TOWN OF VERNON, CONNECTICUT**  
NOTES TO THE BASIC FINANCIAL STATEMENTS *(Continued)*  
AS OF AND FOR THE YEAR ENDED JUNE 30, 2019

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**NOTE 10 - EMPLOYEE RETIREMENT PLANS *(Continued)***

**Pension Trust Fund *(Continued)***

**Summary of Significant Accounting Policies *(Continued)***

*Rate of return* - For the year ended December 31, 2018, 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	-4.50%
Town Plan	-4.20%
LOSAP Plan	-7.48%

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

**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, 2018, the reporting date of the plans:

	<u>Town Plan</u>	<u>Police Plan</u>	<u>Volunteer Firefighters LOSAP</u>	<u>Total</u>
<b>ASSETS</b>				
Cash and cash equivalents	\$ 23,166	\$ 6,820	\$ 111,045	\$ 141,031
Investments	42,961,661	20,631,828	1,651,477	65,244,966
Total assets	<u>42,984,827</u>	<u>20,638,648</u>	<u>1,762,522</u>	<u>65,385,997</u>
<b>LIABILITIES</b>				
Payables	10,868	8,157	34	19,059
Total liabilities	<u>10,868</u>	<u>8,157</u>	<u>34</u>	<u>19,059</u>
<b>NET POSITION</b>				
Restricted for pension benefits	42,973,959	20,630,491	1,762,488	65,366,938
	<u>\$ 42,973,959</u>	<u>\$ 20,630,491</u>	<u>\$ 1,762,488</u>	<u>\$ 65,366,938</u>

**TOWN OF VERNON, CONNECTICUT**  
NOTES TO THE BASIC FINANCIAL STATEMENTS *(Continued)*  
AS OF AND FOR THE YEAR ENDED JUNE 30, 2019

**NOTE 10 - EMPLOYEE RETIREMENT PLANS *(Continued)***

**Pension Trust Fund *(Continued)***

**Plan Statements *(Continued)***

	<b>Town Plan</b>	<b>Police Plan</b>	<b>Volunteer Firefighters LOSAP</b>	<b>Total</b>
<b>ADDITIONS</b>				
Contributions:				
Employer	\$ 2,535,950	\$ 1,879,711	\$ 137,551	\$ 4,553,212
Plan members	881,387	375,468	-	1,256,855
Total contributions	<u>3,417,337</u>	<u>2,255,179</u>	<u>137,551</u>	<u>5,810,067</u>
Investment earnings:				
Net investment loss	(1,453,818)	(751,549)	(114,598)	(2,319,965)
Less investment expense	(209,538)	(103,489)	-	(313,027)
Total investment earnings	<u>(1,663,356)</u>	<u>(855,038)</u>	<u>(114,598)</u>	<u>(2,632,992)</u>
Total additions	<u>1,753,981</u>	<u>1,400,141</u>	<u>22,953</u>	<u>3,177,075</u>
<b>DEDUCTIONS</b>				
Benefit payments	3,905,481	3,008,005	62,585	6,976,071
Administrative expenses	101,640	67,440	21,797	190,877
Total deductions	<u>4,007,121</u>	<u>3,075,445</u>	<u>84,382</u>	<u>7,166,948</u>
Change in net position	(2,253,140)	(1,675,304)	(61,429)	(3,989,873)
Net position - beginning	<u>45,227,099</u>	<u>22,305,795</u>	<u>1,823,917</u>	<u>69,356,811</u>
Net position - ending	<u>\$ 42,973,959</u>	<u>\$ 20,630,491</u>	<u>\$ 1,762,488</u>	<u>\$ 65,366,938</u>

**Net Pension Liability**

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

	<b>Town</b>	<b>Police</b>	<b>LOSAP</b>	<b>Total</b>
Total pension liability	\$ 82,807,537	\$ 45,348,749	\$ 2,140,094	\$ 130,296,380
Plan fiduciary net position	<u>42,973,959</u>	<u>20,630,491</u>	<u>1,762,488</u>	<u>65,366,938</u>
Net pension liability	<u>\$ 39,833,578</u>	<u>\$ 24,718,258</u>	<u>\$ 377,606</u>	<u>\$ 64,929,442</u>
Plan fiduciary net position as a percentage of the total pension liability	51.90%	45.49%	82.36%	50.17%

**TOWN OF VERNON, CONNECTICUT**  
NOTES TO THE BASIC FINANCIAL STATEMENTS *(Continued)*  
AS OF AND FOR THE YEAR ENDED JUNE 30, 2019

**NOTE 10 - EMPLOYEE RETIREMENT PLANS *(Continued)***

**Pension Trust Fund *(Continued)***

**Net Pension Liability *(Continued)***

The Town's net pension liability for the current fiscal year was measured at December 31, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of January 1, 2018. The changes in net pension liability for each of the Town's plans were as follows:

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
<b>Town Plan</b>			
Balance as of January 1, 2018	\$ 79,798,201	\$ 45,227,099	\$ 34,571,102
<b>Changes for the year:</b>			
Service cost	1,505,283	-	1,505,283
Interest	5,451,494	-	5,451,494
Differences between expected and actual experience	(41,960)	-	(41,960)
Contributions - employer	-	2,535,950	(2,535,950)
Contributions - employee	-	881,387	(881,387)
Net investment income	-	(1,663,356)	1,663,356
Benefit payments, including refunds	(3,905,481)	(3,905,481)	-
Administrative expense	-	(101,640)	101,640
<b>Net changes</b>	<u>3,009,336</u>	<u>(2,253,140)</u>	<u>5,262,476</u>
Balance as of December 31, 2018	<u>\$ 82,807,537</u>	<u>\$ 42,973,959</u>	<u>\$ 39,833,578</u>

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
<b>Police Plan</b>			
Balance as of January 1, 2018	\$ 43,879,584	\$ 22,305,795	\$ 21,573,789
<b>Changes for the year:</b>			
Service cost	783,253	-	783,253
Interest	2,968,071	-	2,968,071
Differences between expected and actual experience	728,178	-	728,178
Change in assumption	(2,332)	-	(2,332)
Contributions - employer	-	1,879,711	(1,879,711)
Contributions - employee	-	375,468	(375,468)
Net investment income	-	(855,038)	855,038
Benefit payments, including refunds	(3,008,005)	(3,008,005)	-
Administrative expense	-	(67,440)	67,440
<b>Net changes</b>	<u>1,469,165</u>	<u>(1,675,304)</u>	<u>3,144,469</u>
Balance as of December 31, 2018	<u>\$ 45,348,749</u>	<u>\$ 20,630,491</u>	<u>\$ 24,718,258</u>

**TOWN OF VERNON, CONNECTICUT**  
NOTES TO THE BASIC FINANCIAL STATEMENTS *(Continued)*  
AS OF AND FOR THE YEAR ENDED JUNE 30, 2019

**NOTE 10 - EMPLOYEE RETIREMENT PLANS *(Continued)***

***Pension Trust Fund (Continued)***

**Net Pension Liability *(Continued)***

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
	(a)	(b)	(a) - (b)
<b>LOSAP Plan</b>			
Balance as of January 1, 2018	\$ 2,089,654	\$ 1,823,917	\$ 265,737
<b>Changes for the year:</b>			
Service cost	25,480	-	25,480
Interest	133,795	-	133,795
Differences between expected and actual experience	(46,250)	-	(46,250)
Contributions - employer	-	137,551	(137,551)
Net investment income	-	(114,598)	114,598
Benefit payments, including refunds	(62,585)	(62,585)	-
Administrative expense	-	(21,797)	21,797
<b>Net changes</b>	<u>50,440</u>	<u>(61,429)</u>	<u>111,869</u>
Balance as of December 31, 2018	<u>\$ 2,140,094</u>	<u>\$ 1,762,488</u>	<u>\$ 377,606</u>

*Actuarial assumptions* - The total pension liability was determined by an actuarial valuation as of January 1, 2018, 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	4.50%	4.00%	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.

**TOWN OF VERNON, CONNECTICUT**  
NOTES TO THE BASIC FINANCIAL STATEMENTS *(Continued)*  
AS OF AND FOR THE YEAR ENDED JUNE 30, 2019

**NOTE 10 - EMPLOYEE RETIREMENT PLANS *(Continued)***

**Pension Trust Fund *(Continued)***

**Net Pension Liability *(Continued)***

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, 2018 are summarized in the following table:

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

*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:

	<u>Discount Rate</u>		
	<u>1% Decrease</u>	<u>Current</u>	<u>1% Increase</u>
Town Plan's net pension liability	\$ 48,582,874	\$ 39,833,578	\$ 32,545,197
Police Plan's net pension liability	\$ 30,280,974	\$ 24,718,258	\$ 20,114,015

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:

	<u>Discount Rate</u>		
	<u>1% Decrease</u>	<u>Current</u>	<u>1% Increase</u>
LOSAP Plan's net pension liability	\$ 662,967	\$ 377,606	\$ 73,338

**TOWN OF VERNON, CONNECTICUT**  
NOTES TO THE BASIC FINANCIAL STATEMENTS *(Continued)*  
AS OF AND FOR THE YEAR ENDED JUNE 30, 2019

**NOTE 10 - EMPLOYEE RETIREMENT PLANS *(Continued)***

**Pension Trust Fund *(Continued)***

**Pension Expense and Deferred Outflows and Inflows of Resources**

For the year ended June 30, 2019, the Town recognized a collective pension expense of \$8,330,580 relating to the Town plan in the amount of \$5,373,521, the Police plan in the amount of \$2,861,265, and the LOSAP plan in the amount of \$95,794. The Town reported deferred outflows and inflows of resources as of June 30, 2019 related to all plans from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred (Inflows) of Resources</b>	<b>Net</b>
<b>Town Plan</b>			
Difference between expected and actual experience	\$ 4,885,724	\$ (1,841,615)	\$ 3,044,109
Changes of assumptions and demographics	-	-	-
Difference between projected and actual earnings on plan investments	-	(673,960)	(673,960)
Total	<u>4,885,724</u>	<u>(2,515,575)</u>	<u>2,370,149</u>
<b>Police Plan</b>			
Difference between expected and actual experience	2,218,747	(825,861)	1,392,886
Changes of assumptions and demographics	366,970	-	366,970
Difference between projected and actual earnings on plan investments	864,977	-	864,977
Total	<u>3,450,694</u>	<u>(825,861)</u>	<u>2,624,833</u>
<b>LOSAP Plan</b>			
Difference between expected and actual experience	182,367	(162,020)	20,347
Changes of assumptions and demographics	-	-	-
Difference between projected and actual earnings on plan investments	136,602	-	136,602
Total	<u>318,969</u>	<u>(162,020)</u>	<u>156,949</u>
	<u><u>\$ 8,655,387</u></u>	<u><u>\$ (3,503,456)</u></u>	<u><u>\$ 5,151,931</u></u>

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:

	<b>Amortization Pension Expense</b>			
	<b>Town Plan</b>	<b>Police Plan</b>	<b>LOSAP Plan</b>	<b>Total</b>
Year ended June 30,				
2020	\$ 358,237	\$ 1,639,753	\$ 53,836	\$ 2,051,826
2021	527,467	312,068	19,517	859,052
2022	488,249	182,333	24,201	694,783
2023	996,196	490,679	52,201	1,539,076
2024	-	-	1,210	1,210
Thereafter	-	-	5,984	5,984
	<u><u>\$ 2,370,149</u></u>	<u><u>\$ 2,624,833</u></u>	<u><u>\$ 156,949</u></u>	<u><u>\$ 5,151,931</u></u>

**TOWN OF VERNON, CONNECTICUT**  
NOTES TO THE BASIC FINANCIAL STATEMENTS *(Continued)*  
AS OF AND FOR THE YEAR ENDED JUNE 30, 2019

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**NOTE 10 - EMPLOYEE RETIREMENT PLANS *(Continued)***

**State of Connecticut Teachers' Retirement System**

**Plan Description**

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 that provides retirement, Disability, survivorship and health insurance benefits to plan members and their beneficiaries. The TRS is governed by Connecticut General Statute ("CGS") *Title 10, Chapter 167a* and is administered by the Connecticut State Teachers' Retirement Board (the "Board"). The TRS is included as a fiduciary pension trust fund in the State of Connecticut's Comprehensive Annual Financial Report and the Board issues publicly available financial reports. These reports can be obtained from the Connecticut Office of the State Comptroller.

**Benefit Provisions**

The plan provides retirement, disability and death benefits. Employees are eligible to retire at age 60 with 20 years of credited service in Connecticut, or 35 years of credited service including at least 25 years of service in Connecticut.

*Normal Retirement:* Retirement benefits for the employees are calculated as 2.0% of the average annual salary times the years of credited service (maximum benefit if 75.0% of average annual salary during the 3 years of highest salary). In addition, amounts derive from the accumulation of the 6.0% contributions made prior to July 1, 1989 and voluntary contributions are payable.

*Early Retirement:* Employees are eligible after 25 years of credited service with a minimum of 20 years of Connecticut service, or age 55 with 20 years of credited service with a minimum of 15 years of Connecticut service. Benefit amounts are reduced by 6.0% per year for the first 5 years proceeding normal retirement age and 4.0% per year for the next 5 years preceding normal retirement age. Effective July 1, 1999, the reduction for individuals with 30 or more years of service is 3.0% per year by which retirement precedes normal retirement date.

*Minimum Benefit:* Effective January 1, 1999, Public Act 98-251 provides a minimum monthly benefit of \$1,200 to teachers who retire under the normal retirement provisions and who have completed at least 25 years of full time Connecticut service at retirement.

*Disability Retirement:* Employees are eligible for service-related disability benefits regardless of length of service. Five years of credited service is required to be eligible for non-service related disability. Disability benefits are calculated as 2% per years of service times the average of the highest three years of pensionable salary, as defined per the Plan, but not less than 15%, nor more than 50%. In addition, disability benefits under this plan (without regard to cost-of-living adjustments) plus any initial award of Social Security benefits and workers' compensation cannot exceed 75% of average annual salary. A plan member who leaves service and has attained 10 years of service will be entitled to 100% of the accrued benefit as of the date of termination of covered employment. Benefits are payable at age 60, and early retirement reductions are based on the number of years of service the member would have had if they had continued work until age 60.

*Pre-Retirement Death Benefit:* The plan also offers a lump-sum return of contributions with interest or surviving spouse benefit depending on length of service.



