

OFFICIAL STATEMENT

NEW ISSUE

RATING: See "Ratings" 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 Bonds and the Notes is excluded from gross income for Federal income tax purposes pursuant to Section 103 of the Code; the Bonds are not "private activity bonds" and interest on the Bonds and the Notes is not treated as a preference item for purposes of calculating the Federal alternative minimum tax, but in the case of corporations a portion of such interest may be included in alternative minimum taxable income for purposes of computing any Federal alternative minimum tax; interest on the Bonds and the Notes is excluded from Connecticut taxable income for purposes of the Connecticut income tax on individuals, trusts and estates; and interest on the Bonds and the Notes 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 "Form of Opinion of Bond Counsel and Tax Exemption" herein.)

TOWN OF VERNON, CONNECTICUT

\$6,130,000

GENERAL OBLIGATION BONDS, ISSUE OF 2015 BOOK-ENTRY-ONLY

Dated: Date of Delivery

Due: August 1, as shown herein

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 February 1, 2016 and semiannually thereafter on February 1 and August 1 in each year until maturity.

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

RATING: See "Ratings" herein

\$6,350,000

GENERAL OBLIGATION BOND ANTICIPATION NOTES BOOK-ENTRY-ONLY

Dated: August 5, 2015

Due: August 4, 2016

The General Obligation Bond Anticipation Notes (the "Notes") 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 interest on the Notes when due. (See "Security and Remedies" herein.)

Interest on the Notes will be payable at maturity.

The Bonds and the Notes are issuable by means of a book-entry transfer system and will be registered in the name of Cede & Co., as Bondowner and Noteowner respectively, and nominee for The Depository Trust Company ("DTC"), New York, New York. DTC will act as securities depository for the Bonds and the Notes. Purchases of the Bonds and the Notes 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 and the Notes. So long as Cede & Co. is the Bondowner and Noteowner, as nominee of DTC, reference herein to the Bondowner or Noteowner shall mean Cede & Co. as aforesaid, and shall not mean the Beneficial Owners (as described herein) of the Bonds and the Notes. (See "Book-Entry-Only System" herein).

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

The Bonds and the Notes 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 and the Notes in definitive form will be available for delivery in New York, New York on or about August 5, 2015.

Dated: July 22, 2015

TOWN OF VERNON, CONNECTICUT

\$6,130,000

GENERAL OBLIGATION BONDS, ISSUE OF 2015

Dated: Date of Delivery

Due: Serially August 1 as shown below

MATURITY SCHEDULE

<u>Maturity</u>	<u>Amount</u>	<u>Interest Rate</u>	<u>Yield</u>	<u>CUSIP¹</u>	<u>Maturity</u>	<u>Amount</u>	<u>Interest Rate</u>	<u>Yield</u>	<u>CUSIP¹</u>
2016	\$410,000	2.000 %	0.400 %	924427TR8	2024	\$410,000	2.500 %	2.300 % *	924427TZ0
2017	410,000	2.000	0.600	924427TS6	2025	410,000	2.500	2.500	924427UA3
2018	410,000	2.000	0.900	924427TT4	2026	410,000	3.000	2.750 *	924427UB1
2019	410,000	2.000	1.100	924427TU1	2027	410,000	3.000	2.900 *	924427UC9
2020	410,000	2.000	1.350	924427TV9	2028	410,000	3.000	3.000	924427UD7
2021	410,000	2.000	1.650	924427TW7	2029	410,000	3.000	3.100	924427UE5
2022	410,000	2.000	1.950 *	924427TX5	2030	390,000	3.125	3.200	924427UF2
2023	410,000	2.500	2.150 *	924427TY3					

* Priced assuming redemption on August 1, 2021 however any such redemption is at the option of the Town. (See "Optional Redemption" herein).

BAIRD

TOWN OF VERNON, CONNECTICUT

\$6,350,000

GENERAL OBLIGATION BOND ANTICIPATION NOTES

Dated: August 5, 2015

Due: August 4, 2016

<u>Coupon</u>	<u>Yield</u>	<u>CUSIP¹</u>
1.500 %	0.370 %	924427UG0

EASTERN BANK

¹ 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 and the Notes. 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 and the Notes 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 and the Notes.

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 and the Notes 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 the Notes 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.

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 Exemption" 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.

Independent Bond and Investment Consultants LLC, the Town's Financial Advisor, has assisted the Town in the preparation of this Official Statement from information supplied by Town officials and other sources. Independent Bond and Investment Consultants LLC does not assume responsibility for the adequacy or accuracy of the statements made herein and makes no representation that it has 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 with respect to the Bonds; (ii) timely notice of the occurrence of certain events with respect to the Bonds and the Notes, but no later than 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 with respect to the Bonds to be executed in substantially the form of Appendices C and D to this Official Statement.

Neither the Bonds nor the Notes have been registered under the Securities Act of 1933, as amended. In addition, the Bonds and the Notes have not been registered under any state securities law.

BOND COUNSEL
DAY PITNEY LLP

Hartford, Connecticut
(860) 275-0100

INDEPENDENT FINANCIAL ADVISOR
INDEPENDENT BOND AND
INVESTMENT CONSULTANTS LLC

Madison, Connecticut
(203) 245-9603

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BOND SALE SUMMARY

The information in this Bond Sale 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.

Date of Sale:	Wednesday, July 22, 2015 at 11:00 am (E.D.T).
Location of Sale:	Office of Day Pitney LLP, 242 Trumbull St., 6 th Floor, Bushnell Conference Room, Hartford, Connecticut.
Issuer:	Town of Vernon, Connecticut (the "Town").
Issue:	\$6,130,000 General Obligation Bonds, Issue of 2015 (the "Bonds").
Dated Date:	August 5, 2015.
Principal Due:	Serially, August 1, 2016 - 2030.
Interest Due:	February 1 and August 1 in each year, commencing February 1, 2016.
Purpose and Authority:	The Bonds are being issued to finance Town capital improvement projects undertaken by the Town and authorized pursuant to Title 7 and Title 10 of the General Statutes of Connecticut, as amended, the Charter of the Town of Vernon, and bond ordinances adopted by the Town Council and approved by the voters of the Town at referendum.
Redemption:	The Bonds <u>ARE</u> subject to redemption prior to maturity. See "Optional Redemption" herein.
Security:	The 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 Bonds when due.
Credit Rating:	The Bonds have been rated "Aa2" by Moody's Investors Service. The rating on the Town's outstanding bonds has recently been affirmed as "Aa2" by Moody's Investors Service.
Basis of Award:	True Interest Cost (TIC) as of the dated date.
Tax Exemption:	See Appendix B to this Official Statement.
Continuing Disclosure Agreement:	See Appendix C to this Official Statement.
Bank Qualification:	The Bonds shall <u>NOT</u> 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 Bonds.
Certifying Bank, Registrar, Transfer and Paying Agent:	U.S. Bank National Association, of Hartford, Connecticut.
Legal Opinion:	Day Pitney LLP, of Hartford, Connecticut will act as Bond Counsel.
Delivery and Payment:	It is expected that delivery of the Bonds in book-entry-only form will be made on or about August 5, 2015, against payment in Federal Funds.
Issuer Official:	Questions regarding the Town and this Official Statement should be directed to James M. Luddecke, Finance Officer, Town of Vernon, Town Hall, 14 Park Place, Vernon, Connecticut 06066 - Telephone (860) 870-3690.

NOTE SALE SUMMARY

The information in this Note Sale 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.

Date of Sale:	Wednesday, July 22, 2015 at 11:30 am (E.D.T).
Location of Sale:	Office of Day Pitney LLP, 242 Trumbull St., 6 th Floor, Bushnell Conference Room, Hartford, Connecticut.
Issuer:	Town of Vernon, Connecticut (the "Town").
Issue:	\$6,350,000 General Obligation Bond Anticipation Notes, dated August 5, 2015 (the "Notes").
Dated Date:	August 5, 2015.
Principal Due:	At maturity – August 4, 2016.
Interest Due:	At maturity – August 4, 2016
Purpose and Authority:	The Notes are being issued to finance Town capital improvement projects undertaken by the Town and authorized pursuant to Title 7 and Title 10 of the General Statutes of Connecticut, as amended, the Charter of the Town of Vernon, and bond ordinances adopted by the Town Council and approved by the voters of the Town at referendum.
Redemption:	The Notes are <u>NOT</u> subject to redemption prior to maturity.
Security:	The Notes 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 Notes when due.
Credit Rating:	The Notes have been rated "MIG 1" by Moody's Investors Service. The rating on the Town's outstanding bonds has recently been affirmed as "Aa2" by Moody's Investors Service.
Basis of Award:	Net Interest Cost (NIC) as of the dated date.
Tax Exemption:	See Appendix B to this Official Statement.
Continuing Disclosure Agreement:	See Appendix D to this Official Statement.
Bank Qualification:	The Notes shall <u>NOT</u> 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 Notes.
Certifying Bank, Registrar, Transfer and Paying Agent:	U.S. Bank National Association, of Hartford, Connecticut.
Legal Opinion:	Day Pitney LLP, of Hartford, Connecticut will act as Bond Counsel.
Delivery and Payment:	It is expected that delivery of the Notes in book-entry-only form will be made on or about August 5, 2015, against payment in Federal Funds.
Issuer Official:	Questions regarding the Town and this Official Statement should be directed to James M. Luddecke, Finance Officer, Town of Vernon, Town Hall, 14 Park Place, Vernon, Connecticut 06066 - Telephone (860) 870-3690.

SECTION I - SECURITIES OFFERED

Introduction

This Official Statement, including the cover page and appendices, has been prepared by the Town of Vernon, Connecticut (the "Town") with assistance from the financial advisor, in connection with the sale of \$6,130,000 General Obligation Bonds, Issue of 2015 (the "Bonds") and \$6,350,000 General Obligation Bond Anticipation Notes, dated August 5, 2015 (the "Notes") 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 Notes and the proceedings of the Town relating thereto are qualified in their entirety by reference to the definitive form of the Bonds and the Notes 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.

Description of the Bonds

The 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 front cover page herein. Interest on the Bonds will be payable February 1, 2016 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. The Bonds will be issued in fully-registered form in denominations of \$5,000 or any integral multiple thereof for any single maturity. A book-entry system will be employed evidencing ownership of the 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 Bonds will be rendered by Day Pitney LLP of Hartford, Connecticut. (See "Appendix B" herein). The Registrar, Certifying Bank, Transfer and Paying Agent will be U.S. Bank National Association of Hartford, Connecticut. **The Bonds are subject to redemption prior to maturity. (See "Optional Redemption" herein).**

Optional Redemption

The Bonds maturing on or before August 1, 2021 are not subject to redemption prior to maturity. The Bonds maturing on August 1, 2022 and thereafter are subject to redemption prior to maturity, at the option of the Town, on or after August 1, 2021, 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 Bonds to be redeemed) set forth in the following table, together with interest accrued and unpaid to the redemption date:

<u>Redemption Dates</u>	<u>Redemption Price</u>
August 1, 2021 and thereafter	100.0%

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 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 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 Bonds. Upon the giving of such notice, if such funds available solely for redemption are on deposit with the Paying Agent, the Bonds or portions thereof so called for redemption will cease to bear interest after the specified redemption date.

If less than all the Bonds of any one maturity shall be called for redemption, the particular Bonds or portions of 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 Bond to be redeemed shall be in the principal amount of \$5,000 or some multiple thereof and that, in selecting Bonds for redemption, each Bond shall be considered as representing that number of Bonds which is obtained by dividing the principal amount of such 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 Bonds called for redemption. Redemption of portions of the Bonds of any maturity by the Town will reduce the outstanding principal amount of 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 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 Bonds to be redeemed held by the Beneficial Owners. Any such allocation of interests in the Bonds to be redeemed will not be governed by the determination of the Town authorizing the issuance of the Bonds and will not be conducted by the Town, the Registrar or Paying Agent.

Description of the Notes

The Notes will be dated the date of delivery and will be due and payable as to both principal and interest at maturity, August 4, 2016. The Notes will bear interest calculated on the basis of a 30-day month and a 360-day year at the rate or rates per annum as set forth on the inside front cover of this Official Statement. A book-entry system will be employed evidencing ownership of the Notes in principal amounts of \$5,000 or integral multiples thereof plus any odd amount, with transfers of ownership effected on the records of DTC and its participants pursuant to rules and procedures established by DTC and its participants. See "Book-Entry-Only System". The legal opinion on the Notes will be rendered by Day Pitney LLP of Hartford, Connecticut. (See "Appendix B" herein). The Certifying Agent, Paying Agent, Registrar and Transfer Agent will be U.S. Bank National Association. **The Notes are NOT subject to redemption prior to maturity.**

Authorization and Use of Proceeds

Authorizations:

The Bonds and the Notes were authorized pursuant to Title 7 and Title 10 of the General Statutes of Connecticut, as amended, the Charter of the Town of Vernon, and bond ordinances adopted by the Town Council and approved by the voters of the Town at referendum.

Use of Proceeds: Proceeds of the Bonds and the Notes will be used to finance the following projects:

Project	Total Amount of Authorization	The Bonds (This Issue)	The Notes (This Issue)
Road Reconstruction and Improvements	\$ 27,637,000	\$ 6,130,000	\$ 6,350,000

Ratings

The Bonds have been rated "Aa2" and the Notes have been rated "MIG 1" by Moody's Investors Service, Inc. ("Moody's"). The underlying 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.

Security and Remedies

The Bonds and the Notes 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 and the Notes when due.

Unless paid from other sources, the Bonds and the Notes 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 and the Notes 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 and the Notes.

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 and the Notes, 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 and the Notes 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.

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

Qualification for Financial Institutions

The Bonds and the Notes 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 Bonds and the Notes.

Book-Entry Transfer System

The Depository Trust Company ("DTC"), New York, New York, will act as securities depository for the Bonds and the Notes. The Bonds and the Notes 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 one fully-registered Note certificate will be issued for each interest rate of the Notes in the aggregate principal amount of such maturity and interest rate, 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.

Purchases of the Bonds and the Notes under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds and the Notes 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 and the Notes are to 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 and the Notes, except in the event that use of the book-entry system for the Bonds and the Notes is discontinued.

To facilitate subsequent transfers, all Bonds and Notes 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 and the Notes 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 and the Notes; DTC's records reflect only the identity of the Direct Participants to whose accounts such Bonds and Notes 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 and the Notes 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 and the Notes 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 and the Notes 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 and the Notes 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 and the Notes 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 and Notes

The determination of the Town officials authorizing the issuance of the Bonds and the Notes provides for issuance of fully-registered Bond and Note 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 Notes, and the Town fails to identify another qualified securities depository for the Bonds and the Notes to replace DTC; or (b) the Town determines to discontinue the book-entry-only system of evidence and transfer of ownership of the Bonds and the Notes. A Beneficial Owner of the Bonds and the Notes, upon registration of certificates held in such Beneficial Owner's name, will become the registered owner of the Bonds and the Notes.

DTC Practices

The Town can make no assurances that DTC, Direct Participants, Indirect Participants or other nominees of the Beneficial Owners of the Bonds and the Notes 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.

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SECTION 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 2013 American Community Survey reported Vernon's population as 29,179. Currently 46% of occupied housing units are single-family, owner-occupied homes. Approximately 82% of Vernon's labor force is employed outside of the Town in the service, retail, non-profit and public 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.

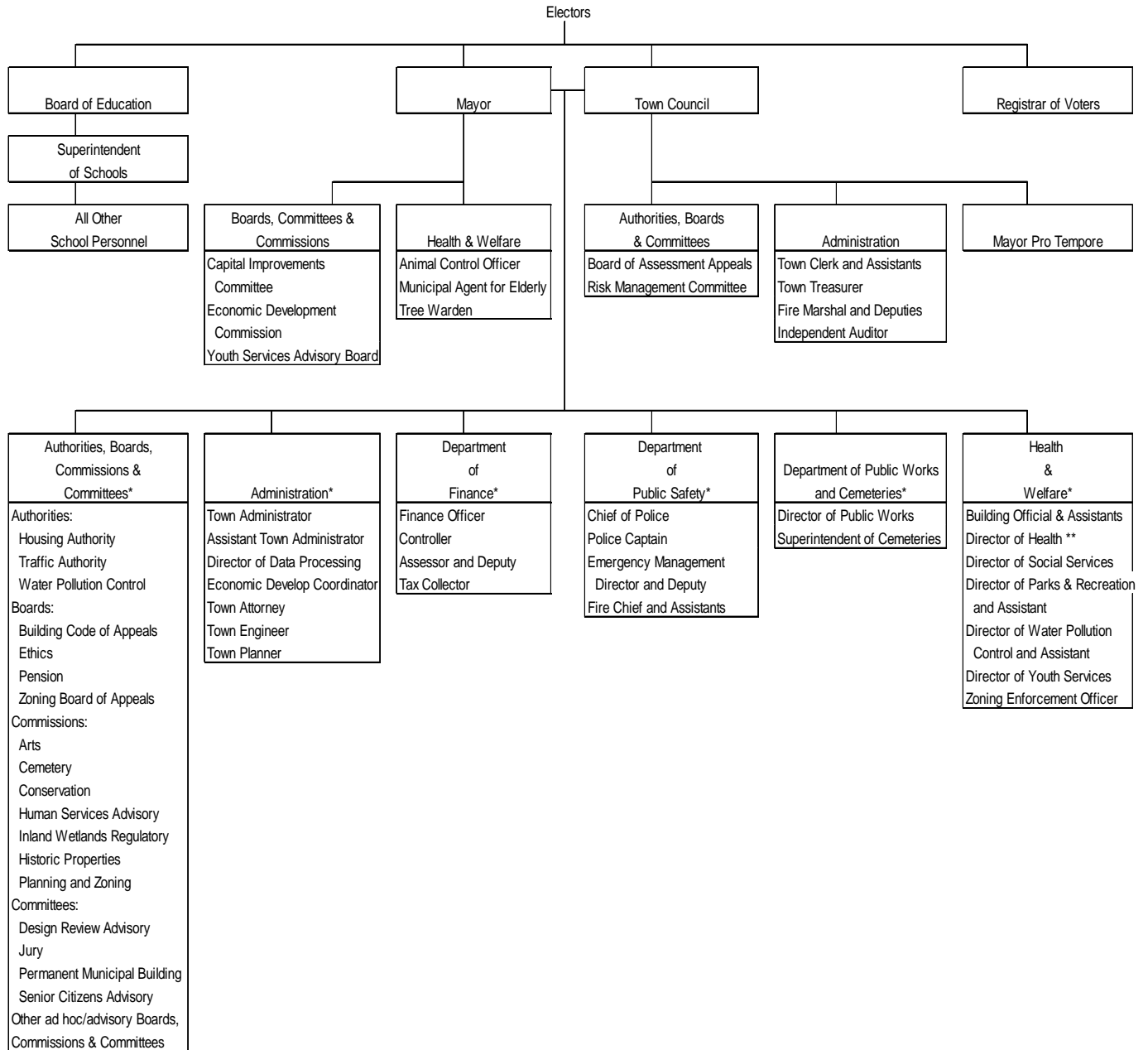
The Town's educational system for its residents consists of five elementary schools, one middle school, one special education school and one senior high school.