**TOWN OF VERNON, CONNECTICUT**  
NOTES TO THE BASIC FINANCIAL STATEMENTS *(Continued)*  
AS OF AND FOR THE YEAR ENDED JUNE 30, 2019

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**NOTE 10 - EMPLOYEE RETIREMENT PLANS *(Continued)***

**State of Connecticut Teachers' Retirement System *(Continued)***

**Contributions**

Per CGS 10-183z, contribution requirements of active employees and the State are amended and certified by the Board and appropriated by the General Assembly. The contributions are actuarially determined as an amount that, when combined with employee contributions and investment earnings, is expected to finance the costs of the benefits earned by employees during the year, with any additional amounts to finance any unfunded accrued liability.

In accordance with CGS Section 10-183z, 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 100% of an employer's contributions on-behalf of its participating municipalities at an actuarially determined rate. Effective January 1, 2018, active employees are required to contribute 7.0%, previously 6.0%, of their annual earnings to the plan.

**Administrative Expenses**

Administrative costs of the plan are funded by the State.

**Basis of Presentation**

The collective net pension liability, deferred outflows and inflows of resources, and pension expense for the TRS has been measured as of June 30, 2018 based on an actuarial valuation performed as of June 30, 2018. Since the Town does not contribute directly to the TRS, the Town does not recognize its proportionate share of these amounts in its financial statements. The information determined as of the June 30, 2018 measurement date for the TRS has been utilized by the Town for reporting on-behalf revenues, expenditures and expenses for the year ended June 30, 2019 and for reporting the proportionate share of the collective net pension liability that is attributed to the Town as of June 30, 2019.

**Allocation Methodology**

The schedule of employer allocations for the TRS was calculated based upon the fiscal year 2018 expected contribution effort for each participating employer. The employer allocations were then applied to the net pension liability and pension expense to determine the amount applicable to each employer. For fiscal year 2018, the Town's expected contribution effort for allocation purposes totaled \$7,765,665 or 0.610% of the total expected contribution effort. The Town has recognized this amount as an on-behalf payment into the TRS as intergovernmental revenues and related education expenditures of the General Fund for the year ended June 30, 2019.

The components associated with the collective pension expense and deferred outflows and inflows of resources for the TRS have been determined based on the fiduciary net position as audited by the State of Connecticut Auditors of Public Accounts as part of the State of Connecticut's Comprehensive Annual Financial Report as of and for the year ended June 30, 2018. The portion of the collective pension expense allocated to the Town totaled \$9,017,887.

The total collective net pension liability of participating employers for the TRS was approximately \$13.164 billion as of the June 30, 2018 measurement date. The portion attributed to the Town totaled approximately \$80,350,000 or 0.610% of the total collective net pension liability.

**TOWN OF VERNON, CONNECTICUT**  
NOTES TO THE BASIC FINANCIAL STATEMENTS *(Continued)*  
AS OF AND FOR THE YEAR ENDED JUNE 30, 2019

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**NOTE 10 - EMPLOYEE RETIREMENT PLANS *(Continued)***

**State of Connecticut Teachers' Retirement System *(Continued)***

**Actuarial Assumptions**

The total pension liability was determined by an actuarial valuation as of June 30, 2018 using the following actuarial assumptions, applied to all periods included 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
Administrative expenses	\$0 assumption as expenses are paid for by the General Assembly

Mortality rates were based on 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.

Future cost-of-living increases for teachers who retired prior to September 1, 1992, are made in accordance with increases in the Consumer Price Index, with a minimum of 3% and a maximum of 5% per annum. For teachers who were members of the Teachers' Retirement System before July 1, 2007, and retire on or after September 1, 1992, pension benefit adjustments are made that are consistent with those provided for Social Security benefits on January 1 of the year granted, with a maximum of 6% per annum. If the return on assets in the previous year was less than 8.5%, the maximum increase is 1.5%. For teachers who were members of the Teachers' Retirement System after July 1, 2007, pension benefit adjustments are made that are consistent with those provided for Social Security benefits on January 1 of the year granted, with a maximum of 5% per annum. If the return on assets in the previous year was less than 11.5%, the maximum increase is 3%, and if the return on the assets in the previous year was less than 8.5%, the maximum increase is 1.0%.

**Discount Rate**

The discount rate used to measure the total pension liability was 8.00%. 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 the State contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. 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.

**Long-Term Rate of Return**

The long-term expected rate of return on pension plan investments was determined using a long-normal distribution analysis 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.

**TOWN OF VERNON, CONNECTICUT**  
NOTES TO THE BASIC FINANCIAL STATEMENTS *(Continued)*  
AS OF AND FOR THE YEAR ENDED JUNE 30, 2019

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**NOTE 10 - EMPLOYEE RETIREMENT PLANS *(Continued)***

**State of Connecticut Teachers' Retirement System *(Continued)***

Best estimates of arithmetic real rates of return for each major asset class included in the plan's target asset allocation are summarized in the following table:

Asset Class	Target Allocation	Long-term Expected Real Rate of Return
Large Cap U.S. Equities	21.0%	5.8%
Developed Non-U.S. Equities	18.0%	6.6%
Emerging Markets (Non-U.S.)	9.0%	8.3%
Real Estate	7.0%	5.1%
Private Equity	11.0%	7.6%
Alternative Investments	8.0%	4.1%
Fixed Income (Core)	7.0%	1.3%
High Yield Bonds	5.0%	3.9%
Emerging Market Bond	5.0%	3.7%
Inflation Linked Bonds	3.0%	1.0%
Cash	6.0%	0.4%
	100.0%	

**Proportionate Share of the Collective Net Pension Liability**

The following presents the proportionate share of the collective net pension liability attributed to the Town as of the June 30, 2018 measurement date, calculated using a discount rate of 8.00%, as well as what the proportionate share of the net pension liability attributed to the Town would be if it were calculated using a discount rate that is 1-percentage point lower (7.00%) or 1-percentage-point higher (9.00%) 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	\$ 101,548,000	\$ 80,350,000	\$ 62,424,000

**Defined Contribution Plans**

**Establishment and Amendment**

The Vernon Town Council has authorized the establishment of 14 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.

**TOWN OF VERNON, CONNECTICUT**  
NOTES TO THE BASIC FINANCIAL STATEMENTS *(Continued)*  
AS OF AND FOR THE YEAR ENDED JUNE 30, 2019

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**NOTE 10 - EMPLOYEE RETIREMENT PLANS *(Continued)***

**Defined Contribution Plans *(Continued)***

The effective establishment dates for these fourteen 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, 2012	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
January 1, 2017	Board of Education Secretarial / Custodial / Maintenance
January 1, 2018	Board of Education Paraprofessionals

**Contributions**

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

<u>Plan</u>	<u>Employee Contribution</u>	<u>Employer Contribution</u>
DPW Clerical	0% - 7.5% of wages	2% of wages
	7.5% or more of wages	4% of wages
Professionals	0% - 7.5% of wages	2% of wages
	7.5% or more of wages	4% of wages
DPW Supervisors	0% - 7.5% of wages	2% of wages
	7.5% or more of wages	4% of wages
WPC Supervisors	0% - 7.5% of wages	2% of wages
	7.5% or more of wages	4% of wages
Town Non-Union	0% - 6.0% of wages	3% of wages
	6.0% or more of wages	5% of wages
DPW Laborers	0% - 7.5% of wages	2% of wages
	7.5% or more of wages	4% of wages
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
Education Secretarial / Custodial / Maintenance	0% - 7.5% of wages	2% of wages
	7.5% or more of wages	4% of wages
Education Paraprofessionals	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, 2019

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**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, 2019 are as follows:

<b>Plan</b>	<b>Employee Contribution</b>	<b>Employer Pension Expense</b>
Professionals	\$ 78,492	\$ 43,438
Town Non-Union	87,708	73,975
DPW Laborers/Parks/WPC	101,355	54,583
Police Civilians	16,505	26,380
Education Non-Union	68,661	42,104
Education Cafeteria	662	353
Education Supervisors	662	2,896
Education Nurses	12,921	5,927
Education Librarians	1,339	714
Education Secretarial / Custodial / Maintenance	15,882	10,978
Education Paraprofessionals	5,494	5,690

**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.

**TOWN OF VERNON, CONNECTICUT**  
NOTES TO THE BASIC FINANCIAL STATEMENTS *(Continued)*  
AS OF AND FOR THE YEAR ENDED JUNE 30, 2019

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

**Plan Description**

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 is considered to be part of the Town's financial reporting entity and is included in the Town's financial report as the Other Postemployment Benefits Trust Fund. The plan does not issue a stand-alone financial report.

**Funding Policy**

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.

**Employees Covered by Benefit Terms**

At July 1, 2018, date of the most recent actuarial valuation, plan membership consisted of the following:

	<u>Police</u>	<u>Town</u>	<u>Board of Education</u>	<u>Total</u>
Active employees	30	151	378	559
Members receiving benefits	14	10	65	89
Spouses of retired members	3	3	15	21
Beneficiaries	-	2	6	8
Total	<u>47</u>	<u>166</u>	<u>464</u>	<u>677</u>

**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, 2019, the Police, Town and Board of Education's contribution totaled \$624,694, which represented 1.60% of covered-employee payroll.

**Net OPEB Liability**

The Town's net OPEB liability reported as of June 30, 2019 totaled \$8,398,716. The net OPEB liability was measured as of June 30, 2019 and was determined by an actuarial valuation as of July 1, 2018.

**TOWN OF VERNON, CONNECTICUT**  
NOTES TO THE BASIC FINANCIAL STATEMENTS *(Continued)*  
AS OF AND FOR THE YEAR ENDED JUNE 30, 2019

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

**Net OPEB Liability *(Continued)***

*Actuarial Assumptions* – The total OPEB liability as of June 30, 2019 was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Inflation rate	2.75%
Investment rate of return	6.50%
Discount rate	6.50%
Medical trend	
BOE Certified	6.40% to 4.30% over 57 years
BOE Non-Certified	
Pre-65	6.40% to 4.30% over 57 years
Post-65	3.90% to 4.30% over 54 years
Town	
Pre-65	6.40% to 4.30% over 69 years
Post-65	3.90% to 4.30% over 54 years
Police	
Pre-65	6.40% to 4.40% over 59 years
Post-65	3.90% to 4.70% over 78 years

Mortality rates were based on 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 and further adjusted to grade in increase to rates over age 80, for all teachers and administrators, the PubS-2010 Mortality Table with generational projection per MP-2014 ultimate scale, with employee rates before benefit commencement and healthy annuitant rates after commencement, for all police and the PubG-2010 Mortality Table with generational projection per MP-2014 ultimate scale, with employee rates before benefit commencement and healthy annuitant rates after benefit commencement 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, 2019 are summarized in the following table:

<b>Asset Class</b>	<b>Target Allocation</b>	<b>Long-Term Expected Real Arithmetic Rate of Return</b>	<b>Long-Term Expected Real Geometric Rate of Return</b>
U.S. Cash	3.10%	0.36%	0.35%
U.S. Core Bonds	19.80%	2.29%	2.13%
Non-U.S. Bonds	3.40%	0.38%	-0.17%
U.S. Large Caps	52.50%	4.33%	3.13%
Non-U.S. Equity	20.30%	5.81%	4.11%
Hedge FOF Conservative	0.90%	1.69%	1.52%

**TOWN OF VERNON, CONNECTICUT**  
NOTES TO THE BASIC FINANCIAL STATEMENTS *(Continued)*  
AS OF AND FOR THE YEAR ENDED JUNE 30, 2019

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

**Net OPEB Liability *(Continued)***

*Discount rate* - The discount rate used to measure the total OPEB liability was 6.50%. 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.

**Changes in the Net OPEB Liability**

	Increase (Decrease)		
	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (a) - (b)
Balance as of July 1, 2018	\$ 8,676,532	\$ 1,057,591	\$ 7,618,941
<b>Changes for the year:</b>			
Service cost	525,888	-	525,888
Interest	584,733	-	584,733
Differences between expected and actual experience	4,843,646	-	4,843,646
Change in assumptions	(4,483,302)	-	(4,483,302)
Contributions - employer	-	624,694	(624,694)
Net investment income	-	66,496	(66,496)
Benefit payments, including refunds	(419,694)	(419,694)	-
<b>Net changes</b>	<u>1,051,271</u>	<u>271,496</u>	<u>779,775</u>
Balance as of June 30, 2019	<u>\$ 9,727,803</u>	<u>\$ 1,329,087</u>	<u>\$ 8,398,716</u>

*Sensitivity of the net OPEB liability to changes in the discount rate* - The following presents the Town's net OPEB liability 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 (5.50%) or 1-percentage-point higher (7.50%) than the current rate:

	Discount Rates		
	1% Decrease (5.50%)	Current (6.50%)	1% Increase (7.50%)
Net OPEB liability as of June 30, 2019	\$ 9,538,979	\$ 8,398,716	\$ 7,428,807



**TOWN OF VERNON, CONNECTICUT**  
NOTES TO THE BASIC FINANCIAL STATEMENTS *(Continued)*  
AS OF AND FOR THE YEAR ENDED JUNE 30, 2019

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

**Changes in the Net OPEB Liability *(Continued)***

*Sensitivity of the net OPEB liability to changes in the healthcare cost trend rates* - The following presents the Town's net OPEB liability 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:

	<b>Healthcare Cost Trend Rates</b>		
	<b>Current</b>		
	<b>1% Decrease</b>	<b>Trend Rate</b>	<b>1% Increase</b>
Net OPEB liability as of June 30, 2019	\$ 7,213,212	\$ 8,398,716	\$ 9,834,860

**OPEB Expense and Deferred Outflows and Inflows of Resources**

For the year ended June 30, 2019, the Town recognized OPEB expense of \$1,094,900. At June 30, 2019, the Town reported deferred outflows of resources related to OPEB from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred (Inflows) of Resources</b>	<b>Net</b>
Difference between expected and actual experience	\$ 4,349,396		\$ 4,349,396
Changes of assumptions and demographics	-	(4,025,822)	(4,025,822)
Difference between projected and actual earnings on plan investments	70,613	-	70,613
Total	<u>\$ 4,420,009</u>	<u>\$ (4,025,822)</u>	<u>\$ 394,187</u>

Amounts reported as deferred outflows and inflows of resources related to OPEB will be recognized as a component of OPEB expense as follows:

	<b>Amortization OPEB Expense</b>
Year ended June 30,	
2020	\$ 59,711
2021	59,711
2022	59,713
2023	38,558
2024	36,770
Thereafter	139,724
	<u>\$ 394,187</u>

**TOWN OF VERNON, CONNECTICUT**  
NOTES TO THE BASIC FINANCIAL STATEMENTS *(Continued)*  
AS OF AND FOR THE YEAR ENDED JUNE 30, 2019

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

**OPEB Plan Financial Statements**

The following presents the statement of fiduciary net position and the statement of changes in fiduciary net position for the Town's OPEB Plan as of and for the year ended June 30, 2019:

<b>Statement of Fiduciary Net Position</b>	
<b>ASSETS</b>	
Cash and cash equivalents	\$ 519,845
Investments	885,884
Receivables	930
Total assets	<u>1,406,659</u>
<b>LIABILITIES</b>	
Payables	4,357
Unearned revenue	73,215
Total liabilities	<u>77,572</u>
<b>NET POSITION</b>	
Restricted for other post-employment benefits	1,329,087
	<u><u>\$ 1,329,087</u></u>
<b>Statement of Changes in Fiduciary Net Position</b>	
<b>ADDITIONS</b>	
Contributions:	
Employer	\$ 624,694
Retirees	598,200
Total contributions	<u>1,308,094</u>
Investment earnings:	
Net investment income	77,150
Total additions	<u>1,385,244</u>
<b>DEDUCTIONS</b>	
Benefit payments	1,103,094
Administrative expenses	10,654
Total deductions	<u>1,113,748</u>
Change in net position	271,496
Net position - beginning	<u>1,057,591</u>
Net position - ending	<u><u>\$ 1,329,087</u></u>

**TOWN OF VERNON, CONNECTICUT**  
NOTES TO THE BASIC FINANCIAL STATEMENTS *(Continued)*  
AS OF AND FOR THE YEAR ENDED JUNE 30, 2019

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

**Connecticut State Teachers' Retirement System**

**Plan Description**

The faculty and professional personnel of the Town's Board of Education participates in the State of Connecticut's Teachers' Retirement System ("TRS"), which is a cost sharing multiple-employer defined benefit pension plan that provides retirement, disability, survivorship and health insurance benefits to plan members and their beneficiaries. The TRS is governed by Connecticut General Statute ("CGS") *Title 10, Chapter 167a* and is administered by the Connecticut State Teachers' Retirement Board (the "Board"). The OPEB trust fund is included in the TRS, and the TRS is included in the State of Connecticut audit as a pension trust fund. These reports can be obtained from the Connecticut Office of the State Comptroller.

**Benefit Provisions**

The Plan covers retired teachers and administrators of public schools in the State who are receiving benefits from the Plan. The Plan provides healthcare insurance benefits to eligible retirees and their spouses. Any member that is currently receiving a retirement or disability benefit through the Plan is eligible to participate in the healthcare portion of the Plan. Subsidized Local School District Coverage provides a subsidy paid to members still receiving coverage through their former employer and the TRB Sponsored Medicare Supplemental Plans provide coverage for those participating in Medicare, but not receiving Subsidized Local School District Coverage.

Any member that is not currently participating in Medicare Parts A & B is eligible to continue health care coverage with their former employer. A subsidy of up to \$110 per month for a retired member plus an additional \$110 per month for a spouse enrolled in a local school district plan is provided to the school district to first offset the retiree's share of the cost of coverage, any remaining portion is used to offset the district's cost. The subsidy amount is set by statute, and has not increased since July of 1996. A subsidy amount of \$220 per month may be paid for a retired member, spouse or the surviving spouse of a member who has attained the normal retirement age to participate in Medicare, is not eligible for Part A of Medicare without cost, and contributes at least \$220 per month towards coverage under a local school district plan.

Any member that is currently participating in Medicare Parts A & B is eligible to either continue health care coverage with their former employer, if offered, or enroll in the plan sponsored by the System. If they elect to remain in the plan with their former employer, the same subsidies as above will be paid to offset the cost of coverage.

If a member participating in Medicare Parts A & B so elects, they may enroll in one of the CTRB Sponsored Medicare Supplemental Plans. Active members, retirees, and the State pay equally toward the cost of the basic coverage (medical and prescription drug benefits).

Employees are eligible to retire at age 60 with 20 years of credited service in Connecticut, or 35 years of credited service including at least 25 years of service in Connecticut.

**Contributions**

Per CGS 10-183z, which reflects Public Act 79-436 as amended), contribution requirements of active employees and the State of Connecticut are amended and certified by the TRB and appropriated by the General Assembly. The State pays for one third of plan costs through an annual appropriation in the General Fund. School district employers are not required to make contributions to the Plan.

**TOWN OF VERNON, CONNECTICUT**  
NOTES TO THE BASIC FINANCIAL STATEMENTS *(Continued)*  
AS OF AND FOR THE YEAR ENDED JUNE 30, 2019

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

**Connecticut State Teachers' Retirement System *(Continued)***

**Contributions *(Continued)***

The cost of providing plan benefits is financed on a pay-as-you-go basis as follows: active teachers' pay for one third of the Plan costs through a contribution of 1.25% of their pensionable salaries, and retired teachers pay for one third of the Plan costs through monthly premiums, which helps reduce the cost of health insurance for eligible retired members and dependents.

Contributions remitted by the State are recognized when legally due, based upon statutory requirements.

**Administrative Expenses**

Administrative costs of the Plan are to be paid by the General Assembly per Section 10-183r of the Connecticut General Statutes.

**Basis of Presentation**

The collective net OPEB liability, deferred outflows and inflows of resources, and OPEB expense for the TRS has been measured as of June 30, 2018 based on an actuarial valuation performed as of June 30, 2018. Since the Town does not contribute directly to the TRS, the Town does not recognize its proportionate share of these amounts in its financial statements. The information determined as of the June 30, 2018 measurement date for the TRS has been utilized by the Town for reporting on-behalf revenues, expenditures and expenses for the year ended June 30, 2019 and for reporting the proportionate share of the collective net OPEB liability that is attributed to the Town as of June 30, 2019.

The components associated with the OPEB expense and deferred outflows and inflows of resources have been determined using the unrecognized portions of each year's experience and assumption changes for the year ended June 30, 2018.

**Allocation Methodology**

The schedule of allocations have been prepared to provide the total amount of employer contributions from the State and the proportionate share percentages that have been determined based on these contributions. Based on these percentages the proportionate share amounts of the net OPEB liability associated with each participating employer and the employer OPEB expense and revenue for State support for each participating employer for the year ending June 30, 2018.

For fiscal year 2018, the Town's expected contribution effort for allocation purposes totaled \$215,456 or 0.610% of the total expected contribution effort. The Town has recognized this amount as an on-behalf payment into the TRS as intergovernmental revenues and related education expenditures of the General Fund for the year ended June 30, 2019.

The components associated with the collective OPEB expense and deferred inflows and outflows of resources for the TRS have been determined based on the fiduciary net position as audited by the State of Connecticut Auditors of Public Accounts as part of the State of Connecticut's Comprehensive Annual Financial Report as of and for the year ended June 30, 2018. The portion of the collective negative OPEB expense allocated to the Town totaled \$(5,335,946).

The total collective net OPEB liability of participating employers for the TRS was approximately \$2.632 billion as of the June 30, 2018 measurement date. The portion attributed to the Town totaled \$16,062,000 or approximately 0.610% of the total collective net OPEB liability.

**TOWN OF VERNON, CONNECTICUT**  
NOTES TO THE BASIC FINANCIAL STATEMENTS *(Continued)*  
AS OF AND FOR THE YEAR ENDED JUNE 30, 2019

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

**Connecticut State Teachers' Retirement System *(Continued)***

**Actuarial Assumptions**

The total OPEB liability was determined by an actuarial valuation as of June 30, 2018 using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.75%
Real Wage Growth	0.50%
Wage Inflation	3.25%
Salary increases	3.25% -6.50%, including inflation
Long-term investment rate of return	3.00%, net of OPEB plan investment expense, including inflation

Mortality rates were based on 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.

**Long-Term Rate of Return**

The long-term expected rate of return on plan assets is reviewed as part of the actuarial valuation process. Several factors are considered in evaluation the long-term rate of return assumption, including the Plan's current asset allocations and a log-normal distribution analysis using the best-estimate ranges of expected future real rates of return (expected return, net of investment expense and inflation) for each major asset class.

The long-term expected rate of return was determined by weighing the expected future real rates of return by the target asset allocation percentage and then adding expected inflation. The assumption is not expected to change absent a significant change in the asset allocation, a change in the inflation assumption, or a fundamental change in the market that alters expected returns in future years.

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-term Expected Real Rate of Return</u>
U.S. Treasuries (Cash Equivalents)	100.0%	0.04%

**Discount Rate**

The discount rate used to measure the total OPEB liability was 3.87%. The projection of cash flows used to determine the discount rate was performed in accordance with the applicable standards. The projection's basis was an actuarial valuation performed as of June 30, 2018.

**TOWN OF VERNON, CONNECTICUT**  
NOTES TO THE BASIC FINANCIAL STATEMENTS *(Continued)*  
AS OF AND FOR THE YEAR ENDED JUNE 30, 2019

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

**Connecticut State Teachers' Retirement System *(Continued)***

**Discount Rate *(Continued)***

In addition to the actuarial methods and assumptions of the June 30, 2018 actuarial valuation, the following actuarial methods and assumptions were used in the projection of cash flows:

- Total payroll for the initial projection year consists of the payroll of the active membership present on the valuation date. In subsequent projection years, total payroll was assumed to increase annual at a rate of 3.25%.
- Employee contributions were assumed to be made at the current member contribution rate.
- Employee contributions for future plan members were used to reduce the estimated amount of total service costs for future plan members.
- No future employer contributions were assumed to be made.

Based on those assumptions, the Plan's fiduciary net position was projected to be depleted in 2019 and, as a result, the Municipal Bond Index Rate was used in the determination of the single equivalent rate.

**Proportionate Share of the Collective Net OPEB Liability**

*Sensitivity of the Net OPEB Liability to Changes in the Discount Rate* - The following presents the proportionate share of the collective net OPEB liability attributed to the Town as of the June 30, 2018 measurement date, calculated using a discount rate of 3.56%, as well as what the proportionate share of the net OPEB liability attributed to the Town would be if it were calculated using a discount rate that is 1-percentage point lower (2.87%) or 1-percentage-point higher (4.87%) than the current rate:

	Discount Rates		
	1% Decrease (2.87%)	Current (3.87%)	1% Increase (4.87%)
Proportionate share of the net OPEB liability attributed to the Town	\$ 19,073,000	\$ 16,062,000	\$ 13,660,000

*Sensitivity of the Net OPEB liability to Changes in the Healthcare Cost Trend Rates* - The following presents the proportionate share of the collective net OPEB liability attributed to the Town as of the June 30, 2018 measurement date, calculated using healthcare cost trend rates that are 1-percentage-point lower or 1-percentage-point higher than the current healthcare cost trend rates:

	Healthcare Cost Trend Rates		
	1% Decrease	Current Trend Rate	1% Increase
Proportionate share of the net OPEB liability attributed to the Town	\$ 13,461,000	\$ 16,062,000	\$ 19,516,000

**TOWN OF VERNON, CONNECTICUT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)**  
**AS OF AND FOR THE YEAR ENDED JUNE 30, 2019**

**NOTE 12 - FUND BALANCE**

As of June 30, 2019, fund balances have been classified based on the following purposes:

	General Fund	Road Improvements Bond Fund	Special Education Grants Fund	Waste Treatment Plant Upgrade Fund	Nonmajor Governmental Funds	Total Governmental Funds
Nonspendable:						
Cemetery Trust	\$ -	\$ -	\$ -	\$ -	\$ 1,757,835	\$ 1,757,835
Inventories and prepaid items	587,300	-	-	-	32,072	619,372
Internal lease obligations	2,667,235	-	-	-	-	2,667,235
Nonspendable total	3,254,535	-	-	-	1,789,907	5,044,442
Restricted for:						
Donor purpose restrictions	-	-	-	-	2,160,643	2,160,643
Grant programs	-	-	-	-	586,382	586,382
Sewer assessment	-	-	-	-	28	28
Cemeteries	-	-	-	-	114,345	114,345
Housing and community development	-	-	-	-	80,685	80,685
Education grants	-	-	150,723	-	409,645	560,368
Adult education	-	-	-	-	39,304	39,304
Restricted total	-	-	150,723	-	3,391,032	3,541,755
Committed to:						
Sewer repairs and maintenance	-	-	-	-	2,048,118	2,048,118
Insurance and medical	-	-	-	-	472,184	472,184
Community development	-	-	-	-	452,129	452,129
Police	-	-	-	-	165,184	165,184
Ambulance	-	-	-	-	300,076	300,076
Animal control	-	-	-	-	61,627	61,627
Human services	-	-	-	-	168,525	168,525
Maintenance for water runoff	-	-	-	-	51,726	51,726
Parks and recreation programs	-	-	-	-	365,340	365,340
Sidewalk development	-	-	-	-	2,701	2,701
Debt payments	-	-	-	-	1,414,609	1,414,609
Capital outlays	-	-	-	-	3,751,586	3,751,586
Committed total	-	-	-	-	9,253,805	9,253,805
Assigned to:						
General government:						
Administration and finance	5,453	-	-	-	-	5,453
Public safety:						
Police	47	-	-	-	-	47
Fire	3,644	-	-	-	-	3,644
Education	810,872	-	-	-	-	810,872
Compensated absences	322,000	-	-	-	-	322,000
Debt payments	177,046	-	-	-	-	177,046
Assigned total	1,319,062	-	-	-	-	1,319,062
Unassigned	19,297,219	(1,937,855)	-	(3,357,401)	(451,679)	13,550,284
	<u>\$ 23,870,816</u>	<u>\$ (1,937,855)</u>	<u>\$ 150,723</u>	<u>\$ (3,357,401)</u>	<u>\$ 13,983,065</u>	<u>\$ 32,709,348</u>

**TOWN OF VERNON, CONNECTICUT**  
NOTES TO THE BASIC FINANCIAL STATEMENTS *(Continued)*  
AS OF AND FOR THE YEAR ENDED JUNE 30, 2019

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**NOTE 12 - FUND BALANCE *(Continued)***

**Deficit Fund Balances**

The following funds have deficit equity balances as of June 30, 2019, which do not constitute a violation of statutory provisions:

<u>Fund</u>	<u>Amount</u>
Waste Treatment Plant Facilities Upgrade Fund	\$ (3,357,401)
Road Improvement Bond Fund	(1,937,855)
Workers' Compensation Fund	(1,580,512)
Public Safety Complex Grant-In-Aid Fund	(385,500)
School Roof Replacements and Renovations Fund	(20,123)
Cafeteria Fund	(7,574)
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 Road Improvements Bond Fund will be funded by the issuance of general obligation bonds. The deficit in the Waste Treatment Plant Upgrade Fund will be funded by a combination of State grant and loan proceeds and contributions from neighboring towns that utilize the waste treatment facilities. The deficit in the Workers' Compensation Fund will be eliminated by future charges to other funds. The deficit in the School Roof Replacements and Renovations Fund will be funded with available local resources.

**NOTE 13 - 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, 2019

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**NOTE 13 - RISK MANAGEMENT *(Continued)***

A summary of claims activity for Workers' Compensation claims transactions the years ended June 30, 2019 and 2018 are as follows:

<b>Year Ended June 30</b>	<b>Claims Payable, Beginning of Year</b>	<b>Claims and Changes in Estimates</b>	<b>Claims Paid</b>	<b>Claims Payable, End of Year</b>
2019	\$ 2,713,010	\$ 757,145	\$ 448,105	\$ 3,022,050
2018	2,668,899	690,669	646,558	2,713,010

Claims payable at June 30, 2019 includes incurred, but not reported (IBNR) claims of \$867,106. Based on historical payment data, approximately 34.67% of claims payable (excluding IBNR) will be paid during the following fiscal year. Thus, \$747,063 of claims payable is considered as a current liability and the remaining \$1,407,881 is considered as a long-term liability. Claims payable includes \$132,742 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. Effective July 1, 2017, the Town became self-insured for the cost of dental for its education employees and retirees.

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. Claims payable at June 30, 2019 includes incurred, but not reported claims of \$23,900.

A summary of claims activity for Medical Self-Insurance claims transactions the years ended June 30, 2019 and 2018 are as follows:

<b>Year Ended June 30</b>	<b>Claims Payable, Beginning of Year</b>	<b>Claims and Changes in Estimates</b>	<b>Claims Paid</b>	<b>Claims Payable, End of Year</b>
2019	\$ 33,045	\$ 495,168	\$ 493,249	\$ 34,964
2018	11,940	485,763	464,658	33,045

**TOWN OF VERNON, CONNECTICUT**  
NOTES TO THE BASIC FINANCIAL STATEMENTS *(Continued)*  
AS OF AND FOR THE YEAR ENDED JUNE 30, 2019

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**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.

Encumbrance accounting is employed as an extension of formal budgetary integration for the General Fund. Encumbrances are recognized as a valid and proper charge against a General Fund budget appropriation in the year in which a purchase order, contract, or other commitment is issued. Open encumbrances as of June 30, 2019 totaled \$997,062 and are included in assigned fund balance of the General Fund.

**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 2018-2019 were \$8,195. The abated taxes are per the fourth 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 2018-2019 was \$16,907. The abated taxes are per the fifth year of the agreement.
- 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 amount of abated taxes for fiscal year 2018-2019 is \$18,117. The abated taxes are per the first year of the agreement.

Total tax abatements for year ended June 30, 2019 were \$43,219.

**TOWN OF VERNON, CONNECTICUT**  
NOTES TO THE BASIC FINANCIAL STATEMENTS *(Continued)*  
AS OF AND FOR THE YEAR ENDED JUNE 30, 2019

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**NOTE 16 - RECENTLY ISSUED ACCOUNTING STANDARDS**

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 is currently evaluating the potential impact of adopting the Statement 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 is currently evaluating the potential impact of adopting the Statement on its financial statements.

In June 2018, the GASB issued Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*. The objective of this Statement are (a) to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and (b) to simplify accounting for interest cost incurred before the end of a construction period. The requirements of this Statement should be applied prospectively and are effective for the Town's reporting period beginning July 1, 2020. The Town is currently evaluating the potential impact of adopting this Statement on its financial statements.

In August 2018, the GASB issued Statement No. 90, *Majority Equity Interests - An Amendment of GASB Statements No. 14 and No. 61*. The objectives of this statement are to improve the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and to improve the relevance of financial statement information for certain component units. 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 May 2019, the GASB issued Statement No. 91, *Conduit Debt Obligations*. The objectives of this statement are to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. This statement achieves those objectives by clarifying the existing definition of a conduit debt obligation; establishing that a conduit debt obligation is not a liability of the issuer; establishing standards for accounting and financial reporting of additional commitments and voluntary commitments extended by issuers and arrangements associated with conduit debt obligations; and improving required note disclosures. The requirements of this statement are effective for the Town's reporting period beginning July 1, 2021. The Town does not expect this statement to have a material effect on its financial statements.

**TOWN OF VERNON, CONNECTICUT**  
NOTES TO THE BASIC FINANCIAL STATEMENTS *(Continued)*  
AS OF AND FOR THE YEAR ENDED JUNE 30, 2019

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**NOTE 17 - SUBSEQUENT EVENTS**

On August 30, 2019, the Town issued a \$47,819,947 Interim Funding Obligation, at a 2% interest rate, pursuant to a Project Loan and Project Grant Agreement between the Town and the State of Connecticut to finance up to \$85,972,000 of improvements to the Water Pollution Control Facility, which was authorized and approved at a Town referendum on January 15, 2019. The projected cost to complete the improvements at the time of this issuance is estimated at \$68,188,062 and will be additionally financed by a State Clean Water Fund grant of \$20,066,969 and a projected local contribution of \$301,146. Construction commenced shortly after July 1, 2019 and is expected to be completed by January 2023.

On March 25, 2020, the Town authorized an additional appropriation in the amount of \$2,986,198 to its fiscal year 2019-2020 capital improvement budget for the funding of vehicles purchased through internal leasing arrangements with the General Fund. The amount of the outstanding balance on the internal financing arrangements totaled \$2,667,235 as of June 30, 2019, which has been reported as a component of nonspendable fund balance in the General Fund. Accordingly, this subsequent appropriation has no effect on the Town's General Fund unassigned fund balance reported as of June 30, 2019.

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## REQUIRED SUPPLEMENTARY INFORMATION

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**TOWN OF VERNON, CONNECTICUT**  
STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL -  
BUDGETARY BASIS - GENERAL FUND (UNAUDITED)  
FOR THE YEAR ENDED JUNE 30, 2019

	<b>Budgeted Amounts</b>			<b>Outstanding</b>	<b>Actual with</b>	<b>Variance With</b>
	<b>Original</b>	<b>Final</b>	<b>Actual</b>	<b>Encumbrances</b>	<b>Outstanding Encumbrances</b>	<b>Final Budget Over (Under)</b>
<b>REVENUES</b>						
Property taxes	\$ 71,961,747	\$ 71,961,747	\$ 72,973,560	\$ -	\$ 72,973,560	\$ 1,011,813
Intergovernmental	18,098,485	18,098,485	19,037,020	-	19,037,020	938,535
Charges for services	834,105	834,105	1,442,282	-	1,442,282	608,177
Licenses and permits	494,700	494,700	423,922	-	423,922	(70,778)
Fines and penalties	30,000	30,000	33,170	-	33,170	3,170
Investment income	52,000	52,000	449,557	-	449,557	397,557
Other	555,913	555,913	755,315	-	755,315	199,402
Total revenues	92,026,950	92,026,950	95,114,826	-	95,114,826	3,087,876
<b>EXPENDITURES</b>						
Current:						
General government	3,536,133	4,138,925	3,958,019	5,453	3,963,472	(175,453)
Community development	259,062	246,749	237,348	-	237,348	(9,401)
Public safety	8,807,381	9,255,367	8,897,450	3,691	8,901,141	(354,226)
Maintenance and development	5,762,045	5,943,527	5,877,282	-	5,877,282	(66,245)
Human services	1,096,297	1,103,787	1,022,428	-	1,022,428	(81,359)
Parks, recreation and culture	1,598,199	1,843,788	1,814,408	-	1,814,408	(29,380)
Townwide	9,359,913	9,303,037	8,734,918	-	8,734,918	(568,119)
Debt service	6,256,814	6,227,819	6,048,071	177,046	6,225,117	(2,702)
Capital outlay	195,000	224,000	223,674	-	223,674	(326)
Education	53,108,528	53,437,942	52,627,155	810,872	53,438,027	85
Total expenditures	89,979,372	91,724,941	89,440,753	997,062	90,437,815	(1,287,126)
Excess (deficiency) of revenues over expenditures	2,047,578	302,009	5,674,073	(997,062)	4,677,011	4,375,002
<b>OTHER FINANCING SOURCES (USES)</b>						
Appropriation of Fund Balance	-	950,393	-	-	-	(950,393)
Appropriation of Prior Year Encumbrances	-	1,827,417	-	-	-	(1,827,417)
Transfers in	144,500	144,500	65,425	-	65,425	(79,075)
Transfers out	(2,192,078)	(3,224,319)	(3,222,429)	-	(3,222,429)	1,890
Total other financing sources (uses)	(2,047,578)	(302,009)	(3,157,004)	-	(3,157,004)	(2,854,995)
Net change in fund balances	\$ -	\$ -	\$ 2,517,069	\$ (997,062)	\$ 1,520,007	\$ 1,520,007

*See accompanying notes to required supplementary information.*

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

	<b>2019</b>	<b>2018</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>
Total pension liability:						
Service cost	\$ 783,253	\$ 836,982	\$ 812,060	\$ 767,633	\$ 760,493	\$ 759,496
Interest	2,968,071	2,924,672	2,790,349	2,711,068	2,663,012	2,620,600
Differences between expected and actual experience	728,178	(220,230)	878,501	(304,928)	(288,635)	-
Changes of assumptions	(2,332)	-	-	1,833,919	1,214,064	-
Benefit payments, including refunds	(3,008,005)	(2,693,179)	(2,508,006)	(2,473,575)	(2,434,432)	(2,385,303)
Net change in total pension liability	1,469,165	848,245	1,972,904	2,534,117	1,914,502	994,793
Total pension liability - beginning	43,879,584	43,031,339	41,058,435	38,524,318	36,609,816	35,615,023
Total pension liability - ending	45,348,749	43,879,584	43,031,339	41,058,435	38,524,318	36,609,816
Plan fiduciary net position:						
Contributions - employer	1,879,711	1,839,551	1,730,812	1,639,455	1,515,199	1,348,338
Contributions - members	375,468	370,589	364,862	370,334	358,642	368,533
Net investment income	(855,038)	2,724,566	1,352,877	176,500	1,092,203	2,874,222
Benefit payments, including refunds	(3,008,005)	(2,693,179)	(2,508,006)	(2,473,575)	(2,434,432)	(2,210,603)
Administrative expense	(67,440)	(68,718)	(70,666)	(49,744)	(70,783)	(67,398)
Net change in plan fiduciary net position	(1,675,304)	2,172,809	869,879	(337,030)	460,829	2,313,092
Plan fiduciary net position - beginning	22,305,795	20,132,986	19,263,107	19,600,137	19,139,308	16,826,216
Plan fiduciary net position - ending	20,630,491	22,305,795	20,132,986	19,263,107	19,600,137	19,139,308
Town's net pension liability	<u>\$ 24,718,258</u>	<u>\$ 21,573,789</u>	<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	45.49%	50.83%	46.79%	46.92%	50.88%	52.28%
Covered payroll	\$ 4,563,773	\$ 4,789,390	\$ 4,866,463	\$ 4,747,257	\$ 4,549,520	\$ 4,390,111
Town's net pension liability as a percentage of covered payroll	541.62%	450.45%	470.53%	459.11%	415.96%	397.95%

*See accompanying notes to required supplementary information.*

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

	<b>2019</b>	<b>2018</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>
Total pension liability:						
Service cost	\$ 1,505,283	\$ 1,658,692	\$ 1,510,406	\$ 1,464,780	\$ 1,396,502	\$ 1,355,480
Interest	5,451,494	5,338,478	5,055,024	4,604,469	4,540,614	4,472,890
Differences between expected and actual experience	(41,960)	(2,232,932)	1,507,303	135,086	(3,083,615)	-
Changes of assumptions	-	-	-	5,959,086	3,200,987	-
Benefit payments, including refunds	(3,905,481)	(3,786,932)	(3,781,356)	(3,280,576)	(2,935,096)	(2,814,688)
Net change in total pension liability	3,009,336	977,306	4,291,377	8,882,845	3,119,392	3,013,682
Total pension liability - beginning	79,798,201	78,820,895	74,529,518	65,646,673	62,527,281	59,513,599
Total pension liability - ending	82,807,537	79,798,201	78,820,895	74,529,518	65,646,673	62,527,281
Plan fiduciary net position:						
Contributions - employer	2,535,950	2,495,374	2,575,719	2,383,370	2,135,571	1,883,779
Contributions - members	881,387	950,310	930,892	1,032,684	1,031,071	1,001,400
Net investment income	(1,663,356)	5,244,052	2,457,038	352,500	1,981,432	4,782,653
Benefit payments, including refunds	(3,905,481)	(3,786,932)	(3,781,356)	(3,280,577)	(2,935,096)	(2,664,672)
Administrative expense	(101,640)	(105,945)	(114,432)	(89,656)	(101,919)	(93,140)
Net change in plan fiduciary net position	(2,253,140)	4,796,859	2,067,861	398,321	2,111,059	4,910,020
Plan fiduciary net position - beginning	45,227,099	40,430,240	38,362,379	37,964,058	35,852,999	30,942,979
Plan fiduciary net position - ending	42,973,959	45,227,099	40,430,240	38,362,379	37,964,058	35,852,999
Town's net pension liability	<u>\$ 39,833,578</u>	<u>\$ 34,571,102</u>	<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	51.90%	56.68%	51.29%	51.47%	57.83%	57.34%
Covered payroll	\$ 14,477,456	\$ 14,795,233	\$ 15,411,202	\$ 14,789,154	\$ 14,933,089	\$ 14,895,476
Town's net pension liability as a percentage of covered payroll	275.14%	233.66%	249.11%	244.55%	185.38%	179.08%