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 15th. 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 IV - INDEBTEDNESS - Legal Requirements for Approval of Borrowing" and "SECTION V - FINANCIAL DATA - Supplemental Appropriations" herein.

Table of Organization



* Mayor recommended, Town Council approved.

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

Municipal Officials

<u>Name</u>	<u>Position</u>	<u>Term</u>
Daniel A. Champagne	Mayor	2 years – Elected
Kimberly Appleyard	Town Council	2 years - Elected
William F. Campbell	Town Council	2 years - Elected
Julie Clay	Town Council	2 years - Elected
Virginia M. Gingras	Town Council	2 years - Elected
John C. Kopec	Town Council	2 years - Elected
Fred Lehmann	Town Council	2 years - Elected
Ann Letendre	Town Council	2 years - Elected
Brian R. Motola	Town Council	2 years - Elected
Steven Patterson	Town Council	2 years - Elected
Pauline Schaefer	Town Council	2 years - Elected
Steve Wakefield	Town Council	2 years – Elected
Michael A. Winkler	Town Council	2 years – Elected
John D. Ward	Town Administrator	Appointed
James M. Luddecke	Finance Officer/Treasurer	Appointed
Dr. Mary P. Conway	Superintendent of Schools	Appointed

Biographies of Principal Officials

Mayor: Mayor Daniel 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: John D. Ward is the Administrator for the Town of Vernon. He previously served as Interim Town Administrator for Vernon in 2008. Prior to his municipal career, John Ward served as a trial attorney for over fifteen years in the private sector. For the last eight years of his legal career, he worked as Field Legal Counsel for Liberty Mutual Insurance Company.

Finance Officer/Treasurer: James M. Luddecke has served as Finance Officer since 1981, and Treasurer since 1989. Mr. Luddecke received his Bachelor of Science degree in Accounting from Southern New Hampshire University in 1975 and his Master's degree in Public Administration from the University of Hartford in 1988. He is the Past President of the Government Finance Officers Association of Connecticut and served eight years on their Executive Board, while chairing several committees. Mr. Luddecke served two years as liaison to the State of Connecticut Municipal Finance Advisory Committee and has been a guest speaker at state and national events.

Prior to his employment with the Town of Vernon, Mr. Luddecke worked as a controller for the Greater Boston YMCA for two years and Business Manager of the Hartford Arts Consortium for three years.

Superintendent of Schools: Mary Conway, Ed.D, has been the superintendent of schools in Vernon, Connecticut since July, 2010. Prior to this, she was the superintendent in rural Plainfield, Connecticut for a period of ten years. During that time, Dr. Conway and her leadership team were able to reduce the high school dropout rate levels. While in Plainfield, Dr. Conway was the chair of the Northeast School Readiness Council, a member of the Northeast Connecticut Chamber of Commerce Board of Directors, a member of the Eastern Area Health Education Center Board of Directors and a chair for the New England Association of Schools and Colleges (NEASC). She is currently a member of the NEASC Commission on Public Secondary Schools. Dr. Conway was the principal of Windsor Locks High School in Connecticut, an assistant principal at RHAM High School in Hebron, Connecticut and Wheeler High School and Middle School in North Stonington, Connecticut and a teacher of mathematics at Windsor (CT) High School. She earned her doctorate from the University of Connecticut (UConn), a sixth year diploma in Educational Leadership from UConn and a master's degree in mathematics from Trinity College in Hartford, Connecticut.

Summary of Municipal Services

The Town of Vernon has a full-time professional staff that includes a Town Administrator, Finance Officer, Town Clerk, Collector of Revenue, Assessor, Building and Housing Code Inspector, Town Planner, Economic Development Coordinator, Town Engineer, Director of Public Works, Police Chief, Data Processing Director, Social Services Director, Youth Services Director, Recreation Director, Fire Chief, Fire Marshal, Waste Pollution Control Authority Director, Water Pollution Control Authority Business Manager, Registrar 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 and deterrence of crime, the apprehension of offenders, the return of property, the efficient control and movement of traffic, and the provision of public safety. It is responsible for the enforcement of all laws, ordinances and regulations governing the criminal and motor vehicle codes and the protection of all 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 center.

Fire Protection and Ambulance Service. Fire protection is provided by a volunteer fire department with a total of 166 active firefighters and six Fire Stations. Major equipment includes three 750 GPM pumpers, two 1,000 GPM pumpers, one 1,500 GPM pumper, two aerial ladder trucks, one "mini" pumper, two rescue vehicles and four ambulances. The Rockville section of Vernon is protected by a Gamewell Fire Protection System.

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, 28 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, 35 miles of trails, two swimming pools, two beaches on lakes which provide swimming, a beach house, track, boat launch, picnic areas, fishing and ice skating. Additionally, the Town has a Teen Center, numerous playgrounds, baseball and softball diamonds, soccer fields, and tennis and basketball courts.

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 facility is in its eighteenth year of operation since a major expansion and upgrade and establishes an advance treatment process capable of providing effective, efficient, and reliable treatment well into this century's second decade, protecting the natural ecology of the river and preserving its aesthetic and recreational values for future generations. On December 31, 1997 the Town permanently financed the upgrade and expansion with a loan through the State of Connecticut Clean Water Fund (CWF PLO 200-C) in the amount of \$27,635,550. The permanent loan obligation was financed at an interest rate of 2% and matures in 2016. The outstanding principal balance of the loan obligation is \$2,454,022 and the other benefiting towns are responsible for \$528,225 of that amount. See "Clean Water Fund Program" herein for more information.

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

By concurrent ordinances (the "Enabling Ordinances") adopted in April 2003, the Towns of Bolton and Vernon established the Bolton Lakes Regional Water Pollution Control Authority (the "BLRWPCA") pursuant to Sections 22a-500 through 22a-519, inclusive, of the Connecticut General Statutes, for the purpose of constructing sewers in the Route 44 corridor and around Bolton Lake. The BLRWPCA is authorized pursuant to the Enabling Ordinances to act as a regional water pollution control authority and to construct, maintain and operate a regional sewerage system to serve portions of the two towns designated in the Enabling Ordinances.

The BLRWPCA project is anticipated to cost \$21,694,000, of which the Town's estimated share is 29%, or approximately \$6,291,000. Significant shares of the project costs are expected to be funded by Federal and State grants from the United States Department of Agriculture Office of Rural Development, the Federal Environmental Protection Agency State and Tribal Grants program, the State of Connecticut Small Town Economic Assistance Program and the CTDEEP Clean Water Program. It is anticipated that the Town's share of project costs after the application of these grants will be \$2,702,000. The local share of the construction costs are anticipated to be permanently funded by long-term loans (20 years) from the CTDEEP Clean Water Fund at 2% interest. The loans are expected to be repaid through sewer benefit assessments and a small tax levy. Project construction began in October 2009 and is anticipated to be completed in calendar 2015.

By concurrent ordinances (the "Financing Ordinances") adopted in September 2007, the Towns of Bolton and Vernon, among other matters, authorized the entrance into one or more agreements by the towns with the BLRWPCA to guarantee the punctual payment of each town's proportionate share of all principal and interest on any debt obligations issued by the BLRWPCA to finance the sewer project, to pledge such town's full faith and credit to the payment of its guarantee obligations, and to appropriate, and have available on or before the dates on which any payment becomes due on such debt obligations, an amount of money which, together with other revenues available for such purpose, shall be sufficient to meet the town's guarantee obligations in connection with such debt obligations. Pursuant to the Enabling Ordinances, as amended by the Financing Ordinances, initially 71% of the capital and non-capital expenses of the BLRWPCA are assigned to the Town of Bolton, with the remaining 29% of such costs assigned to the Town of Vernon.

Solid Waste – Residential wastes are collected once weekly by the Town's Public Works Department. The Town has a five-year 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 Town is in its third year of the contract and currently pays a fee of \$61.99 per ton for solid waste disposal and receives a fee of \$20.00 per ton for recyclables. As part of its Community Outreach program, Covanta Energy donates \$20,000.00 per year to the Town. The solid waste disposal fee increases 2.5% annually, on a calendar year basis. The contract has two five-year option periods.

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

Electricity. Electricity is furnished by Northeast Utilities.

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>Grades</u>	<u>Date Occupied</u>	<u>Date of Renovations</u>	<u>Number of Classrooms</u>	<u>Enrollment 10/1/2014</u>	<u>Design Capacity</u>
Center Road Elementary School	PK-5	1969	2010	33	493	825
Lake Street Elementary School	PK-5	1960	1961, 2010	20	238	525
Maple Street Elementary School	PK-5	1923	1962, 2010	23	316	525
Northeast Elementary School	PK-5	1954	2010	19	319	525
Skinner Road Elementary School	PK-5	1963	2010	21	336	525
Loveland Hill School (at Rockville High)	PK-7	n/a	n/a	5	10	n/a
Vernon Middle School	6-8	1968	2010	70	649	1,500
Rockville High School and VO-AG	9-12	1959	1964, 1976, 2010	136	877	2,400
Out of District	All	n/a	n/a	n/a	46	n/a
Total				327	3,284	6,825

Source: Superintendent of Schools.

School Enrollments (1)

<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>
2005-06	34	1,680	939	1,307	46	4,006
2006-07	26	1,656	854	1,261	45	3,842
2007-08	39	1,626	817	1,233	45	3,760
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

<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>Ungraded</u>	<u>Total</u>
2015-16	143	1,619	740	993	46	3,541
2016-17	143	1,620	748	987	46	3,544
2017-18	143	1,607	776	963	46	3,535
2018-19	143	1,609	741	994	46	3,533
2019-20	143	1,605	754	980	46	3,528

(1) As of October 1 in each year.

Source: Superintendent of Schools.

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Municipal Employees

Fiscal Year	2015	2014	2013	2012	2011
Board of Education	629	640	635	631	638
General Government	206	206	205	204	204
Total	835	846	840	835	842

Source: Town Officials.

Municipal Employees by Category

General Government	Number of Employees
General Government	35
Community Development	3
Public Safety	73
Maintenance and Development	72
Human Services	10
Parks and Recreation	11
Townwide	2
Subtotal	206
Board of Education	
Administration and Principals	19
Teachers	344
Classroom Instructional Aids/Paraprofessionals	134
Nurses	8
Clerical/Custodial/Maintenance	49
Cafeteria Workers	28
Plant Operation Supervisors	2
Librarians/Media Managers/Assistants	9
Non-Bargaining Employees	36
Subtotal	629
Grand Total	835

Source: Town Officials.

Employee Collective Bargaining Representation

Employees	Organization	Number of Employees Covered	Current Contract Expiration
General Government			
Police officers	Local 17, Connecticut Independent Police Union	48	6/30/2017
Public Works/Parks/Water Pollution	Local 1471, AFSCME, AFL-CIO	57	6/30/2016
Public Works Supervisors	Local 818, AFSCME, AFL-CIO	5	6/30/2015 ⁽¹⁾
Civilian Police Department Employees	Local 47, Connecticut Independent Laborers Union (CILU)	13	6/30/2017
Professionals	Local 818, AFSCME, AFL-CIO	32	6/30/2016
Public Works Administrative Clerical	Local 1471, AFSCME, AFL-CIO	3	6/30/2016
Waste Treatment Plant Supervisors	Local 818, AFSCME, AFL-CIO	3	6/30/2015 ⁽¹⁾
Non-Bargaining	Not affiliated	45	N/A
Subtotal - General Government		206	
Board of Education			
Clerical/Custodial/Maintenance	Local 1303, AFSCME, AFL-CIO	49	6/30/2016
Teachers	Vernon Education Association	344	6/30/2017
School Administrators	Vernon School Administrators Association	19	6/30/2018
School Nurses	Vernon School Nurses' Association	8	6/30/2016
Cafeteria	United Food & Commercial Workers, Local 919, AFL-CIO	28	6/30/2017
Plant Operation Supervisors	Local 818, Council #4, Supervisors	2	6/30/2015 ⁽¹⁾
Service Aids & Teacher Assistants	Vernon Federation of Paraprofessionals	134	6/30/2017
Librarians/Media Managers/Assistants	Local 1303-279, AFSCME, AFL-CIO	9	6/30/2016
Non-Bargaining	Not affiliated	36	N/A
Subtotal -Board of Education		629	
Total		835	

(1) In negotiations.

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.

SECTION III - ECONOMIC AND DEMOGRAPHIC DATA

Population Trends

<u>Year</u>	<u>Town of Vernon</u>	<u>Tolland County</u>	<u>State of Connecticut</u>
1970	27,237	103,440	3,032,217
1980	27,974	114,823	3,107,576
1990	29,841	128,699	3,287,116
2000	28,063	136,364	3,405,565
2013	29,179	152,366	3,583,561

Source: U.S. Bureau of Census.

Age Characteristics 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	1,572	5.4	6,667	4.4	197,395	5.5
5 - 9	1,352	4.6	8,047	5.3	220,139	6.1
10 - 14	1,356	4.6	9,495	6.2	236,742	6.6
15 - 19	1,575	5.4	15,280	10.0	255,816	7.1
20 - 24	2,177	7.5	16,694	11.0	229,708	6.4
25 - 34	5,023	17.2	15,771	10.4	428,258	12.0
35 - 44	3,588	12.3	18,215	12.0	469,746	13.1
45 - 54	3,692	12.7	24,076	15.8	568,510	15.9
55 - 59	2,152	7.4	10,338	6.8	246,210	6.9
60 - 64	1,970	6.8	8,769	5.8	210,753	5.9
65 - 74	2,365	8.1	10,730	7.0	269,422	7.5
75 - 84	1,677	5.7	5,703	3.7	164,260	4.6
85 and over	680	2.3	2,581	1.7	86,602	2.4
Total	29,179	100.0	152,366	100.0	3,583,561	100.0

Source: U.S. Bureau of the Census, American Community Survey, 2009-2013.

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	516	2.4	1,910	2.0	109,133	4.5
9th to 12th grade	1,131	5.3	4,784	5.0	155,272	6.4
High School graduate	6,501	30.7	26,207	27.2	678,370	27.8
Some college, no degree	3,817	18.0	17,732	18.4	431,469	17.7
Associates degree	2,246	10.6	10,104	10.5	178,597	7.3
Bachelor's degree	3,876	18.3	18,814	19.6	498,124	20.4
Graduate or professional degree	3,060	14.5	16,632	17.3	392,796	16.1
Total	21,147	100.0	96,183	100.0	2,443,761	100.0
Percent of High School Graduates		92.2%		93.0%		89.2%
Percent of College Graduates		32.8%		36.9%		36.5%

Source: U.S. Bureau of Census, American Community Survey, 2009-2013.

Selected Wealth and Income Indicators

	Median Family		Per Capita Income	
	(2000)	(2013)	(2000)	(2013)
Town of Vernon	\$59,599	\$80,139	\$25,150	\$35,361
Tolland County	70,856	95,996	25,474	34,392
Connecticut	65,521	87,245	28,766	37,892
United States	49,600	64,719	21,690	28,155

Source: U.S. Bureau of Census.

Income Distribution

	Town of Vernon		Tolland County		State of Connecticut	
	Families	Percent	Families	Percent	Families	Percent
\$ -0- to 9,999	168	2.2	462	1.2	29,895	3.3
10,000 to 14,999	153	2.0	389	1.0	19,176	2.1
15,000 to 24,999	520	6.8	1,260	3.4	47,319	5.2
25,000 to 34,999	434	5.7	1,524	4.1	56,997	6.3
35,000 to 49,999	1,090	14.3	3,262	8.7	86,025	9.5
50,000 to 74,999	1,164	15.2	5,703	15.3	143,989	15.9
75,000 to 99,999	1,354	17.7	6,885	18.4	131,874	14.6
100,000 to 149,999	1,689	22.1	9,884	26.4	187,718	20.8
150,000 to 199,999	635	8.3	4,689	12.5	90,602	10.0
200,000 or more	426	5.6	3,329	8.9	109,982	12.2
	<u>7,633</u>	<u>100.0</u>	<u>37,387</u>	<u>100.0</u>	<u>903,577</u>	<u>100.0</u>

Source: U.S. Bureau of the Census, American Community Survey, 2009-2013.