*See accompanying notes to required supplementary information.*



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

	<b>2019</b>	<b>2018</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>
Total pension liability:						
Service cost	\$ 25,480	\$ 20,149	\$ 21,190	\$ 24,830	\$ 26,292	\$ 19,751
Interest	133,795	92,532	92,540	85,622	82,620	78,483
Differences between expected and actual experience	(46,250)	124,920	(27,545)	(13,707)	(31,211)	-
Changes in plan benefits and assumptions	-	451,934	-	-	-	-
Benefit payments, including refunds	(62,585)	(46,894)	(36,536)	(33,270)	(29,764)	(19,718)
Net change in total pension liability	50,440	642,641	49,649	63,475	47,937	78,516
Total pension liability - beginning	2,089,654	1,447,013	1,397,364	1,333,889	1,285,952	1,207,436
Total pension liability - ending	2,140,094	2,089,654	1,447,013	1,397,364	1,333,889	1,285,952
Plan fiduciary net position:						
Contributions - employer	137,551	53,605	52,289	39,924	37,752	34,172
Net investment income	(114,598)	263,129	135,693	(54,768)	54,828	204,365
Benefit payments, including refunds	(62,585)	(46,894)	(36,536)	(33,270)	(29,764)	(26,184)
Administrative expense	(21,797)	(20,777)	(18,545)	(18,745)	(18,516)	(15,668)
Net change in plan fiduciary net position	(61,429)	249,063	132,901	(66,859)	44,300	196,685
Plan fiduciary net position - beginning	1,823,917	1,574,854	1,441,953	1,508,812	1,464,512	1,267,827
Plan fiduciary net position - ending	1,762,488	1,823,917	1,574,854	1,441,953	1,508,812	1,464,512
Town's net pension liability (asset)	<u>\$ 377,606</u>	<u>\$ 265,737</u>	<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	82.36%	87.28%	108.83%	103.19%	113.11%	113.89%

*See accompanying notes to required supplementary information.*

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

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Actuarially determined contribution	\$ 1,879,711	\$ 1,839,551	\$ 1,730,812	\$ 1,639,455	\$ 1,515,199	\$ 1,348,338
Contributions in relation to the actuarially determined contribution	<u>1,879,711</u>	<u>1,839,551</u>	<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>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	\$ 4,563,773	\$ 4,789,390	\$ 4,866,463	\$ 4,747,257	\$ 4,549,520	\$ 4,390,111
Contributions as a percentage of covered payroll	41.19%	38.41%	35.57%	34.53%	33.30%	30.71%
Annual money-weighted rate of return, net of investment expense	-4.50%	13.60%	6.80%	0.20%	5.90%	14.60%

*See accompanying notes to required supplemental information.*

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

	<b>2019</b>	<b>2018</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>
Actuarially determined contribution	\$ 2,535,950	\$ 2,495,374	\$ 2,525,719	\$ 2,383,370	\$ 2,135,571	\$ 1,883,779
Contributions in relation to the actuarially determined contribution	<u>2,535,950</u>	<u>2,495,374</u>	<u>2,575,719</u>	<u>2,383,370</u>	<u>2,135,571</u>	<u>1,883,779</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (50,000)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	\$ 14,477,456	\$ 14,795,233	\$ 15,411,202	\$ 14,789,154	\$ 14,933,089	\$ 14,895,476
Contributions as a percentage of covered payroll	17.52%	16.87%	16.71%	16.12%	14.30%	12.65%
Annual money-weighted rate of return, net of investment expense	-4.20%	13.00%	6.20%	0.20%	7.00%	13.50%

*See accompanying notes to required supplementary information.*

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

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Actuarially determined contribution	\$ 126,652	\$ 53,605	\$ 52,289	\$ 39,924	\$ 37,752	\$ 34,172
Contributions in relation to the actuarially determined contribution	<u>137,551</u>	<u>53,605</u>	<u>52,289</u>	<u>39,924</u>	<u>37,752</u>	<u>34,172</u>
Contribution deficiency (excess)	<u>\$ (10,899)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Annual money-weighted rate of return, net of investment expense	-7.48%	15.39%	8.10%	-4.87%	2.48%	12.39%

*See accompanying notes to required supplementary information.*

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

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Proportion of the net pension liability attributed to the Town	0.61%	0.62%	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	80,350,000	83,461,000	88,052,000	73,579,000	68,009,000
Total	<u>\$ 80,350,000</u>	<u>\$ 83,461,000</u>	<u>\$ 88,052,000</u>	<u>\$ 73,579,000</u>	<u>\$ 68,009,000</u>
Town's covered payroll	\$ 25,515,732	\$ 25,080,501	\$ 24,483,381	\$ 24,474,960	\$ 25,165,084
Town's proportionate share of the net pension liability as a percentage of its covered payroll	0.0%	0.0%	0.0%	0.0%	0.0%
Plan fiduciary net position as a percentage of the total pension liability	57.69%	55.93%	52.26%	59.50%	61.51%

*See accompanying notes to required supplementary information.*

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

	<b>2019</b>	<b>2018</b>	<b>2017</b>
<b>Total OPEB liability</b>			
Service cost	\$ 525,888	\$ 314,481	\$ 295,287
Interest	584,733	541,389	514,729
Differences between expected and actual experience	4,843,646	-	-
Changes of assumptions	(4,483,302)	-	-
Benefit payments, including refunds	(419,694)	(381,807)	(455,185)
Net change in total OPEB liability	1,051,271	474,063	354,831
Total OPEB liability - beginning	8,676,532	8,202,469	7,847,638
Total OPEB liability - ending	9,727,803	8,676,532	8,202,469
<b>Plan fiduciary net position</b>			
Contributions - employer	624,694	586,807	660,185
Net investment income	66,496	(41,095)	4,205
Benefit payments, including refunds	(419,694)	(381,807)	(455,185)
Net change in plan fiduciary net position	271,496	163,905	209,205
Plan fiduciary net position - beginning	1,057,591	893,686	684,481
Plan fiduciary net position - ending	1,329,087	1,057,591	893,686
<b>Town's net OPEB liability</b>	<u>\$ 8,398,716</u>	<u>\$ 7,618,941</u>	<u>\$ 7,308,783</u>
Plan fiduciary net position as a percentage of total OPEB liability	13.66%	12.19%	10.90%
Covered employee payroll	\$ 39,014,808	\$ 52,602,048	\$ 52,602,048
Town's net OPEB liability as a percentage of covered employee payroll	21.53%	14.48%	13.89%

*See accompanying notes to required supplementary information.*

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

	<u><b>2019</b></u>	<u><b>2018</b></u>	<u><b>2017</b></u>
Actuarially determined contribution	\$ 826,134	\$ 770,427	\$ 719,304
Contributions in relation to the actuarially determined contribution	<u>624,694</u>	<u>586,807</u>	<u>660,185</u>
Contribution deficiency (excess)	<u><u>\$ 201,440</u></u>	<u><u>\$ 183,620</u></u>	<u><u>\$ 59,119</u></u>
Covered employee payroll	\$ 39,014,808	\$ 52,602,048	\$ 52,602,048
Contributions as a percentage of covered employee payroll	1.60%	1.12%	1.26%
Annual money-weighted rate of return, net of investment expense	6.06%	-4.60%	0.61%

*See accompanying notes to required supplementary information.*

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

	<u><b>2019</b></u>	<u><b>2018</b></u>
Proportion of the Net OPEB Liability attributed to the Town	0.61%	0.62%
Town's proportionate share of the Net OPEB Liability	\$ -	\$ -
State's proportionate share of the Net OPEB Liability attributed to the Town	<u>16,062,000</u>	<u>21,482,000</u>
Total	<u><u>\$ 16,062,000</u></u>	<u><u>\$ 21,482,000</u></u>
Town's covered employee payroll	\$ 25,515,732	\$ 25,080,501
Town's proportionate share of the Net OPEB Liability as a percentage of its covered employee payroll	0.0%	0.0%
Plan fiduciary net position as a percentage of the Total OPEB Liability	1.49%	1.79%

*See accompanying notes to required supplementary information.*



**TOWN OF VERNON, CONNECTICUT**  
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)  
AS OF AND FOR THE YEAR ENDED JUNE 30, 2019

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**NOTE 1 - SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL -  
BUDGETARY BASIS - GENERAL FUND**

**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 \$950,393 were authorized during the fiscal year along with re-appropriations of \$1,827,417. 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 yearend 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 REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)  
AS OF AND FOR THE YEAR ENDED JUNE 30, 2019

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**NOTE 1 - SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL - BUDGETARY BASIS - GENERAL FUND (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, 2019:

	<u>Total Revenues</u>	<u>Total Expenditures</u>	<u>Other Financing Sources (Uses), Net</u>	<u>Net Change in Fund Balance</u>
Budgetary basis	\$ 95,114,826	\$ 90,437,815	\$ (3,157,004)	\$ 1,520,007
"On-behalf" payments - State Teachers Retirement Fund	7,981,121	7,981,121	-	-
Encumbrances outstanding as of June 30, 2019	-	(997,062)	-	997,062
GAAP basis	<u>\$ 103,095,947</u>	<u>\$ 97,421,874</u>	<u>\$ (3,157,004)</u>	<u>\$ 2,517,069</u>

**NOTE 2 - SCHEDULE OF CHANGES IN THE NET PENSION LIABILITY - POLICE PENSION PLAN**

The Town began to report this schedule when it implemented GASB Statement No. 67, *Financial Reporting for Pension Plans – An Amendment of GASB Statement No. 25* in fiscal year 2014. GASB Statement No. 67 requires the information within this schedule to be presented for the ten most recent fiscal years.

*Benefit Changes* - There have been no changes in benefit terms that have had a significant effect on the measurement of the total pension liability.

*Assumption Changes* - The following assumption changes have had a significant effect on the measurement of the total pension liability.

- the investment rate of return was decreased in 2015 from 7.25% to 7.00%,
- the investment rate of return was decreased in 2014 from 7.50% to 7.25%.

**TOWN OF VERNON, CONNECTICUT**  
**NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)**  
**AS OF AND FOR THE YEAR ENDED JUNE 30, 2019**

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**NOTE 3 - SCHEDULE OF CHANGES IN THE NET PENSION LIABILITY - TOWN PENSION PLAN**

The Town began to report this schedule when it implemented GASB Statement No. 67, *Financial Reporting for Pension Plans – An Amendment of GASB Statement No. 25* in fiscal year 2014. GASB Statement No. 67 requires the information within this schedule to be presented for the ten most recent fiscal years.

*Benefit Changes* - There have been no changes in benefit terms that have had a significant effect on the measurement of the total pension liability.

*Assumption Changes* - The following assumption changes have had a significant effect on the measurement of the total pension liability.

- the investment rate of return was decreased in 2015 from 7.25% to 7.00%,
- the investment rate of return was decreased in 2014 from 7.50% to 7.25%.

**NOTE 4 - SCHEDULE OF CHANGES IN THE NET PENSION LIABILITY - LOSAP RETIREMENT PLAN**

The Town began to report this schedule when it implemented GASB Statement No. 67, *Financial Reporting for Pension Plans – An Amendment of GASB Statement No. 25* in fiscal year 2014. GASB Statement No. 67 requires the information within this schedule to be presented for the ten most recent fiscal years.

*Benefit Changes* - There have been no changes in benefit terms that have had a significant effect on the measurement of the total pension liability.

*Assumption Changes* - The following assumption changes in 2018 had a significant effect on the measurement of the total pension liability.

- the mortality table was adjusted from the 2018 IRS Static Table Male and Female to the 2019 IRS Static Table Male and Female

**TOWN OF VERNON, CONNECTICUT**  
**NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)**  
**AS OF AND FOR THE YEAR ENDED JUNE 30, 2019**

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**NOTE 5 - SCHEDULE OF CONTRIBUTIONS AND INVESTMENT RETURNS - POLICE PENSION PLAN**

The Town began to report this schedule when it implemented GASB Statement No. 67, *Financial Reporting for Pension Plans – An Amendment of GASB Statement No. 25* in fiscal year 2014. GASB Statement No. 67 requires the information within this schedule to be presented for the ten most recent fiscal years.

Actuarial determined contribution rates are calculated as of January 1, six months prior to the fiscal year in which contributions are reported. Actuarial determined contribution for fiscal year ending June 30, 2019 were determined from the January 1, 2018 valuation.

The following methods and assumptions were utilized to determine the contribution rates for the year ended June 30, 2019.

Actuarial Cost method	Entry Age Normal
Amortization method	Level dollar, closed
Remaining amortization period	24 years
Asset valuation method	5 year smoother market
Inflation rate	1.50%
Salary increases	4.00%
Investment rate of return	7.00%

Mortality rates were based RP-2014 Blue Collar Mortality Table with Scale MP-2014.

**NOTE 6 - SCHEDULE OF CONTRIBUTIONS AND INVESTMENT RETURNS - TOWN PENSION PLAN**

The Town began to report this schedule when it implemented GASB Statement No. 67, *Financial Reporting for Pension Plans – An Amendment of GASB Statement No. 25* in fiscal year 2014. GASB Statement No. 67 requires the information within this schedule to be presented for the ten most recent fiscal years.

Actuarial determined contribution rates are calculated as of January 1, six months prior to the fiscal year in which contributions are reported. Actuarial determined contribution for fiscal year ending June 30, 2019 were determined from the January 1, 2018 valuation.

The following methods and assumptions were utilized to determine the contribution rates for the year ended June 30, 2019.

Actuarial Cost method	Entry Age Normal
Amortization method	Level dollar, closed
Remaining amortization period	24 years
Asset valuation method	5 year smoother market
Inflation rate	1.50%
Salary increases	4.50%
Investment rate of return	7.00%

Mortality rates were based RP-2014 Blue Collar Mortality Table with Scale MP-2014.

**TOWN OF VERNON, CONNECTICUT**  
**NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)**  
**AS OF AND FOR THE YEAR ENDED JUNE 30, 2019**

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**NOTE 7 - SCHEDULE OF CONTRIBUTIONS AND INVESTMENT RETURNS - LOSAP RETIREMENT PLAN**

The Town began to report this schedule when it implemented GASB Statement No. 67, *Financial Reporting for Pension Plans – An Amendment of GASB Statement No. 25* in fiscal year 2014. GASB Statement No. 67 requires the information within this schedule to be presented for the ten most recent fiscal years.

Actuarial determined contribution rates are calculated as of July 1, prior to the end of the fiscal year in which contributions are reported. Actuarial determined contribution for fiscal year ending June 30, 2019 were determined from the July 1, 2018 valuation.

The following methods and assumptions were utilized to determine the contribution rates for the year ended June 30, 2019.

Actuarial Cost method	Frozen entry age
Amortization method	Level dollar, closed
Remaining amortization period	9 years
Asset valuation method	Fair Value
Inflation rate	N/A
Salary increases	6.50%
Investment rate of return	N/A

Mortality rates were based 2019 IRS Static Table Male and Female.

**NOTE 8 - SCHEDULE OF THE TOWN'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY - CONNECTICUT STATE TEACHERS' RETIREMENT SYSTEM**

The Town began to report this schedule when it implemented GASB Statement No. 68, *Accounting and Financial Reporting for Pensions – An Amendment of GASB Statement No. 27*, in fiscal year 2015. GASB Statement No. 68 requires the information within this schedule to be presented for the ten most recent fiscal years.

Actuarial valuations are prepared every two years with the most recent available actuarial valuation performed as of June 30, 2018. This information is utilized by the Town for reporting as of June 30, 2019.

*Benefit Changes* - There have been no changes in benefit terms that have had a significant effect on the measurement of the total pension liability.

*Assumption Changes* - The following assumption changes had a significant effect on the measurement of the total pension liability reported as of June 30, 2019.

- the inflation assumption was reduced from 2.75% to 2.50%,
- the real rate of return assumption was reduced from 5.25% to 4.40%, which when combined with the inflation assumption change, resulted in a decrease in the investment rate of return assumption from 8.00% to 6.900%, and
- the annual rate of wage increase assumption was increased from 0.50% to 0.75%.

**TOWN OF VERNON, CONNECTICUT**  
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)  
AS OF AND FOR THE YEAR ENDED JUNE 30, 2019

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**NOTE 9 - SCHEDULE OF CHANGES IN NET OPEB LIABILITY - OTHER POST-EMPLOYMENT BENEFITS PLAN**

The Town began to report this schedule when it implemented GASB Statement No. 74, *Financial Reporting for Postemployment Benefit Plans other than Pension Plans*, in fiscal year 2017. GASB Statement No. 74 requires the information within this schedule to be presented for the ten most recent fiscal years.

*Benefit Changes* - There have been no changes in benefit terms that have had a significant effect on the measurement of the total OPEB liability.

*Assumption Changes* - There have been no changes in assumption terms that have had a significant effect on the measurement of the total OPEB liability.

**NOTE 10 - SCHEDULE OF CONTRIBUTIONS AND INVESTMENT RETURNS - OTHER POST-EMPLOYMENT BENEFITS PLAN**

The Town began to report this schedule when it implemented GASB Statement No. 74, *Financial Reporting for Postemployment Benefit Plans other than Pension Plans*, in fiscal year 2017. GASB Statement No. 74 requires the information within this schedule to be presented for the ten most recent fiscal years.

Actuarial determined contribution rates are calculated as of July 1, one fiscal years prior to the fiscal year in which contributions are reported. Actuarial determined contribution for fiscal year ending June 30, 2019 were determined from the July 1, 2018 valuation.

The following methods and assumptions were utilized to determine the contribution rates for the year ended June 30, 2019.

Actuarial Cost method	Entry Age Normal
Amortization method	Level dollar, closed
Remaining amortization period	19 years
Asset valuation method	Market value
Inflation rate	2.75%
Salary increases	3.50%
Investment rate of return	6.50%
Healthcare trend rates	Varies by group

Mortality rates were based on 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 and further adjusted to grade in increase to rates over age 80, for all teachers and administrators, the PubS-2010 Mortality Table with generational projection per MP-2014 ultimate scale, with employee rates before benefit commencement and healthy annuitant rates after commencement, for all police and the PubG-2010 Mortality Table with generational projection per MP-2014 ultimate scale, with employee rates before benefit commencement and healthy annuitant rates after benefit commencement for all other employees.

**TOWN OF VERNON, CONNECTICUT**  
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)  
AS OF AND FOR THE YEAR ENDED JUNE 30, 2019

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**NOTE 11 - SCHEDULE OF THE TOWN'S PROPORTIONATE SHARE OF THE NET OTHER POST-EMPLOYMENT BENEFITS LIABILITY - CONNECTICUT STATE TEACHERS' RETIREMENT SYSTEM**

The Town began to report this schedule when it implemented GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pension*, in fiscal year 2018. GASB Statement No. 75 requires the information within this schedule to be presented for the ten most recent fiscal years.

Actuarial valuations are prepared every two years with the most recent available actuarial valuation performed as of June 30, 2018. This information is utilized by the Town for reporting as of June 30, 2019.

*Benefit Changes* – Effective July 1, 2018, the Plan changed the “base plan” to Medicare Advantage Plan for the purposes of determining retiree health care plan subsidies and/or cost sharing amount(s), and introduced a two year waiting period for re-enrollment in a system-sponsored health care plan for those who cancel their coverage or choose not to enroll in a health care coverage option on or after the effective date.

*Assumption Changes* – The following assumption changes collectively had a significant effect on the measurement of the net OPEB liability reported as of June 30, 2019:

- the expected rate of return on Plan assets was changed from 4.25% to 3.00% to better reflect the anticipated returns on cash and other high quality short-term fixed income investments;
- the discount rate used to measure Plan obligations and amortize supplemental costs was updated to match the expected rate of return on assets selected as of June 30, 2018;
- the long-term health care cost trend rates were updated to better reflect the anticipated impact of changes in medical inflation, utilization, leverage in the plan design, improvements in technology, and fees and charges on expected claims and retiree contributions in future periods; and
- the percentage of retired members who are not currently participating in the Plan, but are expected to elect coverage for themselves and their spouses under a system-sponsored health care plan option in the future, was updated to better reflect anticipated plan experience.

## APPENDIX B – OPINION OF BOND COUNSEL AND TAX STATUS – THE SERIES A BONDS

*The following information has been prepared by Bond Counsel in connection with this bond issue. Bond Counsel are not passing upon and do not assume responsibility for the accuracy or completeness of the statements made in the Official Statement (other than matters in this Appendix), and they make no representation that they have independently verified the same.*

### BOND COUNSEL OPINION

The legal opinion of the firm of Day Pitney LLP of Hartford, Connecticut, Bond Counsel, will be furnished to the initial purchaser when the Bonds are delivered, and a copy of the legal opinion will be included in the record of proceedings of the Town authorizing the Bonds. The opinion will be dated and given on and will speak only as of the date of original delivery of the Bonds to the initial purchaser.

The opinion of Day Pitney LLP with respect to the Bonds will be substantially in the following form:

[FORM OF BOND COUNSEL OPINION]

(date of closing)

Town of Vernon  
Vernon, Connecticut

We have represented the Town of Vernon, Connecticut as Bond Counsel in connection with the issuance by the Town of \$20,325,000 General Obligation Bonds, Issue of 2020, Series A (Tax-Exempt), dated as of July 16, 2020.

We have examined a record of proceedings authorizing the Bonds, and based on our examination, we are of the opinion that the Town of Vernon is authorized to issue the Bonds; the Town is duly and legally organized; all proper proceedings for the issuance and delivery of the Bonds have been taken; no limitation of indebtedness under the laws of the State of Connecticut has been exceeded in the issuance of the Bonds; the Bonds will be valid and binding general obligations of the Town when certified as provided thereon by a duly authorized official of U.S. Bank National Association; and the Town has the power to levy ad valorem taxes to pay the Bonds against all the taxable property in the Town without limit as to rate or amount except certified forest land taxable at a limited rate and dwelling houses of qualified elderly people of low income or of qualified disabled persons taxable at limited amounts.

It is to be understood that the rights of the holders of the Bonds and the enforceability thereof may be subject to bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights heretofore or hereafter enacted and to the exercise of judicial discretion.

The Internal Revenue Code of 1986, as amended (the "Code"), establishes certain requirements that must be met in order that interest on the Bonds is excluded from gross income for Federal income tax purposes. The Town officials authorized to issue the Bonds have executed written representations and agreements on behalf of the Town relating to compliance with such provisions of the Code to ensure that the interest on the Bonds will be excluded from gross income for Federal income tax purposes.

Based on such representations and agreements and on the record of proceedings authorizing the Bonds, and assuming the accuracy of such representations and compliance with such agreements, it is our opinion that, under existing statutes: (1) interest on the Bonds is excluded from gross income for Federal income tax purposes pursuant to Section 103 of the Code; and (2) the Bonds are not "private activity bonds" and interest on the Bonds is not treated as a preference item for purposes of calculating the Federal alternative minimum tax.

Based on the record of proceedings authorizing the Bonds, it is our opinion that, under existing statutes: (1) interest on the Bonds is excluded from Connecticut taxable income for purposes of the Connecticut income tax on individuals, trusts and estates; and (2) interest on the Bonds is excluded from amounts on which the net Connecticut minimum tax is based in the case of individuals, trusts and estates required to pay the Federal alternative minimum tax.

Very truly yours,

Day Pitney LLP



## **FEDERAL INCOME TAX.**

**Interest Excluded From Gross Income.** The Internal Revenue Code of 1986, as amended (the "Code") establishes certain requirements that must be met in order that interest on the Bonds is excluded from the gross income of the owners thereof for federal income tax purposes. Some of these requirements must be continuously met subsequent to delivery of the Bonds. Failure to comply with any of these requirements may cause the interest on the Bonds to be includable in gross income for federal income tax purposes retroactively to the date of their issuance irrespective of the date on which such noncompliance occurs.

The Town officials authorized to issue the Bonds will enter into a Tax Compliance Agreement in connection with the delivery of the Bonds, which will contain certain representations and covenants on behalf of the Town relating to compliance with such requirements of the Code to ensure that the interest on the Bonds will be excluded from the gross income of the owners thereof for federal income tax purposes.

**Alternative Minimum Tax.** The Code imposes an alternative minimum tax on individuals. The alternative minimum tax is imposed on alternative minimum taxable income, which includes preference items. The interest on certain tax-exempt "private activity bonds" is treated as a preference item. The Town's Tax Compliance Agreement will contain certain representations and covenants to ensure that the Bonds are not "private activity bonds" so that interest on the Bonds will not be treated as a preference item for individuals.

**Financial Institutions.** The Code provides that commercial banks, thrift institutions and certain other financial institutions may not deduct the portion of their interest expense allocable to tax-exempt obligations acquired after August 7, 1986, other than "qualified tax-exempt obligations". The Town's Tax Compliance Agreement will contain certain representations and covenants to ensure that the Bonds will *not* be "qualified tax-exempt obligations" for purposes of the deduction for federal income tax purposes by financial institutions of a portion of interest expense allocable to tax-exempt obligations.

**Additional Federal Income Tax Matters.** In addition to the matters addressed above, prospective purchasers of the Bonds should be aware that the ownership of tax-exempt obligations, such as the Bonds, may result in collateral federal income tax consequences to certain taxpayers, including without limitation, taxpayers otherwise eligible for the earned income credit, recipients of Social Security and certain Railroad Retirement benefits, taxpayers that may be deemed to have incurred or continued indebtedness to purchase or carry tax-exempt obligations, financial institutions, certain insurance companies, certain S corporations and foreign corporations subject to the branch profits tax. Prospective purchasers of the Bonds may also wish to consult with their tax advisors with respect to the need to furnish certain taxpayer information in order to avoid backup withholding.

## **STATE OF CONNECTICUT TAX ON INTEREST.**

The opinion of Bond Counsel will state in substance that, based on the record of proceedings authorizing the Bonds, under existing statutes: (1) interest on the Bonds is excluded from Connecticut taxable income for purposes of the Connecticut income tax on individuals, trusts, and estates; and (2) interest on the Bonds is excluded from amounts on which the net Connecticut minimum tax is based in the case of individuals, trusts and estates required to pay the federal alternative minimum tax.

Interest on the Bonds is included in gross income for purposes of the Connecticut corporation business tax.

Owners of the Bonds should consult their tax advisors with respect to other applicable state and local tax consequences of ownership of the Bonds and the disposition thereof, including the extent to which gains and losses from the sale or exchange of the Bonds held as capital assets reduce and increase, respectively, amounts taken into account in computing the Connecticut income tax on individuals, trusts and estates and may affect the net Connecticut minimum tax on such taxpayers who are also required to pay the federal alternative minimum tax.

## **ORIGINAL ISSUE DISCOUNT.**

The initial public offering price of certain of the Bonds may be less than the amount payable on the Bonds at maturity. The excess of the amount payable at maturity over the initial public offering price at which a substantial amount of such Bonds are sold constitutes original issue discount. Any prices set forth on the cover page of the Official Statement may or may not reflect the prices at which a substantial amount of the Bonds were ultimately sold to the public.

The discussion in this paragraph applies to those Bonds having original issue discount. Under Section 1288 of the Code, the amount of original issue discount treated as having accrued with respect to any such bond during each day it is owned by a taxpayer is added to the cost basis of such owner for purposes of determining gain or loss upon the sale or other disposition of such bond by such owner. Accrued original issue discount on a bond is excluded from gross income of the owners thereof for federal income tax purposes. Accrued original issue discount on a bond is also excluded from Connecticut taxable income for purposes of the Connecticut income tax on individuals, trusts and estates and is excluded from amounts on which the net Connecticut minimum tax is based in the case of individuals, trusts and estates required to pay the federal alternative minimum tax. Original issue discount on any bond is treated as accruing on the basis of economic accrual for such purposes, computed by a constant semiannual compounding method using the yield to maturity on such bond. The original issue discount attributable to any bond for any particular semiannual period is equal to the excess of the product of (i) one-half of the yield to maturity of such bond and (ii) the amount which would be the adjusted basis of the bond at the beginning of such semiannual period if held by the original owner and purchased by such owner at the initial public offering price, over the interest payable on such bond during such period. The amount so treated as accruing during each semiannual period is apportioned in equal amounts among the days in that period to determine the amount of original issue discount accruing for such purposes during each such day. Owners of Bonds having original issue discount, and especially any owner who is not an original owner of a bond who bought the bond at its initial public offering price, should consult their tax advisors with respect to the federal and state income tax consequences of the disposition of such bonds.