Employment by Industry

Employment Sector	Town of Vernon		Tolland County		State of Connecticut	
	Number	Percent	Number	Percent	Number	Percent
Agriculture, Forestry, Fishing, Hunting & Mining	32	0.2	589	0.7	6,945	0.4
Manufacturing	782	4.9	4,818	6.1	193,945	11.0
Construction	2,174	13.7	9,069	11.4	99,444	5.7
Wholesale Trade	260	1.6	1,644	2.1	43,550	2.5
Retail Trade	1,919	12.1	7,707	9.7	191,841	10.9
Transportation, Warehousing & Utilities	637	4.0	3,009	3.8	65,630	3.7
Information	388	2.4	1,612	2.0	41,588	2.4
Finance, Insurance & Real Estate	1,518	9.6	7,478	9.4	160,976	9.1
Professional, Scientific & Management	1,590	10.0	6,893	8.7	194,959	11.1
Educational Services & Health Care	3,982	25.1	22,966	28.9	464,177	26.4
Arts, Entertainment, Recreation & Food Services	1,150	7.3	5,884	7.4	148,097	8.4
Other Service (including nonprofit)	809	5.1	3,430	4.3	81,443	4.6
Public Administration	608	3.8	4,380	5.5	66,817	3.8
Total Labor Force, Employed	<u>15,849</u>	<u>100.0</u>	<u>79,479</u>	<u>100.0</u>	<u>1,759,412</u>	<u>100.0</u>

Source: U.S. Bureau of Census, American Community Survey, 2009-2013.

Major Employers

<u>Name of Employer</u>	<u>Nature of Entity</u>	<u>Estimated Number of Employees</u>
Town of Vernon	Municipality	835
Rockville General Hospital	General hospital and specialized health	501
Visiting Nurse and Health Services	Nursing, therapy and supporting services	462
Stop & Shop	Retail grocery supermarket	316
New England Mechanical Services	HVAC engineering, contracting and	275
Price Chopper	Retail grocery supermarket	221
Vernon Manor	Convalescent and elderly care	175
Healthwise Medical Associates	Healthcare	160
Rein's Delicatessen	Restaurant	155
Fox Hill Nursing and Rehabilitation	Convalescent and elderly care	149
Total		3,249

Source: Town of Vernon, Economic Development Coordinator.

Unemployment Rate Statistics

<u>Yearly Average</u>	<u>Town of Vernon</u>	<u>Hartford Labor Market</u>	<u>State of Connecticut</u>	<u>United States</u>
2005	4.5%	5.1%	4.9%	5.1%
2006	4.1%	4.4%	4.6%	4.6%
2007	4.3%	4.7%	4.5%	4.6%
2008	5.4%	5.9%	5.8%	5.8%
2009	7.5%	8.1%	8.0%	9.3%
2010	8.4%	9.1%	9.0%	9.6%
2011	8.0%	8.9%	8.8%	9.0%
2012	8.0%	8.4%	8.3%	8.1%
2013	7.6%	7.9%	7.9%	7.4%
2014	6.5%	6.7%	6.7%	6.2%
<u>2015 Monthly</u>				
January	6.6%	6.8%	6.8%	6.1%
February	6.7%	6.9%	6.9%	5.8%
March	6.3%	6.5%	6.5%	5.6%
April	5.6%	5.8%	5.8%	5.1%
May	5.3%	5.5%	5.6%	5.3%

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
2015 ⁽¹⁾	7	\$ 808,600	42	\$11,403,139	1,463	\$14,554,077	1,512	\$ 26,765,816
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
2010	34	5,618,507	99	4,408,402	1,717	13,352,039	1,850	23,378,948
2009	27	3,759,546	66	1,901,260	1,373	15,661,565	1,466	21,322,371
2008	43	9,817,719	69	3,870,742	1,613	21,958,018	1,725	35,646,479
2007	69	11,632,730	174	5,694,247	1,574	17,991,124	1,817	35,318,101
2006	51	8,109,961	163	12,272,007	1,480	2,846,258	1,694	23,228,226

(1) As of March 31, 2015.

Source: Town of Vernon, Office of Building Inspections

Vernon Housing Inventory

Type	Units	Percent
1-unit detached	6,467	45.8
1-unit attached	630	4.5
2 to 4 units	2,674	19.0
5 to 9 units	1,573	11.2
10 or more units	2,383	16.9
Mobile home, trailer, other	384	2.7
Total Inventory	14,111	100.0

Source: U.S. Bureau of Census, American Community Survey, 2009-2013.

Number of Dwelling Units

2013	2000	1990	1980	% Increase 1980-2013	% Increase 1990-2013	% Increase 2000-2013
14,111	12,867	12,748	10,611	32.98%	10.69%	9.67%

Source: U.S. Bureau of Census.

Characteristics of Housing Units

Value of Owner Occupied	Town of Vernon		Tolland County		State of Connecticut	
	Number	Percent	Number	Percent	Number	Percent
\$ 0 to 50,000	323	4.3	847	2.1	20,800	2.3
50,000 to 99,999	300	4.0	891	2.2	24,638	2.7
100,000 to 149,999	747	10.0	2,493	6.2	66,934	7.3
150,000 to 199,999	1,821	24.3	6,761	16.7	135,714	14.8
200,000 to 299,999	3099	41.4	15,709	38.9	264,832	28.8
300,000 to 499,999	826	11.0	11,427	28.3	250,076	27.2
500,000 to 999,999	314	4.2	1,967	4.9	114,622	12.5
1,000,000 and over	55	0.7	302	0.7	41,872	4.6
Total	7,485	100.0	40,397	100.0	919,488	100.0
Median Value	\$215,500	-	\$254,800	-	\$278,900	-

Source: U.S. Bureau of Census, American Community Survey, 2009-2013.

Age Distribution of Housing

Year Structure Built	Town of Vernon		Tolland County		State of Connecticut	
	Number	Percent	Number	Percent	Number	Percent
1939 or earlier	2,330	16.5	8,951	15.4	336,587	22.6
1940 to 1949	450	3.2	2,566	4.4	105,742	7.1
1950 to 1959	2,245	15.9	7,892	13.6	232,555	15.6
1960 to 1969	3,134	22.2	8,863	15.3	200,430	13.5
1970 to 1979	2,131	15.1	8,147	14.0	200,576	13.5
1980 to 1989	1,984	14.1	9,253	15.9	192,185	12.9
1990 to 1999	676	4.8	5,577	9.6	111,295	7.5
2000 to 2009	1,120	7.9	6,579	11.3	102,666	6.9
2010 or later	41	0.3	239	0.4	4,959	0.3
Total housing units	14,111	100.0	58,067	100.0	1,486,995	100.0

Source: U.S. Bureau of Census, American Community Survey, 2009-2013.

Breakdown of Land Use

Category	# of Acres	% of Total	% of Developed / Committed Land
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%	-
Total	11,518	100.0%	100.0%

Source: Town of Vernon.

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SECTION IV - INDEBTEDNESS

Computation of Statutory Debt Limit

As of July 8, 2015 (Pro Forma)

Total fiscal year 2014 tax collections (including interest and lien fees)(unaudited estimate)	\$62,563,098
State Reimbursement for Revenue Loss on Tax Relief for the Elderly	-
Base for Establishing Debt Limit	<u>\$62,563,098</u>

Debt Limit

	General Purpose	Schools	Sewers	Urban Renewal	Unfunded Past Pension	Total Debt
(2.25 times base)	\$140,766,971					
(4.50 times base)		\$ 281,533,941				
(3.75 times base)			\$234,611,618			
(3.25 times base)				\$203,330,069		
(3.00 times base)					\$187,689,294	
(7.00 times base)						\$ 437,941,686
Indebtedness (Including The Notes)						
Bonds Payable	\$ 10,770,500	\$ 21,212,500	\$ 577,000	\$ -	\$ -	\$ 32,560,000
The Bonds (<i>This Issue</i>)	6,130,000	-	-	-	-	6,130,000
The Notes (<i>This Issue</i>)	6,350,000	-	-	-	-	6,350,000
State of Connecticut						
Clean Water Fund Project						
Loan Obligations (PLO)	-	-	2,319,608	-	-	2,319,608
Authorized but Unissued						
Debt	15,898,690	4,904,667	3,648,946	-	-	24,452,303
Gross Direct Debt	39,149,190	26,117,167	6,545,554	-	-	71,811,911
Overlapping Debt:						
Bolton Lakes Regional						
Water Pollution Control						
Authority (1)	-	-	2,702,000			2,702,000
Less receivables:						
Intergovernmental (2)	-	-	(528,225)	-	-	(528,225)
Total Net Direct and						
Overlapping Debt	39,149,190	26,117,167	8,719,329	-	-	73,985,686
Excess of Limit Over						
Outstanding and						
Authorized Debt	<u>\$101,617,781</u>	<u>\$ 255,416,774</u>	<u>\$225,892,288</u>	<u>\$203,330,069</u>	<u>\$187,689,294</u>	<u>\$ 363,956,000</u>

- (1) Reflects Town's estimated 29% share of total project costs less anticipated federal and state grants. The Town expects to assess the benefitting property owners for a portion of the Town's net project cost. See "Summary of Municipal Services – Water Pollution Control Authority" and "Overlapping Indebtedness" herein.
- (2) Includes the principal portion of Clean Water Fund PLO allocable to the towns of Ellington, Manchester, South Windsor and Tolland which as of July 8, 2015, totaled \$528,225. See "Clean Water Fund" herein.

Source: Town Officials

Calculation of Net Direct Debt

As of July 8, 2015 (Pro Forma)

Bonded Debt:

The Bonds (<i>This Issue</i>)	\$ 6,130,000
General Purpose	10,770,500
Schools	21,212,500
Sewers	577,000
State of Connecticut Clean Water Fund PLO	<u>2,319,608</u>
Total Bonded Debt (1)	41,009,608

Short-Term Debt:

The Notes (<i>This Issue</i>)	<u>6,350,000</u>
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Total Short Term Debt

Total Direct Debt	47,359,608
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Exclusions:

Intergovernmental receivable (2)	<u>(528,225)</u>
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Net Direct Debt	46,831,383
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Overlapping Debt:

Bolton Lakes Regional WPCA (3)	<u>2,702,000</u>
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Net Direct Plus Overlapping Debt	<u>\$ 49,533,383</u>
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- (1) Does not include authorized but unissued debt of \$24,452,303.
- (2) As of July 8, 2015, the towns of Ellington, Manchester, South Windsor and Tolland's allocable share of the principal portion of the Town of Vernon's State of Connecticut Clean Water Fund PLO 200-C totaled \$528,225. Please see "Clean Water Fund Program" herein.
- (3) Reflects Town's estimated 29% share of total project costs less anticipated federal and state grants. The Town expects to assess the benefitting property owners for a portion of the Town's net project cost. See "Summary of Municipal Services – Water Pollution Control Authority" and "Overlapping Indebtedness" herein.

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Current Debt Ratios

As of July 8, 2015 (Pro Forma)

Total Direct Debt	\$ 47,359,608
Net Direct Debt	\$ 46,831,383
Net Direct Plus Overlapping Debt	\$ 49,533,383
Population (1)	29,179
Net Taxable Grand List (10/1/14)	\$1,767,082,528
Estimated Full Value	\$2,524,403,611
Equalized Net Taxable Grand List (10/1/13) (2)	\$2,520,764,900
Per Capita Income (2013) (1)	\$ 35,361

Total Direct Debt:

Per Capita	\$1,623.07
To Net Taxable Grand List	2.68%
To Estimated Full Value	2.68%
To Equalized Net Taxable Grand List	1.88%
Per Capita to Per Capita Income	4.59%

Net Direct Debt:

Per Capita	\$1,604.97
To Net Taxable Grand List	2.65%
To Estimated Full Value	1.86%
To Equalized Net Taxable Grand	1.86%
Per Capita to Per Capita Income	4.54%

Net Direct Plus Overlapping Debt:

Per Capita	\$1,697.57
To Net Taxable Grand List	2.80%
To Estimated Full Value	1.96%
To Equalized Net Taxable Grand List	1.97%
Per Capita to Per Capita Income	4.80%

(1) U.S. Bureau of Census.

(2) Office of Policy and Management, State of Connecticut

Historical Debt Statement

	2014-15 (1)	2013-14	2012-13	2011-12	2010-11
Population (2)	29,179	29,161	29,122	29,179	29,205
Net taxable grand list	\$1,762,050,886	\$1,734,380,865	\$1,738,439,714	\$1,914,573,272	\$1,894,638,804
Estimated full value	\$2,517,215,551	\$2,477,686,950	\$2,483,485,306	\$2,735,104,674	\$2,706,626,863
Equalized net taxable grand list (3)	\$2,520,764,900	\$2,402,677,895	\$2,484,656,177	\$2,540,965,785	\$2,462,690,474
Per capita income (2)	\$ 35,361	\$ 35,361	\$ 35,361	\$ 34,483	\$ 33,784
Short-term debt	\$ -	\$ -	\$ -	\$ 3,730,000	\$ 4,220,000
Long-term debt	\$ 36,659,022	\$ 40,839,643	\$ 44,948,695	\$ 50,855,338	\$ 55,250,599
Total Direct Indebtedness	\$ 36,659,022	\$ 40,839,643	\$ 44,948,695	\$ 54,585,338	\$ 59,470,599
Net Direct Debt	\$ 36,130,797	\$ 39,966,893	\$ 43,739,255	\$ 52,929,901	\$ 57,272,379
Overlapping Debt	\$ 2,702,000	\$ 2,737,386	\$ 2,737,386	\$ 2,737,386	\$ 2,078,628
Net Direct Plus Overlapping Debt	\$ 38,832,797	\$ 42,704,279	\$ 46,476,641	\$ 55,667,287	\$ 59,351,007

(1) Unaudited estimate.

(2) U.S. Bureau of Census.

(3) Office of Policy and Management, State of Connecticut

Historical Debt Ratios

Total Direct debt:	2014-15 ⁽¹⁾	2013-14	2012-13	2011-12	2010-11
Per capita	\$1,256.35	\$1,400.49	\$1,543.46	\$1,870.71	\$2,036.32
To net taxable grand list	2.08%	2.35%	2.59%	2.85%	3.14%
To estimated full value	1.46%	1.65%	1.81%	2.00%	2.20%
To equalized net taxable grand list	1.45%	1.70%	1.81%	2.15%	2.41%
Debt per capita to per capita income	3.55%	3.96%	4.36%	5.43%	6.03%
Net Direct debt:					
Per capita	\$1,238.25	\$1,370.56	\$1,501.93	\$1,813.97	\$1,961.05
To net taxable grand list	2.05%	2.30%	2.52%	2.76%	3.02%
To estimated full value	1.44%	1.61%	1.76%	1.94%	2.12%
To equalized net taxable grand list	1.43%	1.66%	1.76%	2.08%	2.33%
Debt per capita to per capita income	3.50%	3.88%	4.25%	5.26%	5.80%
Net Direct Plus					
Per capita	\$1,330.85	\$1,464.43	\$1,595.93	\$1,907.79	\$2,032.22
To net taxable grand list	2.20%	2.46%	2.67%	2.91%	3.13%
To estimated full value	1.54%	1.72%	1.87%	2.04%	2.19%
To equalized net taxable grand list	1.54%	1.78%	1.87%	2.19%	2.41%
Debt per capita to per capita income	3.76%	4.14%	4.51%	5.53%	6.02%

Outstanding Short-Term Indebtedness

Following this issue, the Town will have \$6,350,000 in short-term debt outstanding.

Capital Leases

The Town has entered into a capital lease agreement for the purchase of a mid-mount platform aerial ladder truck, police cruisers and an asphalt reclamation box. The present value of future minimum lease payment as of June 30, 2015 is estimated to be \$1,357,473. 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. Two State-funded engineering studies have confirmed that specific areas around the middle and lower Bolton Lakes no longer meet the requirements of current health codes for septic systems and recommend the installation of a low-pressure sewer system with wastewater being pumped to the adjacent Town of Manchester Wastewater Treatment Facility.

The Bolton Lakes Regional Water Pollution Control Authority (BLRWPCA) was created by ordinances adopted in both towns. In Vernon, Ordinance #242 was adopted in April of 2003. The formation of the regional authority gives the BLRWPCA the power and authority, granted by State Statutes, to construct a sewerage system, charge user fees, levy assessments, bill for hook-up fees and to operate and manage the sewer system. The current estimated project costs are \$21,694,000, with Vernon's 29% share, or \$6,291,000, reduced to \$2,702,000 by potential Federal and State grant funding and further reduced by special benefit assessments to \$1,302,000. Project work in Vernon has commenced and is anticipated to be completed in 2015.

Clean Water Fund Program

The Town of Vernon is a participant in the State of Connecticut Clean Water Fund Program (Connecticut General Statutes Section 22a-475 et seq., as amended) which provides financial assistance 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.

On December 31, 1997, the Town permanently financed the upgrade and expansion of the Vernon Waste Water Treatment Plant (Clean Water Fund PLO 200-C) with \$27,635,550 State of Connecticut Clean Water Fund ("CWF") project loan obligation. The permanently financed loan obligation, payable monthly through December 31, 2016, carries a 2.00% interest rate. The Town is responsible for debt service payments on the loan obligation, although the Towns of Ellington, Manchester, South Windsor and Tolland are obligated to provide principal and interest payments in installments through December 31, 2016 on their share of the debt. As of July 8, 2015, the surrounding towns' share of the debt was \$528,225 in principal and \$8,403 in interest.

The Town of Vernon has the following Clean Water loans outstanding as of July 8, 2015:

<u>Project</u>	<u>Original 2% Loan Amount</u>	<u>Principal Amount Outstanding</u>
CWF PLO 200-C	\$ 27,635,550	\$ 2,319,608

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.

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 1/20th (1/30th 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 1/15th 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 first issue against the authorization. The Town expects to finance the improvements with annual bond issues over the next five fiscal years.

By concurrent ordinances (the “Enabling Ordinances”) adopted in April 2003, the Towns of Bolton and Vernon established the Bolton Lakes Regional Water Pollution Control Authority (the “BLRWPCA”) pursuant to Sections 22a-500 through 22a-519, inclusive, of the Connecticut General Statutes, for the purpose of constructing sewers in the Route 44 corridor and around Bolton Lake. The BLRWPCA is authorized pursuant to the Enabling Ordinances to act as a regional water pollution control authority and to construct, maintain and operate a regional sewerage system to serve portions of the two towns designated in the Enabling Ordinances. The BLRWPCA project is anticipated to cost \$21,694,000, of which the Town’s estimated share is 29% share, or approximately \$6,292,000. It is anticipated that the Town’s remaining local share after the application of available grants will be \$2,702,000. It is expected that special benefit assessments will be utilized to further reduce the Town's share of the project costs. The Town estimates that its share local share after benefit assessments will be \$1,302,000. Project work in Vernon has commenced and is anticipated to be completed in 2015. See “Summary of Municipal Services – Water Pollution Control Authority”

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 2016-2021 Plan projects a total of \$112,827,816 in spending for projects and equipment, of which approximately \$21,408,270 is expected to be financed through the issuance of bonds. A copy of the most recent capital improvement program is available from the Finance Office.

	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	Total
<u>Summary of Programs</u>							
Total Projects	\$16,017,118	\$25,135,359	\$11,710,020	\$48,601,098	\$ 3,664,735	\$ 417,500	\$105,545,830
Total Equipment	1,515,418	3,389,545	1,222,723	555,500	323,800	275,000	7,281,986
Total Program Costs	\$17,532,536	\$28,524,904	\$12,932,743	\$49,156,598	\$ 3,988,535	\$ 692,500	\$112,827,816
<u>Sources of Financing</u>							
General Fund Impact	\$ 952,752	\$ 6,070,677	\$ 3,070,024	\$ 1,251,688	\$ 1,251,688	\$ 109,046	\$ 12,705,875
LoCIP Grants	285,000	208,454	208,454	208,454	208,454	208,454	1,327,270
Other Sources	2,257,684	4,755,900	613,000	12,820,500	-	-	20,447,084
Capital and Non-Recurring	265,000	-	-	-	-	-	265,000
Grant Applications	3,280,847	9,556,470	4,025,000	6,348,000	100,000	100,000	23,410,317
Lease Purchase	564,000	3,106,000	890,000	495,000	205,000	275,000	5,535,000
G.O. Bonds	7,190,253	4,827,403	4,126,265	3,040,956	2,223,393	-	21,408,270
State Clean Water Fund	2,737,000	-	-	24,992,000	-	-	27,729,000
Total Funding Sources	\$17,532,536	\$28,524,904	\$12,932,743	\$49,156,598	\$ 3,988,535	\$ 692,500	\$112,827,816

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.

Authorized but Unissued Debt

Project	Amount of Total Authorization	Prior Debt/ Grants	The Bonds This Issue	The Notes This Issue	Authorized But Unissued Debt
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 (1)	34,657,000	33,056,304	-	-	1,600,696
Vernon Center Middle School Project	11,519,000	10,738,421	-	-	780,579
Various Elementary School Additions and Renovations (1)	22,146,000	19,622,608	-	-	2,523,392
Bolton Lakes Regional WPCA (2)	6,293,000	2,702,000	-	-	3,591,000
Road Reconstruction and Improvements	27,637,000	-	6,130,000	6,350,000	15,157,000
Total All Projects	\$122,566,000	\$85,633,697	\$6,130,000	\$6,350,000	\$24,452,303

- (1) 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.
- (2) Reflects Town's estimated 29% share of total project costs less anticipated federal and state grants. The Town expects to assess the benefitting property owners for a portion of the Town's net project cost. See "Summary of Municipal Services – Water Pollution Control Authority" and "Overlapping Indebtedness" herein.

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Combined Schedule of Long Term Debt through Maturity

As of August 5, 2015 (Pro Forma)

Fiscal Year	Principal Payments	Interest Payments	Total Payments	Principal This Issue	Principal All Issues
2016 ⁽¹⁾	\$ 4,202,828	\$ 1,222,694	\$ 5,425,522	\$ -	\$ 4,202,828
2017	3,566,194	1,108,745	4,674,939	410,000	3,976,194
2018	2,880,000	1,021,531	3,901,531	410,000	3,290,000
2019	3,040,000	940,331	3,980,331	410,000	3,450,000
2020	3,030,000	835,431	3,865,431	410,000	3,440,000
2021	3,040,000	709,644	3,749,644	410,000	3,450,000
2022	3,045,000	586,369	3,631,369	410,000	3,455,000
2023	3,145,000	460,356	3,605,356	410,000	3,555,000
2024	3,140,000	335,931	3,475,931	410,000	3,550,000
2025	2,195,000	230,506	2,425,506	410,000	2,605,000
2026	2,185,000	143,863	2,328,863	410,000	2,595,000
2027	1,915,000	66,975	1,981,975	410,000	2,325,000
2028	1,275,000	19,125	1,294,125	410,000	1,685,000
2029	-	-	-	410,000	410,000
2030	-	-	-	410,000	410,000
2031	-	-	-	390,000	390,000
Total	\$ 36,659,022	\$ 7,681,502	\$44,340,524	\$ 6,130,000	\$ 42,789,022

(1) Includes \$1,779,414 in principal payments as of August 5, 2015.

Source: Annual audited financial statements.

Schedule of General Fund Bonded Debt through Maturity

As of August 5, 2015 (Pro Forma)

Fiscal Year	Principal Payments	Interest Payments	Total Payments	Principal This Issue	Principal All Issues
2016 ⁽¹⁾	\$ 2,575,000	\$ 1,188,481	\$ 3,763,481	\$ -	\$ 2,575,000
2017	2,740,000	1,103,919	3,843,919	410,000	3,150,000
2018	2,880,000	1,021,531	3,901,531	410,000	3,290,000
2019	3,040,000	940,331	3,980,331	410,000	3,450,000
2020	3,030,000	835,431	3,865,431	410,000	3,440,000
2021	3,040,000	709,644	3,749,644	410,000	3,450,000
2022	3,045,000	586,369	3,631,369	410,000	3,455,000
2023	3,145,000	460,356	3,605,356	410,000	3,555,000
2024	3,140,000	335,931	3,475,931	410,000	3,550,000
2025	2,195,000	230,506	2,425,506	410,000	2,605,000
2026	2,185,000	143,863	2,328,863	410,000	2,595,000
2027	1,915,000	66,975	1,981,975	410,000	2,325,000
2028	1,275,000	19,125	1,294,125	410,000	1,685,000
2029	-	-	-	410,000	410,000
2030	-	-	-	410,000	410,000
2031	-	-	-	390,000	390,000
Total	\$34,205,000	\$ 7,642,463	\$41,847,463	\$ 6,130,000	\$40,335,000

(2) Includes \$1,645,000 in principal payments as of August 5, 2015.

Source: Annual audited financial statements.

Schedule of State of Connecticut Clean Water Fund Debt through Maturity

As of August 5, 2015 (Pro Forma)

Fiscal Year	Principal Payments	Interest Payments	Total Payments
2016 ⁽¹⁾	\$ 1,627,828	\$ 34,213	\$1,662,041
2017	826,194	4,826	831,020
Total	\$ 2,454,022	\$ 39,039	\$2,493,061

(1) Includes \$134,414 in principal payments made as of August 5, 2015.

Source: Annual audited financial statements.

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SECTION V - FINANCIAL DATA

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, Cohn Reznick LLP of Farmington, Connecticut were appointed by the Town Council 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, 2014, 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 as prepared by Cohn Reznick LLP, Independent Certified Public Accountants. 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 2013 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 30th, 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.

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 and non-affiliated employees as well as non-affiliated employees of the Board of Education.

As of January 1, 2015 there were approximately 1,017 active and retired persons in the plans (including the Volunteer Fire LOSAP). The most recent valuations for the Town's Police and Town plans were as of January 1, 2014. The most recent valuation for the Volunteer Fire LOSAP plan was as of January 1, 2015.

The Town has implemented Government Accounting Standards Board's (GASB) Statement No. 67 effective Fiscal Year 2013-2014. 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 of were as follows:

	Police Plan	Town Plan	LOSAP Plan ⁽¹⁾
Total pension liability	\$ 36,609,816	\$ 62,527,281	\$ 1,333,889
Plan fiduciary net position	19,139,308	35,852,999	1,508,812
Net pension liability	<u>\$ 17,470,508</u>	<u>\$ 26,674,282</u>	<u>\$ (174,923)</u>
Plan fiduciary net position as a % of total pension liability	52.3%	57.3%	113.1%

(1) Valuation as of January 1, 2015.

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:

<u>Police Plan</u>	1% Decrease 6.50%	Current Discount Rate 7.50%	1% Increase 8.50%
Net Pension Liability	\$ 21,796,138	\$ 17,470,508	\$ 13,827,503
<u>Town Plan</u>	1% Decrease 6.50%	Current Discount Rate 7.50%	1% Increase 8.50%
Net Pension Liability	\$ 32,958,429	\$ 26,674,282	\$ 21,289,467
<u>LOSAP Plan ⁽¹⁾</u>	1% Decrease 5.50%	Current Discount Rate 6.50%	1% Increase 7.50%
Net Pension Liability	\$ 38,331	\$ (174,923)	\$ (349,440)

(1) Valuation as of January 1, 2015.

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

Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Over (Unfunded) AAL (UAAL) (a) - (b)	Funded Ratio (a) / (b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll [(a) - (b) / (c)]
<u>Police</u>						
2014 ⁽¹⁾	\$ 18,032,156	\$35,556,727	\$(17,524,571)	50.7%	\$ 4,549,520	-385.2%
2013	16,662,221	33,489,061	(16,826,840)	49.8%	4,390,111	-383.3%
2012	16,653,256	31,441,382	(14,788,126)	53.0%	4,434,630	-333.5%
2011	16,862,650	29,969,970	(13,107,320)	56.3%	4,352,823	-301.1%
2010	16,898,080	27,986,776	(11,088,696)	60.4%	4,350,681	-254.9%
<u>Town</u>						
2014 ⁽¹⁾	\$ 34,566,389	\$61,575,373	\$(27,008,984)	56.1%	\$14,933,089	-180.9%
2013	31,354,306	56,269,385	(24,915,079)	55.7%	14,895,476	-167.3%
2012	29,800,448	53,500,179	(23,699,731)	55.7%	14,396,003	-164.6%
2011	28,199,302	49,873,997	(21,674,695)	56.5%	14,247,198	-152.1%
2010	26,751,553	46,632,119	(19,880,566)	57.4%	14,074,891	-141.2%
<u>LOSAP</u>						
2015	\$ 1,508,812	\$ 1,237,535	\$ 271,277	121.9%	N/A	N/A
2014	1,464,512	1,035,916	428,596	141.4%	N/A	N/A
2013	1,267,827	973,134	294,693	130.3%	N/A	N/A
2012	1,166,227	933,551	232,676	124.9%	N/A	N/A
2011	1,148,440	873,498	274,942	131.5%	N/A	N/A

- (1) Effective January 1, 2014, the Assumed Investment Return was reduced from 7.5% to 7.25%; the salary scale was changed from 5% to 4% and the mortality assumption was changed from the RP-2000 Mortality Table unprojected to the RP-2000 Mortality Table projected to 2014.

Schedule of Employer Contributions

Fiscal Year	Police		Town		LOSAP	
	Actuarially Determined Employer Contribution	Percentage Contributed	Actuarially Determined Employer Contribution	Percentage Contributed	Actuarially Determined Employer Contribution	Percentage Contributed
2016 ⁽¹⁾	\$ 1,584,400	100.0%	\$ 2,383,800	100.0%	\$ 32,587	100.0%
2015 ⁽²⁾	1,515,199	100.0%	2,135,571	100.0%	37,752	100.0%
2014	1,348,338	100.0%	1,883,779	100.0%	34,172	100.0%
2013	1,365,291	100.0%	1,788,972	100.0%	45,237	100.0%
2012	1,240,074	110.2%	1,704,215	117.3%	34,123	100.0%

(1) Adopted budget

(2) Unaudited estimate.

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 eight 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 eight 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	Department of Public Works Supervisors Bargaining Unit
January 1, 2010	Water Pollution Control Supervisors Bargaining Unit
August 4, 2010	Town non-union employees
July 1, 2011	DPW Laborers / Parks / WPC Bargaining Unit
July 1, 2013	Police Civilians Bargaining Unit
June 4, 2014	Board of Education non-union employees

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

Other Post-Employment Benefits

The Town administers 3 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.

The following presents historical information regarding the post-employment benefit funding. The Town's most recent valuation was July 1, 2014. According to the July 1, 2014 valuation, the overall membership in the plan decreased from 954 to 925. The total number of active members increased from 798 to 809, however the total number of retirees and spouses of retirees decreased from 156 to 116. As a result the decreased membership and increasing enrollments in the High Deductible Health Plan versus the PPO plan previously offered, the total liability decreased by approximately \$1,750,000. Additionally, the Actuarial Required Contribution for Fiscal Year 2015-16 decreased to \$684,579.

Schedule of Funding Progress

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets (a)</u>	<u>Actuarial Accrued Liability (AAL) (b)</u>	<u>Over (Unfunded) AAL (UAAL) (a) - (b)</u>	<u>Funded Ratio (a) / (b)</u>	<u>Covered Payroll (c)</u>	<u>UAAL as a Percentage of Covered Payroll [(a) - (b) / (c)]</u>
<u>Police Plan</u>						
2014	\$ 162,026	\$ 1,948,615	\$(1,786,589)	8.3%	\$ 3,674,335	-48.6%
2012	70,008	1,821,136	(1,751,128)	3.8%	3,553,068	-49.3%
2010	60,000	2,269,000	(2,209,000)	2.6%	3,394,227	-65.1%
2008	-	3,071,000	(3,071,000)	0.0%	3,352,315	-91.6%
<u>Town Plan</u>						
2014	\$ 75,007	\$ 1,494,936	\$(1,419,929)	5.0%	\$ 8,914,816	-15.9%
2012	7,001	1,363,777	(1,356,776)	0.5%	8,601,324	-15.8%
2010	-	1,893,000	(1,893,000)	0.0%	8,240,567	-23.0%
2008	-	2,128,000	(2,128,000)	0.0%	8,275,348	-25.7%
<u>Board of Education</u>						
2014		\$ 3,007,647	\$(3,007,647)	0.0%	\$30,988,250	-9.7%
2012		5,016,063	(5,016,063)	0.0%	30,007,917	-16.7%
2010	-	6,193,000	(6,193,000)	0.0%	30,026,823	-20.6%
2008	-	8,194,000	(8,194,000)	0.0%	28,991,599	-28.3%

Schedule of Employer Contributions

Fiscal Year	Police		Town		Board of Education	
	Actuarial Required Contribution	Percentage Contributed	Actuarial Required Contribution	Percentage Contributed	Actuarial Required Contribution	Percentage Contributed
2015 ⁽¹⁾	\$ 197,475	71.9%	\$ 179,073	90.5%	\$ 519,471	85.2%
2014	187,889	77.9%	170,380	75.4%	494,253	73.9%
2013	251,111	66.5%	235,000	75.3%	588,000	76.0%
2012	239,000	48.1%	224,000	60.3%	560,000	84.3%
2011	270,000	77.4%	223,000	52.5%	669,000	61.7%

(1) 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 Tax-Exempt Proceeds Fund; (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.

Assessment Practices

The Town's most recent general revaluation was for the grand list dated October 1, 2011, effective fiscal year 2012-13. However, the Town Council at the time elected to phase-in the revaluation over a three-year period. 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. Public Act 09-60 permits any municipality required to effect a revaluation of real property under Section 12-62 of the Connecticut General Statutes for the 2008, 2009 or 2010 assessment years upon approval of its legislative body, to delay such revaluation until the 2011 assessment year. Any required revaluation subsequent to such a delayed revaluation shall re-commence at the point in the schedule required pursuant to Section 12-62 that the municipality was following prior to such delay. 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 lienied 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.

Real Property Tax Levies and Collections

Fiscal Ending 30-Jun	Net Taxable Grand List	Tax Rate (In Mills)	Total Adjusted Tax Levy	Percent Collected of Each FY	Uncollected Taxes	
					End of Each FY	As of 6/30/14
2016 (1)	\$1,767,082,528	36.91	\$65,223,016	In process	In process	In process
2015	1,762,050,886	36.11	64,059,138	In process	In process	In process
2014	1,734,380,865	35.40	62,210,620	98.6%	\$ 883,316	\$ 883,316
2013 (2)	1,738,439,714	33.63	58,698,937	98.5%	872,240	398,402
2012	1,914,573,272	29.90	57,375,643	98.6%	803,539	172,302
2011	1,894,638,804	30.02	57,087,157	98.8%	699,198	94,964
2010 (3)	1,890,669,101	28.42	53,823,682	98.8%	641,526	64,764
2009 (3)	1,702,120,658	30.28	51,770,310	98.6%	744,062	44,377
2008 (3)	1,491,278,140	32.91	49,545,273	98.2%	887,100	40,080
2007	1,311,102,718	36.73	48,429,987	98.2%	854,868	24,542

(1) Adopted Budget.

(2) Revaluation.

(3) Revaluation, phased-in over 3 years.

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

Taxable Grand List

(Thousands of Dollars)

Grand List Dated	Real Property	Personal Property	Motor Vehicle Property	Gross Taxable Grand List	Less Exemption	Net Taxable Grand List
10/01/14 (1)	\$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 (2)	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
10/01/09	1,673,775	81,908	157,390	1,913,073	18,434	1,894,639
10/01/08 (3)	1,671,701	77,116	157,558	1,906,375	15,676	1,890,699
10/01/07 (3)	1,661,927	74,659	162,849	1,899,435	197,314	1,702,121
10/01/06 (3)	1,639,886	73,695	160,502	1,874,083	382,805	1,491,278
10/01/05	1,092,385	74,198	158,195	1,324,778	13,675	1,311,103

(1) Adopted Budget.