#### **ORIGINAL ISSUE PREMIUM.**

The initial public offering price of certain of the Bonds may be greater than the amount payable on the Bonds at maturity. The excess of the initial public offering price at which a substantial amount of such Bonds are sold over the amount payable thereon at maturity constitutes original issue premium. Any prices set forth on the cover page of the Official Statement may or may not reflect the prices at which a substantial amount of the Bonds were ultimately sold to the public.

The discussion in this paragraph applies to those Bonds having original issue premium. Under Sections 1016 and 171 of the Code, the amount of original issue premium treated as having amortized with respect to any bond during each day it is owned by a taxpayer is subtracted from the cost basis of such owner for purposes of determining gain or loss upon the sale or other disposition of such bond by such owner. Original issue premium on any bond is treated as amortizing on the basis of the taxpayer's yield to maturity on such bond using the taxpayer's cost basis and a constant semiannual compounding method. As a consequence of the resulting cost basis reduction, under certain circumstances an owner of a bond acquired with original issue premium may realize a taxable gain upon disposition thereof even though it is sold or redeemed for an amount equal to or less than such owner's original cost of acquiring the bond. Amortized original issue premium on a bond is not allowed as a deduction from gross income for federal income tax purposes. Amortized original issue premium on a bond also does not reduce Connecticut taxable income for purposes of the Connecticut income tax on individuals, trusts and estates and does not reduce amounts on which the net Connecticut minimum tax is based in the case of individuals, trusts and estates required to pay the federal alternative minimum tax. Owners of the Bonds having original issue premium, and especially any owner who is not an original owner of a bond who bought the bond at its initial public offering price, should consult their tax advisors with respect to the federal and state income tax consequences of the disposition of such bonds.

#### **GENERAL.**

The opinion of Bond Counsel is rendered as of its date and Bond Counsel assumes no obligation to update or supplement its opinion to reflect any facts or circumstances that may come to its attention, or any changes in law or the interpretation thereof that may occur after the date of its opinion. Legislation affecting municipal bonds is regularly under consideration by the United States Congress. No assurance can be given that pending federal legislation, if any, or federal legislation enacted or proposed after the date of issuance of the Bonds will not have an effect on the federal tax status or the market price of the Bonds or will not change the effect of other federal tax law consequences, including those discussed above, of owning and disposing of the Bonds, and Bond Counsel expresses no opinion thereon. No assurance can be given that future legislation or amendments to the income tax law of the State of Connecticut, if enacted into law, will not contain provisions that could, directly or indirectly, reduce the benefit of the exclusion of the interest on the Bonds or any gain made on the sale or exchange thereof from Connecticut taxable income for purposes of the Connecticut income tax on individuals, trusts and estates, and Bond Counsel expresses no opinion thereon. Prospective owners of the Bonds are advised to consult their tax advisors regarding the potential tax consequences of proposed federal or State of Connecticut tax legislation, if any, affecting municipal bonds.

The discussion above does not purport to address all aspects of federal, state, or local taxation that may be relevant to a particular owner of the Bonds. Prospective owners of the Bonds, particularly those who may be subject to special rules, are advised to consult their tax advisors regarding the federal, state, and local tax consequences of owning and disposing of the Bonds, including any tax consequences arising under the laws of any other state or other taxing jurisdiction.

## APPENDIX C – OPINION OF BOND COUNSEL AND TAX STATUS – THE SERIES B BONDS

The following information has been prepared by Bond Counsel in connection with this ***bond*** issue. Bond Counsel are not passing upon and do not assume responsibility for the accuracy or completeness of the statements made in the Official Statement (other than matters in this Appendix), and they make no representation that they have independently verified the same.

### BOND COUNSEL OPINION

The legal opinion of the firm of Day Pitney LLP of Hartford, Connecticut, Bond Counsel, will be furnished to the initial purchaser when the Bonds are delivered, and a copy of the legal opinion will be included in the record of proceedings of the Town authorizing the Bonds. The opinion will be dated and given on and will speak only as of the date of original delivery of the Bonds to the initial purchaser.

The opinion of Day Pitney LLP with respect to the Bonds will be substantially in the following form:

[FORM OF BOND COUNSEL OPINION]

(date of closing)

Town of Vernon  
Vernon, Connecticut

We have represented the Town of Vernon, Connecticut as Bond Counsel in connection with the issuance by the Town of \$3,835,000 General Obligation Refunding Bonds, Issue of 2020, Series B (Federally Taxable), dated as of July 16, 2020.

We have examined a record of proceedings authorizing the Bonds, and based on our examination, we are of the opinion that the Town of Vernon is authorized to issue the Bonds; the Town is duly and legally organized; all proper proceedings for the issuance and delivery of the Bonds have been taken; no limitation of indebtedness under the laws of the State of Connecticut has been exceeded in the issuance of the Bonds; the Bonds will be valid and binding general obligations of the Town when certified as provided thereon by a duly authorized official of U.S. Bank National Association; and the Town has the power to levy ad valorem taxes to pay the Bonds against all the taxable property in the Town without limit as to rate or amount except certified forest land taxable at a limited rate and dwelling houses of qualified elderly people of low income or of qualified disabled persons taxable at limited amounts.

It is to be understood that the rights of the holders of the Bonds and the enforceability thereof may be subject to bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights heretofore or hereafter enacted and to the exercise of judicial discretion.

It is our opinion that, under existing statutes and regulations, interest on the Bonds is not excluded from gross income of the owners thereof for Federal income tax purposes pursuant to Section 103 of the Internal Revenue Code of 1986, as amended.

Based on the record of proceedings authorizing the Bonds, it is our opinion that, under existing statutes: (1) interest on the Bonds is excluded from Connecticut taxable income for purposes of the Connecticut income tax on individuals, trusts and estates; and (2) interest on the Bonds is excluded from amounts on which the net Connecticut minimum tax is based in the case of individuals, trusts and estates required to pay the Federal alternative minimum tax.

Very truly yours,

Day Pitney LLP

## **FEDERAL TAX STATUS OF THE BONDS.**

### **Federal Income Taxes**

In the opinion of Bond Counsel, under existing law, interest on the Bonds is not excluded from gross income of the owners thereof for federal income tax purposes pursuant to the Section 103 of the Internal Revenue Code of 1986, as amended.

### **United States Tax Consequences**

The following is a summary of certain United States federal income tax consequences resulting from the beneficial ownership of the Bonds by certain persons. This summary does not consider all possible federal income tax consequences of the purchase, ownership, or disposition of the Bonds and is not intended to reflect the individual tax position of any beneficial owner. Moreover, except as expressly indicated, this summary is limited to those persons who purchase a Bond at its issue price, which is the first price at which a substantial amount of the Bonds is sold to the public, and who hold the Bonds as “capital assets” within the meaning of the Code (generally, property held for investment). This summary does not address beneficial owners that may be subject to special tax rules, such as banks, insurance companies, dealers in securities or currencies, purchasers that hold the Bonds as a hedge against currency risks or as part of a straddle with other investments or as part of a “synthetic security” or other integrated investment (including a “conversion transaction”) comprising a bond and one or more other investments, or United States Holders (as defined below) that have a “functional currency” other than the United States dollar (Special Taxpayers). This summary is applicable only to a person (United States Holder) who or which is the beneficial owner of the Bonds and is (a) an individual citizen or resident of the United States, (b) a corporation or partnership or other entity created or organized under the laws of the United States or any State (including the District of Columbia), or (c) a person otherwise subject to federal income taxation on its worldwide income. This summary is based on the United States tax laws and regulations currently in effect and as currently interpreted and does not take into account possible changes in the tax laws or interpretations thereof any of which may be applied retroactively. Except as provided below, it does not discuss the tax laws of any state, local, or foreign governments.

#### ***United States Holders***

*Payments of Stated Interest.* In general, for a beneficial owner who or which is a United States Holder, interest on a Bond will be taxable as ordinary income at the time it is received or accrued, depending on the beneficial owner's method of accounting for tax purposes.

*Bonds Purchased at Original Issue Discount.* The initial public offering price of certain maturities of the Bonds may be less than the principal amount payable on such Bonds at maturity. The excess of the principal amount payable at maturity over the initial public offering price at which a substantial amount of these Bonds are sold constitutes original issue discount unless the amount of such excess is less than a specified *de minimis* amount (generally equal to 0.25% of the stated redemption price at maturity multiplied by the number of complete years to maturity), in which case the original issue discount is treated as zero. The prices set forth on the inside cover page of the Official Statement for the Bonds are expected to be the initial offering prices at which a substantial amount of the Bonds were ultimately sold to the public. A United States Holder of a Bond having a maturity more than one year from its date of issue must include in federal gross income (for each day of the taxable year, or portion of the taxable year, in which such holder holds such Bond) the daily portion of original issue discount, as it accrues (generally on a constant yield method) and regardless of the holder's method of accounting. A United States Holder may irrevocably elect to include in gross income all interest that accrues on a Bond using the constant-yield method, subject to certain modifications.

*Bonds Purchased at Original Issue Premium.* The initial public offering price of certain maturities of the Bonds may be greater than the principal amount payable on such Bonds at maturity. The excess of the initial public offering price at which a substantial amount of these the Bonds are sold over the principal amount payable at maturity constitutes original issue premium. The prices set forth on the inside cover page of the Official Statement for the Bonds are expected to be the initial offering prices at which a substantial amount of the Bonds were ultimately sold to the public. A holder of a Bond may elect to treat such excess as “amortizable bond premium,” in which case the amount of interest required to be included in the taxpayer's income each year with respect to interest on the Bond will be reduced by the amount of amortizable bond premium allocable (based on the Bond's yield to maturity) to that year. If such an election is made, the amount of each reduction in interest income will result in a corresponding reduction in the taxpayer's tax basis in the Bond. Any election to amortize bond premium is applicable to all taxable debt instruments held by the taxpayer at the beginning of the first taxable year to which the election applies or thereafter acquired by the taxpayer and may not be revoked without the consent of the Internal Revenue Service (“IRS”).

*Bonds Purchased at a Market Discount.* A Bond will be treated as acquired at a market discount (market discount bond) if the amount for which a United States Holder purchased the Bond is less than the Bond's adjusted issue price, unless such difference is less than a specified *de minimis* amount. In general, any payment of principal or any gain recognized on the maturity or disposition of a market discount bond will be treated as ordinary income to the extent that such gain does not exceed the accrued market discount on the Bond. Alternatively, a United States Holder of a market discount bond may elect to include market discount in income currently over the life of the market discount bond. This election applies to all debt instruments with market discount acquired by the electing United States Holder on or after the first day of the first taxable year to which the election applies and may not be revoked without the consent of the IRS. If an election is made to include market discount in income currently, the tax basis of the Bond in the hands of the United States Holder will be increased by the market discount thereon as such discount is included in income.

Market discount generally accrues on a straight-line basis unless the United States Holder elects to accrue such discount on a constant yield-to-maturity basis. This election is applicable only to the market discount bond with respect to which it is made and is irrevocable. A United States Holder of a market discount bond that does not elect to include market discount in income currently generally will be required to defer deductions for interest on borrowings allocable to the Bond in an amount not exceeding the accrued market discount on such Bond until maturity or disposition of the Bond.

*Purchase, Sale, Exchange, and Retirement of Bonds.* A United States Holder's tax basis in a Bond generally will equal its cost, increased by any market discount and original issue discount included in the United States Holder's income with respect to the Bond, and reduced by the amount of any amortizable bond premium applied to reduce interest on the Bond. A United States Holder generally will recognize gain or loss on the sale, exchange, or retirement of a Bond equal to the difference between the amount realized on the sale or retirement (not including any amount attributable to accrued but unpaid interest) and the United States Holder's adjusted tax basis in the Bond. Except to the extent described above under *Bonds Purchased at a Market Discount*, gain or loss recognized on the sale, exchange or retirement of a Bond will be capital gain or loss and will be long-term capital gain or loss if the Bond was held for more than one year.

*Backup Withholding.* United States Holders may be subject to backup withholding on payments of interest and, in some cases, disposition proceeds of the Bonds, if they fail to provide an accurate Form W-9, "Request for Taxpayer Identification Number and Certification," or a valid substitute form, or have been notified by the IRS of a failure to report all interest and dividends, or otherwise fail to comply with the applicable requirements of backup withholding rules. Backup withholding is not an additional tax. Any amounts withheld under the backup withholding rules will be allowed as a credit against the United States Holder's United States federal income tax liability (or refund) provided that the required information is timely furnished to the IRS. Prospective United States Holders should consult their tax advisors concerning the application of backup withholding rules.

*Medicare Tax Affecting U.S. Owners.* For taxable years beginning after December 31, 2012, a U.S. owner that is an individual or estate, or a trust that does not fall into a special class of trusts that is exempt from such tax, will be subject to a Medicare tax on the lesser of (1) of the U.S. owner's "net investment income" for the taxable year and (2) the excess of the U.S. owner's modified adjusted gross income for the taxable year over a certain threshold. A U.S. owner's net investment income will generally include its interest income and its net gains from the disposition of the Bonds, unless such interest income or net gains are derived in the ordinary course of the conduct of a trade or business (other than a trade or business that consists of certain passive or trading activities). A U.S. owner that is an individual, estate, or trust should consult its own tax advisor regarding the applicability of the Medicare tax.

### ***Information Reporting***

In general, information reporting requirements will apply with respect to payments to a United States Holder of principal and interest (and with respect to annual accruals of original issue discount) on the Bonds, and with respect to payments to a United States Holder of any proceeds from a disposition of the Bonds. This information reporting obligation, however, does not apply with respect to certain United States Holders, including corporations, tax-exempt organizations, qualified pension and profit sharing trusts, and individual retirement accounts. In the event that a United States Holder subject to the reporting requirements described above fails to supply its correct taxpayer identification number in the manner required by applicable law, or is notified by the RS that it has failed properly to report payments of interest and dividends, a backup withholding tax (currently at a rate of 28%) generally will be imposed on the amount of any interest and principal and the amount of any sales proceeds received by the United States Holder on or with respect to the Bonds.

Any payments of interest and original issue discount on the Bonds to a Non-United States Holder generally will be reported to the IRS and to the Non-United States Holder, whether or not such interest or original issue discount is exempt from United States withholding tax pursuant to a tax treaty or the portfolio interest exemption. Copies of these information returns also may be made available under the provisions of a specific treaty or agreement to the tax authorities of the country in which the payee resides.