(2) Revaluation.

(3) Revaluation, phased-in over 3 years.

Source: Town of Vernon Assessor's Office.

Real Property Breakdown by Category

(Thousands of Dollars)

Grand List	Residential Property	Comm./Indus Property	All Other	Total Real Property
10/01/14 (1)	\$ 1,142,602	\$ 365,825	\$ 7,752	\$1,516,179
10/01/13	1,137,949	363,256	8,529	1,509,734
10/01/12	1,133,280	359,258	7,470	1,500,008
10/01/11 (2)	1,130,299	355,469	8,646	1,494,414
10/01/10	1,270,682	402,280	9,273	1,682,235
10/01/09	1,262,353	401,015	10,407	1,673,775
10/01/08 (3)	1,254,849	404,763	12,089	1,671,701
10/01/07 (3)	1,244,641	403,696	13,590	1,661,927
10/01/06 (3)	1,236,455	393,213	10,218	1,639,886
10/01/05	774,365	301,430	16,590	1,092,385

(1) Adopted Budget.

(2) Revaluation.

(3) Revaluation, phased-in over 3 years.

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, 2014:

Name of Taxpayer	Nature of Business	Assessment	Estimated Tax Levy
Chapman and The Mansions, LLC	Land and Apartments	\$ 53,961,840	\$ 1,991,732
Evandro Santini & Woodbrook LLC	Land and Apartments	28,181,060	1,040,163
Tri City Improvements, LLC	Shopping center	26,621,210	982,589
Eversource	Utility	25,490,350	940,849
CE Vernon II LLC	Shopping center	17,224,770	635,766
Connecticut Water Company	Utility	14,486,529	534,698
Chapman Acres LLC	Apartments	8,432,320	311,237
Boston Rockville / Boston Vernon	Shopping centers / Land	7,943,230	293,185
Parkwest Residents Association	Apartments	4,976,500	183,683
Kerensky, Schneider... (Risley Trust)	Commercial / Residential	3,140,190	115,904
Total		\$ 190,457,999 (1)	\$ 7,029,805 (2)

(1) Represents 10.8% of the net taxable grand list of \$1,767,082,528 dated October 1, 2014.

(2) Represents 10.8% of the adopted tax levy of \$65,223,016 for fiscal year 2015-16.

Source: Town of Vernon, Assessor's Office.

Revenues

The Town derives its revenues from a direct tax levy on property, State and Federal aid, various fees and charges, and certain miscellaneous sources. Town revenues are summarized for fiscal years ended 2010-2014 in "Statement of Revenues, Expenditures and Changes in Fund Balance (GAAP Basis) - General Fund" herein.

Property Tax Revenues

Fiscal	Total Revenues & Transfers In	Property Tax Revenues	Property Tax as a % of Total Revenues & Transfers Out
2016 (1)	\$ 86,700,241	\$65,374,123	75.4%
2015 (2)	86,247,284	64,049,672	74.3%
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%
2011	84,898,068	57,387,268	67.6%
2010	80,857,245	54,241,727	67.1%
2009	79,585,050	52,186,924	65.6%
2008 (3)	91,277,477	49,913,095	54.7%
2007	75,594,524	48,717,250	64.4%

(1) Adopted Budget, budgetary basis, excludes on-behalf payments to the Connecticut State Teachers' Retirement System.

(2) Unaudited estimate, budgetary basis, excludes on-behalf payments to the Connecticut State Teachers' Retirement System.

(3) Includes \$16,476,243 of on-behalf payments to the Connecticut State Teachers' Retirement System. Amount is significantly higher than prior years due to the State of Connecticut issuing Pension Obligation Bonds to fund the plan in FY 2007-08.

Source: Annual audited financial statements; fiscal year 2014-15 unaudited estimate; fiscal year 2015-16 adopted budget.

Intergovernmental Revenues

Fiscal Year	Total Revenues & Transfers In	Intergovernment Revenue	Intergovernmental Revenue as a % of Total Revenue & Transfers In
2016 (1)	\$ 86,700,241	\$ 19,062,489	22.0%
2015 (2)	86,247,284	19,389,669	22.5%
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%
2011	84,898,068	24,575,878	28.9%
2010	80,857,245	23,875,558	29.5%
2009	79,585,050	24,670,932	31.0%
2008 (3)	91,277,477	37,347,200	40.9%
2007	75,594,524	22,279,357	29.5%

(1) Adopted Budget, budgetary basis, excludes on-behalf payments to the Connecticut State Teachers' Retirement System.

(2) Unaudited estimate, budgetary basis, excludes on-behalf payments to the Connecticut State Teachers' Retirement System.

(3) Includes \$16,476,243 of on-behalf payments to the Connecticut State Teachers' Retirement System. Amount is significantly higher than prior years due to the State of Connecticut issuing Pension Obligation Bonds to fund the plan in FY 2007-08.

Source: Annual audited financial statements; fiscal year 2014-15 unaudited estimate; fiscal year 2015-16 adopted budget.

Expenditures

Fiscal	Education	General Government	Public Safety	Town Wide	Debt Service
2016 (1)	59.5%	3.9%	9.8%	9.1%	7.4%
2015 (2)	59.6%	4.2%	10.1%	8.9%	6.6%
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%
2011	61.8%	3.6%	9.2%	8.7%	4.8%
2010	61.4%	3.7%	9.6%	7.6%	3.8%
2009	62.2%	3.8%	9.3%	7.8%	4.1%
2008 (3)	67.5% (3)	3.2%	8.0%	6.6%	2.6%
2007	61.7%	3.6%	9.2%	8.0%	1.9%

(1) Adopted Budget, budgetary basis, excludes on-behalf payments to the Connecticut State Teachers' Retirement System.

(2) Unaudited estimate, budgetary basis, excludes on-behalf payments to the Connecticut State Teachers' Retirement System.

(3) Includes \$16,476,243 of on-behalf payments to the Connecticut State Teachers' Retirement System. Amount is significantly higher than prior years due to the State of Connecticut issuing Pension Obligation Bonds to fund the plan in FY 2007-08.

Source: Annual audited financial statements; fiscal year 2014-15 unaudited estimate; fiscal year 2015-16 adopted budget.

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Comparative General Fund Operating Statement
Budget and Actual (Budgetary Basis)

	Fiscal Year 2013-14			Fiscal Year 2014-15	Fiscal Year 2015-16
	Revised Budget	Actual	Variance Favorable (Unfavorable)	Unaudited Estimate	Adopted Budget
REVENUES					
Property taxes	\$61,280,115	\$62,683,962	\$ 1,403,847	\$64,049,672	\$65,374,123
Intergovernmental	19,200,180	19,327,891	127,711	19,389,669	19,062,489
Charges for services	1,046,963	1,498,391	451,428	1,295,820	972,311
Licenses and permits	545,550	531,337	(14,213)	823,497	565,550
Fines and penalties	16,200	21,903	5,703	47,222	39,000
Investment income	40,070	136	(39,934)	1,287	20,020
Other	442,102	480,030	37,928	436,883	485,888
Total Revenues	82,571,180	84,543,650	1,972,470	86,044,050	86,519,381
OTHER FINANCING SOURCES					
Operating transfer in	228,280	222,961	(5,319)	203,234	180,860
Total revenues and other financing sources	82,799,460	84,766,611	1,967,151	\$86,247,284	\$86,700,241
EXPENDITURES					
Current:					
General government	3,860,767	3,786,185	74,582	\$ 3,568,371	\$ 3,409,786
Community development	240,576	229,727	10,849	295,277	288,207
Public safety	8,347,766	8,245,744	102,022	8,518,074	8,455,429
Maintenance and development	5,711,341	5,588,425	122,916	5,426,787	5,504,256
Human services	970,686	943,197	27,489	959,862	970,312
Parks, recreation and culture	1,347,199	1,344,849	2,350	1,352,202	1,417,202
Town-wide	7,455,275	7,418,752	36,523	7,477,167	7,896,353
Education	50,588,974	50,502,219	86,755	50,273,020	51,608,369
Capital improvements	239,241	239,174	67	842,886	691,688
Debt service	4,143,849	4,143,846	3	5,581,557	6,458,639
Total expenditures	82,905,674	82,442,118	463,556	84,295,203	86,700,241
OTHER FINANCING USES					
Operating transfers out	2,186,835	2,263,974	(77,139)	-	-
Total expenditures and other financing uses	85,092,509	84,706,092	386,417	84,295,203	86,700,241
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses	<u>\$(2,293,049)</u>	<u>\$ 60,519</u>	<u>\$ 2,353,568</u>	<u>\$ 1,952,081</u>	<u>\$ -</u>

Sources: Annual audited financial statement; Vernon Finance Department.

Comparative Balance Sheets - General Fund

Fiscal Years Ended:	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
ASSETS					
Cash and cash equivalents	\$ 40,340	\$ 8,870,779	\$ 7,856,162	\$ 5,700,066	\$12,127,690
Investments	10,443,021	2,436,623	3,304,313	3,368,016	554,897
Receivables:					
Property taxes	1,281,734	1,370,094	1,618,936	1,754,356	1,819,045
Intergovernmental	891,434	632,077	3,423,745	680,736	4,227
Other	-	-	558,661	187,458	99,631
Due from other funds	4,092,563	2,255,427	2,105,434	3,746,953	3,359,412
TOTAL ASSETS	<u>\$16,749,092</u>	<u>\$15,565,000</u>	<u>\$18,867,251</u>	<u>\$15,437,585</u>	<u>\$17,964,902</u>
LIABILITIES					
Accounts and other payables	\$ 1,513,258	\$ 1,327,943	\$ 1,150,706	\$ 1,225,307	\$ 1,537,095
Accrued wages and benefits	559,911	748,115	392,237	326,395	438,418
Due to other funds	2,464,181	804,219	788,442	844,442	234,446
Deferred revenues	1,780,291	1,600,781	1,640,897	-	-
Unearned revenue	4,722	5,877	3,780,442	-	-
TOTAL LIABILITIES	<u>6,322,363</u>	<u>4,486,935</u>	<u>7,752,724</u>	<u>2,396,144</u>	<u>2,209,959</u>
DEFERRED INFLOWS OF RESOURCES					
Unavailable revenues:					
Property taxes	-	-	-	1,498,156	1,441,980
Advance property tax collections	-	-	-	109,695	1,629,621
Grants	-	-	-	29,400	-
Total deferred inflows of resources	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,637,251</u>	<u>3,071,601</u>
FUND BALANCES					
Reserved for encumbrances	1,833,779	-	-	-	-
Unreserved:					
Designated for compensated absences	322,000	-	-	-	-
Undesignated	8,270,950	-	-	-	-
Nonspendable	-	-	-	-	-
Restricted	-	-	-	-	-
Committed	-	-	-	-	-
Assigned	-	2,122,970	1,820,141	1,388,542	1,540,633
Unassigned	-	8,955,095	9,294,386	10,015,648	11,142,709
TOTAL FUND BALANCES	<u>10,426,729</u>	<u>11,078,065</u>	<u>11,114,527</u>	<u>11,404,190</u>	<u>12,683,342</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$16,749,092</u>	<u>\$15,565,000</u>	<u>\$18,867,251</u>	<u>\$15,437,585</u>	<u>\$17,964,902</u>

Source: Annual audited financial statements.

Statement of Revenues, Expenditures and Changes in Fund Balance - General Fund

Fiscal Years Ended:	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
REVENUES					
Property taxes	\$54,241,727	\$57,387,268	\$57,327,038	\$58,939,088	\$62,683,962
Intergovernmental	23,875,558	24,575,878	27,838,711	25,275,405	25,613,730
Charges for service	2,016,025	1,888,071	1,925,167	1,842,617	2,051,631
Licenses and permits	-				
Fines and penalties	-				
Investment income	42,113	27,708	2,810	1,054	136
Other local revenues	<u>439,966</u>	<u>739,529</u>	<u>406,945</u>	<u>416,345</u>	<u>480,030</u>
TOTAL REVENUES	<u>80,615,389</u>	<u>84,618,454</u>	<u>87,500,671</u>	<u>86,474,509</u>	<u>90,829,489</u>
EXPENDITURES					
Current:					
General government	3,003,175	3,047,360	3,277,010	3,230,952	3,428,718
Community development	222,003	210,671	248,176	241,139	221,149
Public safety	7,698,462	7,774,406	11,428,754	8,169,618	7,995,555
Maintenance and development	5,451,295	5,757,991	5,272,527	5,222,913	5,431,695
Human services	923,368	958,938	934,675	974,251	936,012
Parks, recreation and culture	1,338,415	1,343,872	1,339,374	1,358,243	1,329,070
Town-wide	6,138,804	7,321,967	6,806,996	7,054,780	7,107,547
Education	49,302,826	52,089,429	52,300,137	54,365,055	56,788,058
Debt service	3,091,374	4,053,738	4,675,035	4,365,302	4,143,846
Capital outlay	<u>264,740</u>	<u>109,587</u>	<u>77,995</u>	<u>57,787</u>	<u>130,174</u>
TOTAL EXPENDITURES	<u>77,434,462</u>	<u>82,667,959</u>	<u>86,360,679</u>	<u>85,040,040</u>	<u>87,511,824</u>
Excess (deficiency) of revenues over expenditures	<u>3,180,927</u>	<u>1,950,495</u>	<u>1,139,992</u>	<u>1,434,469</u>	<u>3,317,665</u>
OTHER FINANCING SOURCES (USES)					
Sale of assets	-	-	172,501	44,830	-
Operating transfers in	241,856	279,614	329,270	528,085	222,961
Operating transfers out	<u>(2,901,723)</u>	<u>(1,578,773)</u>	<u>(1,605,301)</u>	<u>(1,717,721)</u>	<u>(2,261,474)</u>
Net other financing sources (uses)	<u>(2,659,867)</u>	<u>(1,299,159)</u>	<u>(1,103,530)</u>	<u>(1,144,806)</u>	<u>(2,038,513)</u>
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING USES	<u>521,060</u>	<u>651,336</u>	<u>36,462</u>	<u>289,663</u>	<u>1,279,152</u>
Fund Balance - Beginning of year	<u>9,905,669</u>	<u>10,426,729</u>	<u>11,078,065</u>	<u>11,114,527</u>	<u>11,404,190</u>
Fund Balance - End of year	<u>\$10,426,729</u>	<u>\$11,078,065</u>	<u>\$11,114,527</u>	<u>\$11,404,190</u>	<u>\$12,683,342</u>

Source: Annual audited financial statements.

SECTION VI - ADDITIONAL INFORMATION

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.

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 Continuing Disclosure Agreements with respect to the Bonds and the Notes, substantially in the form attached as Appendices C and D, respectively, to this Official Statement (the "Continuing Disclosure Agreement"), to provide, or cause to be provided (i) annual financial information and operating data with respect to the Bonds within eight months of the end of the fiscal year, (ii) timely notice of the occurrence of certain material events within 10 days of the occurrence of such event with respect to the Bonds and the Notes; 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 with respect to the Bonds. The underwriter's obligation to purchase the Bonds and the Notes shall be conditioned upon its receiving, at or prior to the delivery of the Bonds and the Notes, an executed copy of the Continuing Disclosure Agreement for the Bonds and the Notes.

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 events of notices pursuant to Rule 15c2-12(b)(5). In the last 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 certain financial and operating data for the fiscal years ending June 30, 2010, 2011, 2012 and 2013. In February 2015, it was brought to the Town's attention that it had inadvertently filed the percentage of the tax levy collected rather than uncollected and ratios of total and net direct debt to estimated actual grand list (assessed value) rather than to the net taxable grand list (full value) as required by its prior continuing disclosure agreements. On February 23, 2015, the town filed an event notice for failure to file and filed the proper information for the fiscal years in question. All other required financial information and operating data was included in the Town's Comprehensive Annual Financial Report for the fiscal years in question.

Financial Advisor

The Town has retained Independent Bond and Investment Consultants LLC of Madison, Connecticut, as financial advisor in connection with the issuance and sale of the Bonds and the Notes. Although Independent Bond and Investment Consultants LLC has assisted in the preparation of the Official Statement, Independent Bond and Investment Consultants LLC is not obligated to undertake, and has not undertaken to make, an independent verification or to assume responsibility for the accuracy, completeness, or fairness of the information contained in the Official Statement. Independent Bond and Investment Consultants LLC is an independent municipal bond advisory firm and is not engaged in the business of providing investment advice, underwriting, trading or distributing municipal securities or other public securities.

Documents Accompanying Delivery of the Bonds and the Notes

Upon the delivery of the Bonds and the Notes, the winning bidder 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 and the Notes 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 the bids were accepted on the Bond and the Notes, 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 opinion of Day Piney LLP, Bond Counsel, of Hartford, Connecticut; and
 4. Executed Continuing Disclosure Agreements for the Bonds and the Notes in substantially the forms attached hereto as Appendices C and D.

The Town of Vernon has prepared an Official Statement for the Bonds and the Notes which is dated July 22, 2015. 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. Within seven business days of the bid openings, the Town will furnish the purchaser of the Bonds and each purchaser of the Notes with fifty (50) copies of the Official Statement, as prepared for this issue at the Town's expense.

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 purchaser or holders of any of the Bonds and the Notes. 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 not to be constructed as a contract or agreement between the Town and the purchasers or holders of any of the Bonds and the Notes.

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

Day Pitney LLP, Bond Counsel, 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 - "Opinion of Bond Counsel and Tax Exemption", and they make no representation that they have independently verified the same.

Independent Bond and Investment Consultants LLC, the Town's Financial Advisor, has assisted the Town in the preparation of this Official Statement from information supplied by Town officials and other sources. Independent Bond and Investment Consultants LLC does not assume responsibility for the adequacy or accuracy of the statements made herein and makes no representation that it has independently verified the same.

Additional information may be obtained upon request from the Finance Office at (860) 870-3690 or from Independent Bond and Investment Consultants LLC at (203) 245-9603.

TOWN OF VERNON, CONNECTICUT

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

BY: /s/ JOHN D. WARD
John D. Ward
Town Administrator

BY: /s/ JAMES M. LUDDECKE
James M. Luddecke
Finance Officer and Treasurer

Dated: July 22, 2015

APPENDIX A - AUDITED FINANCIAL STATEMENTS

TOWN OF VERNON, CONNECTICUT

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June 30, 2014

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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, 2014 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.

INDEPENDENT AUDITOR'S REPORT

Town Council
Town of Vernon

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the Town of Vernon, Connecticut, as of and for the year ended June 30, 2014, 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, 2014, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparison for the general fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the general fund budgetary comparison information and the pension and other post-employment benefit schedules on pages 28 to 43 and pages 108 to 135, respectively, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

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

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated February 5, 2015, on our consideration of the Town of Vernon, Connecticut's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town of Vernon, Connecticut's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "CohnReznick LLP". The signature is written in a cursive, flowing style.

Hartford, Connecticut
February 5, 2015



OFFICE OF THE
FINANCE DEPARTMENT

TOWN OF VERNON

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TOWN OF VERNON, CONNECTICUT

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED JUNE 30, 2014

This discussion and analysis of the Town of Vernon, Connecticut's (Town) financial performance is provided by management as an overview of the Town's financial activities for the fiscal year ended June 30, 2014. Please read this MD&A in conjunction with the transmittal letter and the Town's financial statements, Exhibits A to K.

FINANCIAL HIGHLIGHTS

- The Town's total net position increased as a result of this year's operations. Net position of our business-type activities increased by \$1.690 million, or 9.27%; while net position of our governmental activities increased by \$4.247 million, or 3.60%.
- During the year, the Town generated tax and other revenues, totaling \$105.280 million, that were \$4.247 million more than the \$101.033 million in expenses for governmental activities.
- In the Town's business-type activities, revenues increased to \$7.278 million (an increase of \$706 thousand or 10.74%) while expenses were reduced by \$243 thousand resulting in increased net position of \$1.690 million.
- Total combined cost of Town governmental and business activities increased by \$4.245 million from \$102.376 million to \$106.621 million.
- The General Fund reported a total fund balance this year of \$12.683 million, inclusive of unassigned fund balance in the amount of \$11.143 million.
- Revenues exceeded General Fund expenditures by \$1.279 million. This 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.
- The tax collection rate against the original levy was 98.8%; and 98.6% against the adjusted levy.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

Government-Wide Financial Statements

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

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

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

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

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

Fund Financial Statements

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

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

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

GOVERNMENT-WIDE FINANCIAL ANALYSIS

NET POSITION

The Town's combined net position increased from a year ago from \$136.354 million to \$142.291 million. The analysis below focuses on the net position (Table 1) and changes in net position (Table 2) of the Town's governmental and business-type activities.

TABLE 1
NET POSITION
JUNE 30, 2014 AND 2013
In Thousands

	Governmental Activities		Business-Type Activities		Total	
	2014	2013	2014	2013	2014	2013
Current and other assets	\$ 29,600	\$ 24,160	\$ 10,140	\$ 8,845	\$ 39,740	\$ 33,005
Capital assets (net)	152,699	155,239	10,719	10,111	163,418	165,350
Total assets	182,299	179,399	20,859	18,956	203,158	198,355
Non-current liabilities						
outstanding	45,662	50,564	424	412	46,086	50,976
Other liabilities	11,323	9,193	512	311	11,835	9,504
Total liabilities	56,985	59,757	936	723	57,921	60,480
Deferred inflows of resources	2,946	1,521	-	-	2,946	1,521
Net investment in capital assets	111,596	107,081	10,719	10,111	122,315	117,192
Restricted	3,072	3,078			3,072	3,078
Unrestricted	7,700	7,962	9,204	8,122	16,904	16,084
Total net position	\$ 122,368	\$ 118,121	\$ 19,923	\$ 18,233	\$ 142,291	\$ 136,354

Governmental Activities

Net position of the Town's *governmental activities* increased by \$4.247 million or 3.60%, (\$122.368 million compared to \$118.121 million). Unrestricted net position — the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements — changed from \$7.962 million, at June 30, 2013, to \$7.700 million at the end of this year, a reduction of \$262 thousand.

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

Governmental Activities, continued

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

- 1) The positive operating results of the general fund of \$1.279 million
- 2) The increase in net position of the internal service funds applicable to governmental activities of \$414 thousand.
- 3) Capital assets activity, resulting in a net decrease in position of \$3.253 million, was offset by a reduction in other long-term liabilities (compensated absences, retirement obligations, accrued interest and net OPEB) of \$470 thousand and the impact of debt activity totaling \$4.422 million.

The largest portion of the Town's net position, \$111.596 million or 91.20%, reflects its investment in capital assets, less any related debt used to acquire those assets that is still outstanding. The Town uses these capital assets to provide services to residents; consequently, these assets are not available for future spending. An additional portion of the Town's net position, \$3.072 million or 2.51%, represents resources that are subject to restrictions on how they may be used.

Business-Type Activities

In 2014, the net position of *business-type activities* increased by \$1.690 million or 9.27%, (\$19.923 million compared to \$18.233 million). Factoring into this change are contributed capital of \$1.114 million, reduced wage and benefit costs of \$135 thousand, reduced repair and maintenance costs of \$142 thousand, a decrease in utility costs of \$13 thousand and reduced supply and materials costs of \$51 thousand in the Sewer User Fund. These and other favorable factors contributed to a \$1.739 million increase in Sewer User Fund net position inclusive of \$56 thousand of Internal Service Fund consolidated activities related to the Sewer User Fund. Center 375 rental revenues increased by \$3 thousand while repairs and maintenance costs increased by \$19 thousand and utilities expense increased by \$10 thousand from the prior year, contributing to the Fund's \$49 thousand decrease in net position.

Although there are \$9.204 million in the unrestricted net position, these funds, however, cannot be used to make up for any decreases reported in governmental activities. The Town generally can only use this net position to finance the continuing operations of the wastewater treatment facility and Center 375.

CHANGES IN NET POSITION

The Town's total revenues were \$112.558 million. The total cost of all programs and services was \$106.621 million. Our analysis below separately considers the operations of governmental and business-type activities.

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

TABLE 2
CHANGES IN NET POSITION
YEARS ENDED JUNE 30, 2014 AND 2013
In Thousands

	Governmental Activities		Business-Type Activities		Total	
	2014	2013	2014	2013	2014	2013
Revenues:						
Program revenues:						
Charges for services	\$ 4,754	\$ 4,488	\$ 6,154	\$ 6,364	\$ 10,908	\$ 10,852
Operating grants and contributions	31,447	29,921			31,447	29,921
Capital grants and contributions	4,391	836			4,391	836
General revenues:						
Property taxes	62,672	58,972			62,672	58,972
Grants and contributions not restricted to specific programs	1,158	1,672			1,158	1,672
Investment income	146	135		1	146	136
Miscellaneous	701	1,005	10	207	711	1,212
Capital contributions			1,114		1,114	-
Contributions to permanent funds	11				11	-
Gain on sale of assets		44			-	44
Total revenues	105,280	97,073	7,278	6,572	112,558	103,645
Expenses:						
General government	5,497	5,907			5,497	5,907
Community and development	606	420			606	420
Public safety	12,687	12,414			12,687	12,414
Maintenance and development	11,402	8,841			11,402	8,841
Human services	1,301	1,311			1,301	1,311
Park, recreation and culture	2,553	2,658			2,553	2,658
Education	65,638	63,367			65,638	63,367
Interest on long-term debt	1,349	1,627			1,349	1,627
Sewer user			5,371	5,644	5,371	5,644
Center 375 (rental)			217	187	217	187
Total expenses	101,033	96,545	5,588	5,831	106,621	102,376
Change in net position	4,247	528	1,690	741	5,937	1,269
Net position - July 1	118,121	117,593	18,233	17,492	136,354	135,085
Net position - June 30	\$ 122,368	\$ 118,121	\$ 19,923	\$ 18,233	\$ 142,291	\$ 136,354

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

Governmental Activities

As noted earlier, net position from governmental activities increased \$4.247 million. Since the Town began preparing a statement of net position as of June 30, 2003, this is the ninth increase in the twelve year period.

On the revenue side, key factors to the overall \$8.207 million increase from the prior year were as follows:

- Property tax revenues, which comprise 59.53% of the Town's governmental activities revenues, increased by \$3.700 million as a result of the increase in the adopted budget and related levy to fund increased appropriations.
- Charges for services increased by \$266 thousand, due primarily to increases of \$135 thousand in police special services, \$54 thousand in park and recreational programs, \$53 thousand in ambulance medical services, \$60 thousand in educational charges and \$26 thousand in town clerk recording fees fee collections; offset by decreases of \$70 thousand in sewer connection charges and \$45 thousand in tuition receipts.
- Operating grants and contributions increased by \$1.526 million, including increases of \$786 thousand in education grants, \$32 thousand in cafeteria grants, \$200 thousand in town aid road grant funding and \$217 thousand in community development grant funding.
- Capital grants and contributions increased by \$3.555 million due primarily to a \$2.000 million increase in school construction grants, a \$596 thousand increase in bridge reconstruction grants, a \$270 thousand increase in grant funding use for public safety facilities, a \$143 thousand grant for information technology and a \$130 thousand increase in road improvement grants.

For governmental activities, expenses increased \$4.488 million, or 4.6%, from the previous year. Of the total expenses of \$101.033 million, 65.0% are for educational services; 12.6% for public safety; 11.3% for maintenance and development; and 5.4% for general government.

Major expense factors include:

- The cost of educational services increased by \$2.271 million due primarily to increased general fund operating costs of \$1.308 million, including significant increases in special education costs, plant operations, information technology and benefits costs; in addition on behalf retirement costs increased by \$1.115 million, cafeteria operational costs increased by \$51 thousand, special education grant costs increased by \$694 thousand, and allocable information technology costs increased by \$153 thousand, offset by decreases to adult education, \$87 thousand, and \$123 thousand in other educational grants.

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

- General government costs decreased by \$410 thousand, which included a significant increase for information technology operating and allocable costs of \$344 thousand offset by decreases in OPEB plan costs, fully insured and self-funded health insurance costs and workers' compensation costs.
- Community and development costs increased by \$186 thousand due primarily to increase housing rehabilitation grant funded costs.
- Public safety costs increased by \$273 thousand due primarily to reduced emergency storm related costs. In the prior year, \$94 thousand were expended on such costs compared to \$3 thousand in the current year. In addition, fire fighting and ambulance operating service costs were lower in the current year. These decreases were offset by increased building inspection costs, allocable workers' compensation and municipal insurance costs and asset forfeiture funded costs.
- Maintenance and development costs increased \$2.561 million due to increased refuse and recycling costs and increased maintenance costs for sewer lines, cemetery grounds and roadways.
- Interest on long-term debt decreased by \$278 thousand from the prior year based upon scheduled debt service payments.

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

TABLE 3
GOVERNMENTAL ACTIVITIES
YEARS ENDED JUNE 30, 2014 AND 2013
In Thousands

	<u>Total Cost of Services</u>		<u>Net Cost of Services</u>	
	2014	2013	2014	2013
Education	\$ 65,638	\$ 63,367	\$ 31,395	\$ 33,073
Public safety	12,687	12,414	11,375	11,281
Maintenance and development	11,402	8,841	9,139	7,712
General government	5,497	5,907	4,231	4,849
Interest on long-term debt	1,349	1,627	991	1,089
All others	4,460	4,389	3,310	3,296
Total	\$ 101,033	\$ 96,545	\$ 60,441	\$ 61,300

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

Business-type Activities

Revenues of the Town's business-type activities (see Table 2) increased by 10.74%, or \$706 thousand, (\$7.278 million in 2014 compared to \$6.572 million in 2013) and expenses decreased by \$243 thousand from \$5.831 million in 2013 to \$5.588 in 2014. The factors influencing these revenue results were: A reduction in service charge revenues from the prior year of \$170 thousand, due to reduced sewer use fees collections of \$174 thousand and increased rental fees of \$4 thousand; reduced septic fee and delinquent interest collections, \$38 thousand; and reduced non-operating revenues of \$198 thousand. Capital contributions of \$1.114 million were received during the year resulting in an overall increase in revenues; without these contributions, there would have been a \$408 thousand reduction.

The decrease in expenses of \$243 thousand is comprised of a decrease in wage and benefit costs of \$135 thousand, reduced repair and maintenance costs of \$123 thousand, reduced supply and materials costs of \$51 thousand, offset by increased depreciation expense of \$60 thousand, and \$6 thousand of other costs.

TOWN FUNDS FINANCIAL ANALYSIS

Governmental Funds

As the Town completed the year, its governmental funds (as presented in the balance sheet - Exhibit C) reported a combined fund balance of \$19.96 million, which is an increase of \$2.37 million from last year's total. Of total fund balance, \$9.69 million is non-spendable, committed or restricted because it has been committed for construction contracts, is set aside for capital projects and equipment, trust funds, special assessment debt service and inventory.

Included in this year's total change in fund balance is an increase of \$1.279 million in the Town's General Fund. The unassigned fund balance, which assigned \$152 thousand for encumbrances more than the prior year, reflects an overall increase of \$1.127 million. The unassigned fund balance of the General Fund at June 30, 2014 is \$11.143 million, which represents 13.12% of estimated revenues for the ensuing year. Maintaining adequate fund balance reserves allows the Town flexibility when budgets are restricted, emergency funds are needed, and prevents cash flow problems and the related costs that can result. It is essential to have reserves available to provide funding support for major capital projects that await reimbursement from grant or bond proceeds; and for debt avoidance when applying internal financing for capital equipment. Also, income earned by keeping the funds invested assists in limiting the need for future tax increases. The primary reasons for the General Fund's increase include some of the areas discussed in the governmental funds highlights on the following page, and as reported in Exhibit D.

The Town's other major governmental fund is the Road Improvements Bond which incurred \$1,733,188 on roadway improvements costs during the current year resulting in a \$1,733,188 fund balance deficit at year-end. The Town intends to finance these costs with a 2015 bond issue.

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

Changes in fund balances of Nonmajor Governmental Funds include the following: in the Special Revenue Fund there was a decrease of \$221 thousand, with gains of \$11 thousand in the Sewer Connection Fund, \$77 thousand in the Ambulance Medical Services Fund and \$31 thousand in the Parks and Recreation Programs Fund. Fund balance decreases include \$104 thousand in the Cafeteria Fund, \$69 thousand in the Sewer Assessment Fund and \$196 thousand in the Miscellaneous Special Revenue Fund attributable to construction of a park pavilion and replacement of field lighting funded with contributions from prior years. The Debt Service Fund experienced no change in fund balance for the year as debt service expenditures involved with the Waste Treatment Plant upgrade, were matched by debt service contributions from benefiting area municipalities; and from the General Fund which transfers the Town's portion of such debt annually to the Debt Service Fund. The Nonmajor Capital Projects Fund had an increase of \$2.945 million including a \$2.301 million increase in the School Bond Improvements Fund, the result of \$2.305 of intergovernmental reimbursement receipts. Other increases include \$459 thousand and \$138 thousand increases in fund balances of the Town and Education Capital Nonrecurring Funds respectively, primarily the result of transfers from the General Fund for on-going projects; and the Permanent Trust Fund increased by \$99 thousand due to increased investment earnings.

Proprietary Funds

The Town accounts for five proprietary funds, two as Business-Type activities and three as Governmental Activities - Internal Service Funds, which are reported in Exhibits F, G and H. The Sewer User Fund and Center 375 are established as self-supporting Business-Type activities that reported a change in net position amounting to a \$1.634 million increase. The **Sewer User Fund** is established for the operation and maintenance of the wastewater treatment plant. Quarterly bills for sewer usage and interest earned on investments generate its resources. The net increase to the Sewer User Fund net position is \$1.683 million as compared to an increase of \$796 thousand in the prior year. The increase is attributable to contributed capital of \$1.114 million and decreased operating costs of \$248 thousand. The October 1, 2013 sewer rate was not increased from the prior Oct 1st. Decreased flows due to closure of a high use former Mill resulted in reduced user fee collections of \$174 thousand. The plant is in the seventeenth year of operation since major renovations, and the facility itself is reported in the Governmental Activities.

Center 375 is a former elementary school renovated for the rental of office space to private firms and to Town departments. The renovation was conducted in a manner that would enable the Town to restore the building back to a school if enrollments so demanded. The result of the year's activity decreased net position by \$49 thousand.

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

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 \$325 thousand as contributions from the General Fund increased by \$597 thousand. Additional staff was hired during the year comprising a substantial portion of the \$306 thousand increase in operating costs. The future needs of the department require continual upgrades to the various computer systems and completion of an optical fiber project as well as maintaining a network for sharing common software and databases.

The **Workers' Compensation Fund** provides for self-insurance of workers' compensation and is supported by contributions from the General and Sewer User Funds, as well as investment income. For fiscal year-end June 30, 2014, revenues exceeded expenses by \$228 thousand, decreasing the prior year net position deficit from \$1.525 million to \$1.297 million. Claims incurred for fiscal year 2013/14 decreased from the prior year from \$544 thousand to \$368 thousand resulting in this net position increase. The allocation of adequate contributions in the next year to meet financial demands is based on actual experience. The **Medical Self-Insurance Fund**, which became effective January 1, 2006, provides medical prescription coverage for employees and retirees. Effective July 1, 2007, dental coverage for general government employees and retirees became self-insured. The fund is supported by contributions from all covered participants and employer contributions. Contribution amounts are based upon historical experience of claims incurred and paid, and third-party administrators process the claims. At June 30, 2014, net position was \$644 thousand, a decrease of \$82 thousand from the prior year, primarily due to changes in prescription plan provisions, favorable dental claims and supplemental education prescription contributions.