Information reporting requirements will apply to a payment of the proceeds of the disposition of a Bond by or through (a) a foreign office of a custodian, nominee, other agent, or broker that is a United States person, (b) a foreign custodian, nominee, other agent, or broker that derives 50% or more of its gross income for certain periods from the conduct of a trade or business in the United States, (c) a foreign custodian, nominee, other agent, or broker that is a controlled foreign corporation for United States federal income tax purposes, or (d) a foreign partnership if at any time during its tax year one or more of its partners are United States persons who, in the aggregate, hold more than 50% of the income or capital interest of the partnership, or if, at any time during its taxable year, the partnership is engaged in the conduct of a trade or business within the United States, unless the custodian, nominee, other agent, broker, or foreign partnership has documentary evidence in its records that the beneficial owner is not a United States person and certain other conditions are met, or the beneficial owner otherwise establishes an exemption.

The federal income tax discussion set forth above is included for general information only and may not be applicable depending on a beneficial owner's particular situation. Beneficial owners should consult their tax advisors with respect to the tax consequences to them of the purchase, ownership, and disposition of the Bonds, including the tax consequences under state, local, foreign, and other tax laws, and the possible effects of changes in federal or other tax laws.

### ***State of Connecticut Tax on Interest***

The opinion of Bond Counsel will state in substance that, based on the record of proceedings authorizing the Bonds, under existing statutes: (1) interest on the Bonds is excluded from Connecticut taxable income for purposes of the Connecticut income tax on individuals, trusts, and estates; and (2) is excluded from amounts on which the net Connecticut minimum tax is based in the case of individuals, trusts, and estates required to pay the federal alternative minimum tax.

Interest on the Bonds is included in gross income for purposes of the Connecticut corporation business tax.

Owners of the Bonds should consult their tax advisors with respect to other applicable state and local tax consequences of ownership of the Bonds and the disposition thereof, including the extent to which gains and losses from the sale or exchange of the Bonds held as capital assets reduce and increase, respectively, amounts taken into account in computing the Connecticut income tax on individuals, trusts, and estates, and may affect the net Connecticut minimum tax on such taxpayers who are also required to pay the federal alternative minimum tax.

### **GENERAL.**

The opinion of Bond Counsel is rendered as of its date and Bond Counsel assumes no obligation to update or supplement its opinion to reflect any facts or circumstances that may come to its attention, or any changes in law or the interpretation thereof that may occur after the date of its opinion. Legislation affecting municipal bonds is regularly under consideration by the United States Congress. No assurance can be given that pending federal legislation, if any, or federal legislation enacted or proposed after the date of issuance of the Bonds will not have an effect on the federal tax status or the market price of the Bonds or will not change the effect of other federal tax law consequences, including those discussed above, of owning and disposing of the Bonds, and Bond Counsel expresses no opinion thereon. No assurance can be given that future legislation or amendments to the income tax law of the State of Connecticut, if enacted into law, will not contain provisions that could, directly or indirectly, reduce the benefit of the exclusion of the interest on the Bonds or any gain made on the sale or exchange thereof from Connecticut taxable income for purposes of the Connecticut income tax on individuals, trusts and estates, and Bond Counsel expresses no opinion thereon. Prospective owners of the Bonds are advised to consult their tax advisors regarding the potential tax consequences of proposed federal or State of Connecticut tax legislation, if any, affecting municipal bonds.

The discussion above does not purport to address all aspects of federal, state, or local taxation that may be relevant to a particular owner of the Bonds. Prospective owners of the Bonds, particularly those who may be subject to special rules, are advised to consult their tax advisors regarding the federal, state, and local tax consequences of owning and disposing of the Bonds, including any tax consequences arising under the laws of any other state or other taxing jurisdiction.

## APPENDIX D - FORM OF CONTINUING DISCLOSURE AGREEMENT FOR BONDS

*In accordance with the requirements of Rule 15c2-12 promulgated by the Securities and Exchange Commission, the Town will agree, pursuant to a Continuing Disclosure Agreement for Bonds to be executed by the Town substantially in the following form, to provide, or cause to be provided, (i) annual financial information and operating data, (ii) in a timely manner not in excess of ten business days after the occurrence of the event, notice of the occurrence of certain events with respect to the Bonds and (iii) timely notice of a failure by the Town to provide the required annual financial information on or before the date specified in the Continuing Disclosure Agreement for Bonds.*

### **Continuing Disclosure Agreement for Bonds**

This Continuing Disclosure Agreement for Bonds ("Agreement") is made as of July 16, 2020 by the Town of Vernon, Connecticut (the "Issuer") acting by its undersigned officers, duly authorized, in connection with the issuance of \$20,325,000 General Obligation Bonds, Issue of 2020, Series A (Tax-Exempt) and \$3,8350,000 General Obligation Refunding Bonds, Issue of 2020, Series B (Federally Taxable) each dated as of July 16, 2020 (the "Bonds"), for the benefit of the beneficial owners from time to time of the Bonds.

**Section 1. Definitions.** For purposes of this Agreement, the following capitalized terms shall have the following meanings:

"Final Official Statement" means the official statement of the Issuer dated July 1, 2020 prepared in connection with the Bonds.

"MSRB" means the Municipal Securities Rulemaking Board established under the Securities Exchange Act of 1934, as amended, or any successor thereto.

"Repository" means the MSRB or any other information repository established pursuant to the Rule as amended from time to time.

"Rule" means Rule 15c2-12 under the Securities Exchange Act of 1934, as of the date of this Agreement.

"SEC" means the Securities and Exchange Commission of the United States, or any successor thereto.

### **Section 2. Annual Financial Information.**

(a) The Issuer agrees to provide or cause to be provided to each Repository, in accordance with the provisions of the Rule and of this Agreement, annual financial information and operating data (commencing with information and data for the fiscal year ending June 30, 2020) as follows:

(i) Financial statements of the Issuer's general fund and any special revenue, capital projects, internal service and trust or agency funds, for the prior fiscal year which statements shall be prepared in accordance with generally accepted accounting principles or mandated state statutory principles as in effect from time to time. As of the date of this Agreement, the Issuer prepares its financial statements in accordance with generally accepted accounting principles. The financial statements will be audited.

(ii) The following financial information and operating data to the extent not included in the financial statements described in (i) above:

- (A) amounts of the net taxable grand list applicable to the fiscal year,
- (B) listing of the ten largest taxpayers on the applicable grand list, together with each such taxpayer's taxable valuation thereon,
- (C) percentage of the annual property tax levy uncollected as of the close of the fiscal year,
- (D) schedule of annual debt service on outstanding long-term bonded indebtedness as of the close of the fiscal year,

- (E) calculation of total direct debt and net direct debt as of the close of the fiscal year,
- (F) total direct debt and total net debt of the Issuer per capita,
- (G) ratios of the total direct debt and net direct debt of the Issuer to the Issuer's net taxable grand list,
- (H) statement of statutory debt limitation as of the close of the fiscal year, and
- (I) funding status of the Issuer's pension benefit obligation.

(b) The financial information and operating data described above will be provided on or before the date eight months after the close of the fiscal year for which such information is being provided (the "Filing Due Date"). The Issuer's fiscal year currently ends on June 30. The Issuer reserves the right to provide unaudited financial statements if audited financial statements are not available as of the Filing Due Date, provided that the Issuer shall promptly provide audited financial statements when available.

(c) Annual financial information and operating data may be provided in whole or in part by cross-reference to other documents available to the public on the MSRB's Internet Web site referenced in the Rule as amended from time to time or filed with the SEC. All or a portion of the financial information and operating data may be provided in the form of a comprehensive annual financial report.

(d) The Issuer reserves the right (i) to provide financial statements which are not audited if no longer required by law, (ii) to modify from time to time the format of the presentation of such information or data, and (iii) to modify the accounting principles it follows to the extent required by law, by changes in generally accepted accounting principles, or by changes in accounting principles adopted by the Issuer; provided that the Issuer agrees that any such modification will be done in a manner consistent with the Rule.

### **Section 3. Notice of Certain Events.**

The Issuer agrees to provide or cause to be provided, in a timely manner not in excess of ten business days after the occurrence of the event, to each Repository notice of the occurrence of any of the following events with respect to the Bonds:

- (a) principal and interest payment delinquencies;
- (b) non-payment related defaults, if material;
- (c) unscheduled draws on debt service reserves reflecting financial difficulties;
- (d) unscheduled draws on credit enhancements reflecting financial difficulties;
- (e) substitution of credit or liquidity providers, or their failure to perform;
- (f) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the bonds, or other material events affecting the tax status of the Bonds;
- (g) modifications to rights of holders of the Bonds, if material;
- (h) Bond calls, if material, and tender offers;
- (i) Bond defeasances;
- (j) release, substitution, or sale of property securing repayment of the Bonds, if material;
- (k) rating changes;
- (l) bankruptcy, insolvency, receivership or similar event of the Issuer;



(m) the consummation of a merger, consolidation, or acquisition involving the Issuer or the sale of all or substantially all of the assets of the Issuer, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material;

(n) appointment of a successor or additional trustee or the change of name of a trustee, if material;

(o) incurrence of a financial obligation of the Issuer, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation, any of which affect security holders, if material; and

(p) default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a financial obligation of the Issuer, any of which reflect financial difficulties.

*Events (d) and (e).* The Issuer does not undertake to provide any notice with respect to credit enhancement added after the primary offering of the Bonds, unless the Issuer applies for or participates in obtaining the enhancement.

*Event (f).* Event (f) is relevant only to the extent interest on the Bonds is excluded from gross income for federal income tax purposes.

*Event (h).* The Issuer does not undertake to provide the above-described event notice of a mandatory scheduled redemption, not *otherwise* contingent upon the occurrence of an event, if (A) the terms, dates and amounts of redemption are set forth in detail in the Final Official Statement, (B) the sole matter to be determined is which of the Bonds will be redeemed in the case of a partial redemption, (C) notice of redemption is given to the holders of the Bonds to be redeemed as required under the terms of the Bonds, and (D) public notice of redemption is given pursuant to Exchange Act Release No. 23856 of the SEC, even if the originally scheduled amounts are reduced due to prior optional redemptions or Bond purchases.

*Events (o) and (p).* The term “financial obligation” is defined as a (i) debt obligation, (ii) derivative instrument entered into in connection with or pledged as security or a source of payment for an existing or planned debt obligation, or (iii) guarantee of (i) or (ii). The term financial obligation does not include municipal securities for which a final official statement has been filed with MSRB pursuant to the Rule.

#### **Section 4. Notice of Failure to Provide Annual Financial Information.**

The Issuer agrees to provide or cause to be provided, in a timely manner, to each Repository notice of any failure by the Issuer to provide annual financial information as set forth in Section 2(a) hereof on or before the date set forth in Section 2(b) hereof.

#### **Section 5. Use of Agents.**

Annual financial information and operating data and notices to be provided pursuant to this Agreement may be provided by the Issuer or by any agents which may be employed by the Issuer for such purpose from time to time.

#### **Section 6. Termination.**

The obligations of the Issuer under this Agreement shall terminate upon the earlier of (i) payment or legal defeasance, at maturity or otherwise, of all of the Bonds, or (ii) such time as the Issuer ceases to be an obligated person with respect to the Bonds within the meaning of the Rule.

#### **Section 7. Enforcement.**

The Issuer acknowledges that the undertakings set forth in this Agreement are intended to be for the benefit of, and enforceable by, the beneficial owners from time to time of the Bonds. In the event the Issuer shall fail to perform its duties hereunder, the Issuer shall have the option to cure such failure within a reasonable time (but not exceeding 30 days with respect to the undertakings set forth in Section 2 of this Agreement or five business days with respect to the undertakings set forth in Sections 3 and 4 of this Agreement) from the time the Issuer's Finance Officer, or a successor, receives written notice from any beneficial owner of the Bonds of such failure. The present address of the Finance Officer is Town Hall, 14 Park Place, Vernon, Connecticut 06066.

In the event the Issuer does not cure such failure within the time specified above, the beneficial owner of any Bonds shall be entitled only to the remedy of specific performance. The parties expressly acknowledge and agree that no monetary damages shall arise or be payable hereunder nor shall any failure to comply with this Agreement constitute an event of default with respect to the Bonds.

**Section 8. Miscellaneous.**

(a) All documents provided by the Issuer to a Repository pursuant to the Issuer's undertakings set forth in Sections 2, 3 and 4 of this Agreement shall be in an electronic format as prescribed by the MSRB from time to time and shall be accompanied by identifying information as prescribed by the MSRB from time to time.

(b) The Issuer shall have no obligation to provide any information, data or notices other than as set forth in this Agreement; provided, however, nothing in this Agreement shall be construed as prohibiting the Issuer from providing such additional information, data or notices from time to time as it deems appropriate in connection with the Bonds. If the Issuer elects to provide any such additional information, data or notices, the Issuer shall have no obligation under this Agreement to update or continue to provide further additional information, data or notices of the type so provided.

(c) This Agreement shall be governed by the laws of the State of Connecticut.

(d) Notwithstanding any other provision of this Agreement, the Issuer may amend this Agreement, and any provision of this Agreement may be waived, if such amendment or waiver is made in connection with a change of circumstances that arises from a change in legal requirements, a change in law, or a change in the identity, nature or status of the Issuer, and is supported by an opinion of counsel expert in federal securities laws, to the effect that (i) such amendment or waiver would not materially adversely affect the beneficial owners of the Bonds, and (ii) the provisions of the Agreement as so amended or waived would have complied with the requirements of the Rule, taking into account any amendments or interpretations of the Rule as well as any changes in circumstances, in each case as of the date of such amendment to the Agreement or waiver. A copy of any such amendment or waiver will be filed in a timely manner with each Repository. The annual financial information provided on the first date following adoption of any such amendment will explain, in narrative form, the reasons for the amendment and the impact of the change in the type of operating or financial information provided.

(e) This Agreement may be executed in any number of counterparts, each of which shall be deemed an original, but such counterparts shall together constitute but one and the same instrument.

TOWN OF VERNON

By \_\_\_\_\_

Daniel A. Champagne  
Mayor

By \_\_\_\_\_

Michael J. Purcaro  
Town Administrator

By \_\_\_\_\_

Jeffrey A. O'Neill  
Finance Officer

Municipal Advisory Services  
Provided By