General Fund Budgetary Highlights

Differences between the original budget and the final amended budget amounted to an increase of \$2.293 million. Included in that amount is \$1.067 million of encumbrances carried forward from the previous fiscal year, of which \$783 thousand were expended, \$72 thousand liquidated and \$212 thousand re-appropriated and \$1.299 million of current year budget amendments that can be classified as follows:

Pass-through additional appropriations are those supported by revenue and other sources, amounting to \$525 thousand during the year, including \$59 thousand related to education activities; \$200 thousand for collections remitted to the state of Connecticut by the Town Clerk for the farmland and historic preservation act; \$12 thousand for youth service part-time wages; \$180 thousand in police special services pay; and \$75 thousand for other items. Although these additional appropriations had revenue and other funding sources, they were legally appropriated from fund balance.

Other additional appropriations amounting to \$774 thousand were taken from fund balance position including \$40 thousand for attorney labor relations costs; \$154 thousand for payment of compensated absences; \$24 thousand for police cruiser, \$203 thousand for capital improvements, \$145 thousand for snow removal, \$106 thousand for pension and OPEB contributions and \$102 thousand in other costs. These additional appropriations include funds for personal property audits, securing Amerbelle Mill and hydrant rentals.

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

Actual final expenditures totaled \$83.487 million and can be summarized as follows. The budgetary unexpended, unencumbered resulted in a favorable amount of \$386 thousand. Contained within this amount are favorable variances of \$75 thousand in general government spending; \$53 thousand for police services; \$16 thousand in firefighting services, \$52 thousand in refuse and recycling collection; \$31 thousand in public works maintenance; \$2 thousand for parks and recreation maintenance; \$10 thousand for FICA, \$10 in unemployment compensation and \$16 thousand in contingency. Additional appropriations (excluding pass-through appropriations) exceeded the unused portion of these budgets by \$388 thousand dollars. As the fiscal year progresses, financial measures are taken to manage areas where additional costs are required, as well as projecting revenue shortfalls. One example is a hiring deferral to cover additional costs associated with the payment of compensated absences. Another is seeking out alternative revenue sources such as prior year special education Medicaid reimbursements to help offset the increased cost of special education tuitions.

On the revenue side, final actual revenues exceeded the original budget by \$1.967 million due to favorable variances in the following categories: \$1.404 million in total tax collections including \$658 thousand in current taxes and \$537 thousand of prior years' taxes as a tax sale helped boost prior years' tax collections; intergovernmental revenues were \$128 thousand above estimates including \$97 thousand for Medicaid reimbursements and \$17 thousand of additional public disaster assistance from a past declared storm; charges for services were above estimates by \$451 thousand due in most part to the farmland preservation surcharge, \$136 thousand, police special services, \$236 thousand, and school use receipts, \$45 thousand, which in turn are appropriated to cover respective costs. Education tuition receipts were below projections by \$72 thousand. Licenses and permits were below projections by \$14 thousand for collections pertaining to refuse licensing and transfer station permits. The decrease in interest rates produced a shortfall of \$40 thousand in investment income. Other financing sources were below original estimates by \$5 thousand and other revenue, which includes items such as education, insurance and gasoline reimbursements, were above estimates by \$38 thousand.

The Town's General Fund total of both revenue and expenditures differs from the amounts in Exhibit D and as reported in the budgetary basis comparison in the required supplementary information by \$6.286 million. This amount represents the on-behalf payments of the State of Connecticut contributions to the Teachers' Retirement System.

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2014, the Town had \$163.42 million invested in a broad range of capital assets, net of depreciation, including land, buildings, park facilities, vehicles and equipment, roads, bridges, storm water drainage and sewer lines (see Table 4). This amount represents a net decrease (including additions and deductions) of \$1.93 million, or 1.17%, less than last year.

TABLE 4
CAPITAL ASSETS, NET
In Thousands

	Governmental Activities		Business-Type Activities		Total	
	2014	2013	2014	2013	2014	2013
Land	\$ 8,325	\$ 8,325	\$ 1,268	\$ 1,268	\$ 9,593	\$ 9,593
Construction in progress	3,683	20,845			3,683	20,845
Land improvements	2,226	2,297	33	39	2,259	2,336
Buildings and improvements	81,087	83,061	1,539	1,424	82,626	84,485
Machinery and equipment	9,473	9,635	1,793	1,877	11,266	11,512
Intangible - computer software	3	39	17	25	20	64
Infrastructure	47,902	31,037	6,069	5,478	53,971	36,515
Total	\$152,699	\$155,239	\$10,719	\$10,111	\$163,418	\$165,350

Additions to total capital assets for the 2013-14 year were \$5.155 million, net of construction-in-progress reductions. Deductions to capital assets include \$5.985 million in depreciation expense, which considers a net loss of \$1.101 million in the disposal of depreciable capital assets. Construction-in-progress of \$3.683 million is for the following (in thousands):

Road & bridge reconstruction projects	\$ 2,931
Animal control facility expansion	98
School additions & renovations	109
Park improvements	96
Town office improvements	446
Public safety improvements	3
Total Construction in progress	\$ 3,683

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

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

Debt Administration

At June 30, 2014 the Town had \$42.420 million in bonds, notes, and lease purchase obligations outstanding versus \$46.748 million last year, a decrease of \$4.328 million or 9.26% - as shown in Table 5.

**TABLE 5
LONG-TERM OBLIGATIONS
JUNE 30, 2014 AND 2013
In Thousands**

	Governmental Activities		Business-Type Activities		Total	
	2014	2013	2014	2013	2014	2013
General obligation bonds (backed by the Town)	\$ 36,790	\$ 39,335	\$ -	\$ -	\$ 36,790	\$ 39,335
Notes payable	4,050	5,614	-	-	4,050	5,614
Lease purchases	1,580	1,799	-	-	1,580	1,799
Total	\$ 42,420	\$ 46,748	\$ -	\$ -	\$ 42,420	\$ 46,748

There was no debt issued during the fiscal year while long-term debt principal payments of \$4.328 million were made.

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

The State limits the amount of general obligation debt that cities can issue, utilizing a formula determined under State Statutes based on type of debt and tax base. The Town's outstanding general obligation debt is significantly below this \$437.9 million state-imposed limit.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The Town's elected and appointed officials considered many factors when setting the fiscal year 2014-2015 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 6.6%, .9% less than the prior year-end. This compares with the State's unemployment rate of 6.7% and the national rate of 6.1%.

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 1.89% for fiscal year 2014 compared with the average U.S. town rate of 2.06%.

These indicators were taken into account when adopting the General Fund budget for fiscal year-end 2015. Total appropriations in the General Fund budget are \$84.954 million, an increase of \$2.155 million over the original 2014 budget. Property taxes, total \$63.588 million, a revenue increase of \$2.308 million from 2014 levels. In the next fiscal year, the estimated aid from the State of Connecticut is expected to decrease by \$98 thousand to \$19.102 million, which represents 22.48% of total revenue in the General Fund.

The Town will use these increases in revenues to finance programs currently offered and to offset the effect that we expect price increases will have on program costs. Increased funding for education, \$797 thousand, capital improvements, \$500,000, public safety, \$353 thousand, general government, \$120 thousand, maintenance and development, \$81 thousand and parks and recreation \$71 thousand, constitute the major increases in the 2014-15 budget. There was little in the way of new programs in the General Fund, with the exception of a new appropriation for invasive aquatic plant management; and a continuation of fuel conservation measures; the expansion of electronic payables and purchasing cards to improve procurement; and the execution of automated refuse and recycling services, reducing the tipping fees associated with solid waste; and the utilization of a compactor to reduce hauling costs. In an effort to develop cost control for special education costs, the school system and general government engaged in financial and program consultation. Health insurance plans for all employee bargaining groups have been further redesigned to provide present and future budgetary relief, in addition to increasing the cost sharing to participants; and procuring new providers through competitive negotiations. The transition from a defined benefit to a defined contribution retirement plan for new employees has been broadened to several bargaining groups, focusing on budget relief in the long-term. Technology advances, most notably a town wide connectivity infrastructure, is nearing completion, with the combined effort of both the general government and school system. This project is expected to improve departmental operations and provide internal and public access to information. The \$27 million road improvement initiative, approved by voters in January, 2014, began at the end of fiscal year 2014, and the first year of debt service for bonding those costs will be in the fiscal year 2016 budget.

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

From a financial perspective and as detailed in this annual financial report, the Town of Vernon successfully addressed the many financial obstacles of 2013-14 through prudent, conservative fiscal management without a serious interruption of services. The 2014-15 Town budget experienced an overall 2.60% increase in appropriations with an increase of 0.71 of one mil in the tax rate from 35.40 to 36.11.

With an understanding of surrounding economic conditions, and considering the factors of a slight increase in the grand list; a reduction in revenue other than taxes, and a significant investment in the operating budget of the school system, town-wide computer systems and capital improvements, overall spending in the remaining operational budgets increased by less than 1%. Vernon will continue to address the difficult budgetary and economic times through sound management, well-managed fund balances and an active attention to its economic development program.

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

CONTACTING THE TOWN'S FINANCIAL MANAGEMENT

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

Basic Financial Statements

TOWN OF VERNON, CONNECTICUT

**STATEMENT OF NET POSITION
JUNE 30, 2014**

	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL
<u>ASSETS</u>			
Current assets:			
Cash	\$ 17,984,647	\$ 4,820,050	\$ 22,804,697
Investments	3,992,263	3,420,126	7,412,389
Receivables (net):			
Property taxes	918,571		918,571
Intergovernmental	1,686,545		1,686,545
Other	923,486	1,444,953	2,368,439
Internal balances	(454,449)	454,449	-
Other assets	51,219		51,219
Total current assets	25,102,282	10,139,578	35,241,860
Noncurrent assets:			
Restricted assets (temporarily):			
Cash	79,208		79,208
Investments	520,007		520,007
Total restricted assets	599,215	-	599,215
Restricted assets (permanently):			
Cash	5,000		5,000
Investments	1,702,760		1,702,760
Total restricted assets	1,707,760	-	1,707,760
Receivables (net):			
Property taxes	1,061,331		1,061,331
Intergovernmental	343,455		343,455
Loans	364,815		364,815
Total receivables (net)	1,769,601	-	1,769,601
Other noncurrent assets:			
Net pension asset	421,164		421,164
Capital assets (net of accumulated depreciation):			
Land	8,324,925	1,267,840	9,592,765
Construction in progress	3,683,015		3,683,015
Intangible assets (net of accumulated amortization)	3,140	17,500	20,640
Buildings and improvements	81,086,704	1,538,874	82,625,578
Land improvements	2,226,080	32,811	2,258,891
Machinery and equipment	9,472,575	1,792,837	11,265,412
Infrastructure	47,902,377	6,069,436	53,971,813
Total capital assets (net of accumulated depreciation)	152,698,816	10,719,298	163,418,114
Total noncurrent assets	157,196,556	10,719,298	167,915,854
TOTAL ASSETS	182,298,838	20,858,876	203,157,714

(Continued)

TOWN OF VERNON, CONNECTICUT

**STATEMENT OF NET POSITION
JUNE 30, 2014**

	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL
<u>LIABILITIES</u>			
Current liabilities:			
Cash overdraft	\$ 14,849	\$	\$ 14,849
Accounts payable	3,903,998	399,884	4,303,882
Accrued payroll and related liabilities	438,418		438,418
Accrued interest payable	532,069		532,069
Bond and notes payable	4,180,621		4,180,621
Capital lease payable	222,367		222,367
Compensated absences	1,000,545	112,600	1,113,145
Retirement obligations	766,931		766,931
Claims payable and other	262,852		262,852
Total current liabilities	11,322,650	512,484	11,835,134
Noncurrent liabilities:			
Bonds and notes payable and related liabilities	36,659,022		36,659,022
Capital lease payable	1,357,474		1,357,474
Compensated absences	2,846,114	363,429	3,209,543
Retirement obligations	1,901,557		1,901,557
Claims payable and other	672,804		672,804
Net OPEB obligation	2,224,718	60,398	2,285,116
Total noncurrent liabilities	45,661,689	423,827	46,085,516
TOTAL LIABILITIES	56,984,339	936,311	57,920,650
<u>DEFERRED INFLOWS OF RESOURCES</u>			
Deferred charge on refunding	1,316,872		1,316,872
Advance property tax collections	1,629,621		1,629,621
TOTAL DEFERRED INFLOWS OF RESOURCES	2,946,493	-	2,946,493
<u>NET POSITION</u>			
Net investment in capital assets	111,596,204	10,719,298	122,315,502
Restricted for:			
Endowments:			
Expendable	599,215		599,215
Nonexpendable	1,707,760		1,707,760
Grant programs	420,308		420,308
Sewer assessment	20,152		20,152
Cemeteries	186,559		186,559
Housing and community development	29,450		29,450
Education	108,553		108,553
Unrestricted	7,699,805	9,203,267	16,903,072
TOTAL NET POSITION	\$ 122,368,006	\$ 19,922,565	\$ 142,290,571

(Concluded)

TOWN OF VERNON, CONNECTICUT

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2014

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Governmental activities:							
General government	\$ 5,497,317	\$ 1,118,278	\$ 2,845	\$ 144,790	\$ (4,231,404)	\$	\$ (4,231,404)
Community development	605,573	10,183	20,634	266,700	(308,056)		(308,056)
Public safety	12,686,921	1,291,753	20,296		(11,374,872)		(11,374,872)
Maintenance and development	11,401,777	469,094	155,899	1,637,830	(9,138,954)		(9,138,954)
Human services	1,300,698				(1,300,698)		(1,300,698)
Parks, recreation and culture	2,552,523	804,255	48,179		(1,700,089)		(1,700,089)
Education	65,638,249	1,060,476	30,841,323	2,341,180	(31,395,270)		(31,395,270)
Interest on long-term debt	1,348,996		357,752		(991,244)		(991,244)
Total governmental activities	101,032,054	4,754,039	31,446,928	4,390,500	(60,440,587)	-	(60,440,587)
Business-type activities:							
Sewer user	5,370,748	5,985,632				614,884	614,884
Center 375 (building rental)	217,673	168,848				(48,825)	(48,825)
Total business-type activities	5,588,421	6,154,480	-	-	-	566,059	566,059
Total	\$ 106,620,475	\$ 10,908,519	\$ 31,446,928	\$ 4,390,500	\$ (60,440,587)	\$ 566,059	\$ (59,874,528)
General revenues:							
Property taxes					\$ 62,672,181	\$	\$ 62,672,181
Grants and contributions not restricted to specific programs					1,157,706		1,157,706
Investment income					146,202	277	146,479
Miscellaneous					700,385	9,812	710,197
Capital contributions						1,113,749	1,113,749
Contributions to permanent funds					10,825		10,825
Total general revenues and contributions					64,687,299	1,123,838	65,811,137
Change in Net Position					4,246,712	1,689,897	5,936,609
Net Position at July 1, 2013					118,121,294	18,232,668	136,353,962
Net Position at June 30, 2014					\$ 122,368,006	\$ 19,922,565	\$ 142,290,571

See Notes to Basic Financial Statements.

TOWN OF VERNON, CONNECTICUT

**BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2014**

	General	Road Improvements Bond	Nonmajor Governmental Funds	Total Governmental Funds
ASSETS				
Cash	\$ 12,127,690	\$	\$ 5,281,173	\$ 17,408,863
Investments	554,897		4,937,772	5,492,669
Receivables (net):				
Taxes	1,819,045			1,819,045
Intergovernmental	4,227		2,025,773	2,030,000
Other	99,631		811,550	911,181
Loans			364,815	364,815
Due from other funds	3,359,412		233,895	3,593,307
Inventory			28,479	28,479
Total assets	\$ 17,964,902	\$ -	\$ 13,683,457	\$ 31,648,359
LIABILITIES				
Cash overdraft	\$	\$	\$ 14,849	\$ 14,849
Accounts payable and accrued liabilities	1,537,095	1,041,143	1,260,114	3,838,352
Accrued wages and benefits	438,418			438,418
Due to other funds	234,446	692,045	1,435,077	2,361,568
Total liabilities	2,209,959	1,733,188	2,710,040	6,653,187
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenues:				
Property taxes	1,441,980			1,441,980
Advance property tax collections	1,629,621			1,629,621
Grants			871,680	871,680
Loans			364,815	364,815
Sewer assessments and user charges			2,693	2,693
Ambulance charges			724,232	724,232
Total deferred inflows of resources	3,071,601	-	1,963,420	5,035,021
FUND BALANCES				
Nonspendable			1,736,239	1,736,239
Restricted			1,364,237	1,364,237
Committed			6,590,021	6,590,021
Assigned	1,540,633		180,000	1,720,633
Unassigned	11,142,709	(1,733,188)	(860,500)	8,549,021
Total fund balances	12,683,342	(1,733,188)	9,009,997	19,960,151
Total liabilities, deferred inflows of resources and fund balances	\$ 17,964,902	\$ -	\$ 13,683,457	\$ 31,648,359

(Continued)

TOWN OF VERNON, CONNECTICUT

**RECONCILIATION OF FUND BALANCE
TO NET POSITION OF GOVERNMENTAL ACTIVITIES
JUNE 30, 2014**

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

TOTAL FUND BALANCE (EXHIBIT C, PAGE 1)	\$ 19,960,151
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CAPITAL ASSETS USED IN GOVERNMENTAL ACTIVITIES ARE NOT FINANCIAL RESOURCES AND, THEREFORE, ARE NOT REPORTED IN THE FUNDS:

Beginning capital assets	155,239,319
Less Internal service fund capital assets	(359,640)
Current capital asset additions (net of construction in progress)	3,864,135
Less Internal service fund capital assets additions	(818,468)
Depreciation expense	(5,366,702)
Less Internal service fund capital assets depreciation	105,863
Disposal and sale of capital assets	(1,037,936)

OTHER LONG-TERM ASSETS ARE NOT AVAILABLE TO PAY FOR CURRENT PERIOD EXPENDITURES:

Property tax and sewer assessment interest and lien accrual	735,857
Allowance for doubtful accounts	(575,000)
Net pension asset	421,164

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

Property tax, sewer assessment, grant, ambulance services and community development block loan receivable - accrual basis change	3,405,400
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INTERNAL SERVICE FUNDS ARE USED BY MANAGEMENT TO CHARGE THE COST OF VARIOUS SELF-INSURED RISK PREMIUMS AND DATA PROCESSING OPERATION TO INDIVIDUAL DEPARTMENTS:

The portion of assets and liabilities of the internal service funds are included in governmental activities in the statement of net position	(225,711)
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SOME LIABILITIES, INCLUDING BONDS PAYABLE, ARE NOT DUE AND PAYABLE IN THE CURRENT PERIOD AND, THEREFORE, ARE NOT REPORTED IN THE FUNDS:

Bonds, notes and related liabilities	(36,790,000)
Deferred charge	(1,316,872)
State of Connecticut clean water notes	(4,049,643)
Capital leases	(1,579,841)
Compensated absences	(3,846,659)
Less: Internal service fund compensated absences	27,864
Retirement obligations	(2,668,488)
Net OPEB liability	(2,224,718)
Accrued interest payable	(532,069)

NET POSITION OF GOVERNMENTAL ACTIVITIES	\$ <u>122,368,006</u>
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(Concluded)

TOWN OF VERNON, CONNECTICUT

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2014**

	General	Road Improvements Bond	Nonmajor Governmental Funds	Total Governmental Funds
Revenues:				
Property taxes	\$ 62,683,962	\$	\$	\$ 62,683,962
Intergovernmental	25,613,730		11,078,857	36,692,587
Assessments			8,735	8,735
Charges for services	2,051,631		2,499,562	4,551,193
Gifts and contributions			534,642	534,642
Income on investments	136		146,009	146,145
Other	480,030		211,620	691,650
Total revenues	90,829,489	-	14,479,425	105,308,914
Expenditures:				
Current:				
General government	3,428,718		6,169	3,434,887
Community development	221,149		270,610	491,759
Public safety	7,995,555		997,420	8,992,975
Maintenance and development	5,431,695		423,344	5,855,039
Human services	936,012		85,867	1,021,879
Parks, recreation and culture	1,329,070		929,679	2,258,749
Townwide	7,107,547			7,107,547
Education	56,788,058		7,429,848	64,217,906
Debt service	4,143,846		1,662,040	5,805,886
Capital outlay	130,174	1,733,188	1,890,373	3,753,735
Total expenditures	87,511,824	1,733,188	13,695,350	102,940,362
Excess (Deficiency) of Revenues over Expenditures	3,317,665	(1,733,188)	784,075	2,368,552
Other Financing Sources (Uses):				
Transfers in	222,961		2,261,474	2,484,435
Transfers out	(2,261,474)		(222,961)	(2,484,435)
Total other financing sources (uses)	(2,038,513)	-	2,038,513	-
Net Change in Fund Balances	1,279,152	(1,733,188)	2,822,588	2,368,552
Fund Balances at July 1, 2013	11,404,190		6,187,409	17,591,599
Fund Balances at June 30, 2014	\$ 12,683,342	\$ (1,733,188)	\$ 9,009,997	\$ 19,960,151

TOWN OF VERNON, CONNECTICUT

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES OF GOVERNMENTAL FUNDS TO STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2014**

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

NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS (EXHIBIT D) \$ 2,368,552

Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period:

Capital outlay (net of internal service fund activity)	3,045,667
Depreciation expense (net of internal service fund activity)	<u>(5,260,839)</u>

Total (2,215,172)

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

(1,037,936)

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

Change in property tax, sewer assessment, grant, ambulance services and community development block loan receivable - accrual basis change	(219,390)
Change in property tax and sewer assessment interest and lien revenue	<u>44,395</u>

Total (174,995)

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

Principal repayments:	
General obligation bonds and notes payable	4,109,052
Deferred charges	94,064
Capital lease payable	<u>218,702</u>

Total 4,421,818

(Continued)

TOWN OF VERNON, CONNECTICUT

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES OF GOVERNMENTAL FUNDS TO STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2014**

Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds:

Compensated absences	\$ 203,490
Retirement obligations	461,176
Net OPEB obligation	(229,726)
Accrued interest payable	<u>35,072</u>
Total	<u>470,012</u>
Internal Service Funds are used by management to charge costs of various self-insured risk premiums and Data Processing operations to individual departments. A portion of the net revenue of the activities of the Internal Service Fund is reported with governmental activities	<u>414,433</u>
CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES (EXHIBIT B)	<u>\$ 4,246,712</u>

(Concluded)

EXHIBIT F

TOWN OF VERNON, CONNECTICUT

STATEMENT OF NET POSITION - PROPRIETARY FUNDS
JUNE 30, 2014

	Business-Type Activities			Governmental and Business-type Activities
	Sewer User	Nonmajor Center 375	Total	Internal Service Funds
Assets:				
Current assets:				
Cash	\$ 4,763,815	\$ 56,235	\$ 4,820,050	\$ 659,992
Investments	2,337,347	1,082,779	3,420,126	722,361
Receivables (net)	1,443,584	1,369	1,444,953	9,747
Due from other Funds		27	27	
Prepaid expense			-	22,740
Total current assets	8,544,746	1,140,410	9,685,156	1,414,840
Capital assets (net):				
Land and land improvements	838,180	645,711	1,483,891	
Buildings and plant	4,445,390	1,940,983	6,386,373	
Machinery and equipment	8,636,500	25,207	8,661,707	632,404
Infrastructure	11,335,206		11,335,206	245,734
Intangibles - computer software	49,000		49,000	387,278
Construction-in-progress			-	441,817
Accumulated depreciation	(15,757,485)	(1,439,394)	(17,196,879)	(634,988)
Capital assets (net)	9,546,791	1,172,507	10,719,298	1,072,245
Total assets	18,091,537	2,312,917	20,404,454	2,487,085
Liabilities:				
Current liabilities:				
Accounts and other payables	303,834	96,050	399,884	65,646
Claims payable			-	262,852
Due to other funds	20,361		20,361	1,208,847
Accrued compensated absences	112,600		112,600	26,846
Total current liabilities	436,795	96,050	532,845	1,564,191
Noncurrent liabilities:				
Claims payable			-	672,804
Accrued compensated absences	363,429		363,429	1,018
Net OPEB obligation	60,398		60,398	
Total noncurrent liabilities	423,827	-	423,827	673,822
Total liabilities	860,622	96,050	956,672	2,238,013
Net Position:				
Net investment in capital assets	9,546,791	1,172,507	10,719,298	1,072,245
Unrestricted	7,684,124	1,044,360	8,728,484	(823,173)
Total Net Position	\$ 17,230,915	\$ 2,216,867	19,447,782	\$ 249,072
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds			474,783	
Net position of business-type activities (Exhibit A)			\$ 19,922,565	

TOWN OF VERNON, CONNECTICUT

STATEMENT OF REVENUES, EXPENSES AND CHANGES
IN FUND NET POSITION - PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2014

	Business-Type Activities			Governmental and Business-type Activities
	Sewer User	Nonmajor Center 375	Total	Internal Service Funds
Operating Revenues:				
Charges for services	\$ 5,369,759	\$ 168,848	\$ 5,538,607	\$ 2,372,085
Gifts and contributions			-	866,817
Other:				
Septic fees	541,346		541,346	
Delinquent interest	66,034		66,034	
Miscellaneous	8,493		8,493	64,440
Total operating revenues	5,985,632	168,848	6,154,480	3,303,342
Operating Expenses:				
Wages and benefits	2,012,779		2,012,779	797,369
Repairs, maintenance and rentals	315,781	37,043	352,824	467,835
Utilities	1,634,116	55,431	1,689,547	13,129
Supplies and materials	459,616	19,223	478,839	4,473
General and administrative	366,918	61,093	428,011	194,285
Claims incurred			-	1,395,356
Depreciation	573,556	44,883	618,439	105,863
Total operating expenses	5,362,766	217,673	5,580,439	2,978,310
Operating Income (Loss)	622,866	(48,825)	574,041	325,032
Nonoperating Revenues (Expenses):				
Investment income	190	87	277	57
Insurance and other reimbursements	9,812		9,812	
Loss on disposal of capital assets	(63,428)		(63,428)	
Net nonoperating revenues (expenses)	(53,426)	87	(53,339)	57
Income (loss) before capital contribution	569,440	(48,738)	520,702	325,089
Capital contribution	1,113,749		1,113,749	144,790
Change in Net Position	1,683,189	(48,738)	1,634,451	469,879
Total Net Position at July 1, 2013	15,547,726	2,265,605		(220,807)
Total Net Position at June 30, 2014	\$ 17,230,915	\$ 2,216,867		\$ 249,072
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds			55,446	
Net change in net position of business-type activities (Exhibit B)			\$ 1,689,897	

TOWN OF VERNON, CONNECTICUT
STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2014

	Business-Type Activities			Governmental and Business-type Activities
	Sewer User	Nonmajor Center 375	Total	Internal Service Funds
Cash Flows from Operating Activities:				
Service charges collected	\$ 5,451,730	\$ 168,848	\$ 5,620,578	\$ 2,372,053
Contributions collected			-	879,852
Other operating revenues collected	593,231		593,231	38,919
Cash payments for employee wages and benefits	(2,023,901)		(2,023,901)	(741,197)
Cash payments for goods and services	(2,636,896)	(88,625)	(2,725,521)	(35,614)
Cash payments for other operating expenses			-	(1,760,013)
Net cash provided by (used in) operating activities	1,384,164	80,223	1,464,387	754,000
Cash Flows from Capital and Related Financing Activities:				
Purchase of capital assets	(110,618)	(66,126)	(176,744)	(673,678)
Cash Flows from Investing Activities:				
Investment income	190	87	277	57
Cash Flows from Noncapital Financing Activities:				
Insurance and other reimbursements	9,812		9,812	
Net Increase (Decrease) in Cash and Cash Equivalents	1,283,548	14,184	1,297,732	80,379
Cash and Cash Equivalents at July 1, 2013	5,817,614	1,124,830	6,942,444	1,301,974
Cash and Cash Equivalents at June 30, 2014	7,101,162	1,139,014	8,240,176	1,382,353
Cash Equivalents Reported as Investments	(2,337,347)	(1,082,779)	(3,420,126)	(722,361)
Cash, June 30, 2014	\$ 4,763,815	\$ 56,235	\$ 4,820,050	\$ 659,992
Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used in) Operating Activities:				
Operating income (loss)	\$ 622,866	\$ (48,825)	\$ 574,041	\$ 325,032
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:				
Add:				
Depreciation expense	573,556	44,883	618,439	105,863
Decrease in accounts receivable	52,654		52,654	16,465
Decrease in prepaid expense			-	5,080
Increase in accounts payable	120,357	84,192	204,549	48,854
Increase in claims payable			-	5,848
Increase in accrued compensated absences	3,410		3,410	10,103
Increase in due to other funds	5,922		5,922	507,707
Increase in OPEB obligation	5,399		5,399	
Deduct:				
Increase in due from other funds		(27)	(27)	
Decrease in accounts / claims payable			-	(196,560)
Decrease in due to other funds			-	(74,392)
Net adjustments to operating income (loss)	761,298	129,048	890,346	428,968
Net Cash Provided by (Used in) Operating Activities	\$ 1,384,164	\$ 80,223	\$ 1,464,387	\$ 754,000

Schedule of noncash capital and related financing activities

\$255,943 of Sewer User Fund capital assets, gross of accumulated depreciation of \$192,515 were disposed of during the fiscal year.

Nonoperating accounts receivable of \$10,969 were received during the fiscal year as well as \$1,113,749 of contributed capital assets in the Sewer User Fund.

\$733 of Data Processing Internal Service capital assets, gross of accumulated depreciation of \$733, were disposed of during the fiscal year and \$144,790 of capital assets were contributed by the Town to the Data Processing Internal Service Fund.

TOWN OF VERNON, CONNECTICUTSTATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
DECEMBER 31, 2013 AND JUNE 30, 2014

	Pension Trust Funds December 31, 2013	Other Post Employment Benefit Trust Fund June 30, 2014	Private- Purpose Trust Fund June 30, 2014	Agency Funds June 30, 2014
Assets:				
Cash	\$	\$ 1,639	\$ 270,887	\$ 403,313
Investments, at fair value (pooled):				
Pooled fixed income		237,056	243,889	189,606
Mutual funds:				
Common stock	20,689,313			
International common stock/ Exchange Traded Fund ("ETF")	6,566,312			
Corporate bond/ETF	13,482,667			
Commodities/ETF	25,788			
Real estate/ETF	45,805			
Money market	65,255			
Common stock	472,932			
International common stock	18,500			
Corporate bonds	171,477			
International bonds	23,972			
Government agency bonds	92,547			
Guaranteed investment account	14,823,775			
Total investments	56,478,343	237,056	243,889	189,606
Accounts receivable		421	33,548	
Due from other funds				524
Total assets	56,478,343	239,116	548,324	593,443
Liabilities:				
Accounts and other payables	21,524		42	592,444
Due to other funds		2,083		999
Total liabilities	21,524	2,083	42	593,443
Net Position:				
Held in trust for pension and OPEB benefits and other purposes	\$ 56,456,819	\$ 237,033	\$ 548,282	\$ -

TOWN OF VERNON, CONNECTICUT

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
FOR THE YEARS ENDED DECEMBER 31, 2013 AND JUNE 30, 2014

	Pension Trust Funds December 31, 2013	Other Post Employment Benefit Trust Fund June 30, 2014	Private- Purpose Trust Fund June 30, 2014
Additions:			
Contributions:			
Employer	\$ 3,266,289	\$ 640,029	\$
Employee	1,369,933		
Retirees		925,068	
State		144,352	
Private			37,586
Other		10,701	
Total contributions	4,636,222	1,720,150	37,586
Net investment income	8,039,079	12	5,449
Less investment expenses	177,839		
Net investment income (loss)	7,861,240	12	5,449
Total additions	12,497,462	1,720,162	43,035
Deductions:			
Benefit payments/annuity purchases	4,839,395	1,640,150	
Refund of contributions	62,064		
Administrative expense	176,206		
Awards			41,875
Total deductions	5,077,665	1,640,150	41,875
Change in Net Position	7,419,797	80,012	1,160
Net Position at January 1 and July 1, 2013	49,037,022	157,021	547,122
Net Position at December 31, 2013 and June 30, 2014	\$ 56,456,819	\$ 237,033	\$ 548,282

TOWN OF VERNON, CONNECTICUT**NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2014****HISTORY AND ORGANIZATION**

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

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

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

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

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

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

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

Governmental Funds

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

General Fund is the primary operating fund of the Town. This fund is used to account for all financial transactions and resources except those required to be accounted for in another fund. Revenues are derived primarily from property taxes, state and federal grants, licenses, permits, charges for services and interest income.

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

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

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

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

Proprietary Funds

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

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

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

Fiduciary Funds

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

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

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

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

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

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

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

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

Property taxes, expenditure reimbursement type grants, certain intergovernmental revenues, charges for services, licenses and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. For this purpose, the Town considers property tax revenues to be available if they are collected within 60 days of the end of the current fiscal period. For reimbursement grants, the Town considers revenues to be available if they are collected within one year of the end of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received.

The Town reports the following major governmental funds:

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

The Road Improvements Bond Fund, a capital projects fund, accounts for the costs associated with reconstruction and improvements to certain town roads, as authorized by Town referendum.

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

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The Town reports the following major proprietary funds:

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

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

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

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

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

1. Deposits and Investments

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

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

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

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

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investments for the Town are reported at fair value. Securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates. Real estate assets are reported at fair value utilizing an income approach to valuation. By contract, an independent appraisal is obtained once every year to determine the fair market value of the real estate assets.

2. Receivables and Payables

a. Interfunds

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the noncurrent portion of interfund loans). Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances." All trade and property tax receivables are shown net of an allowance for uncollectibles.

b. Property Taxes and Other Receivables

In the government-wide financial statements, all trade, property tax, sewer use, sewer assessment, and loan receivables are shown net of an allowance for uncollectibles. Allowance percentages range from 12 to 48% of outstanding receivable balances, and are calculated based upon prior collections.

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

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

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

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

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3. Inventories and Prepaid Items

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

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

4. Capital Assets

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

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

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

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

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

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

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

5. Deferred Outflows/Inflows of Resources

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

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

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

6. Net Position Flow Assumption

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

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

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

7. Compensated Absences

Certain employees are compensated by a prescribed formula for absence due to vacation or sickness. The eligibility for vacation pay vests, and unused sick leave may only be accumulated to be used for future absences, although unused sick leave may be paid upon termination, death or retirement. The liability at June 30, 2014 is calculated by multiplying the current accumulated vacation and sick days earned and payable by the employees' current daily rate of pay. The Town's share of social security and medicare payroll taxes (7.65%) has been estimated and added to the compensated absences accrual in accordance with the provisions of GASB Statement No. 16. The General Fund is the primary source of funding for compensated absences. 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 year end.

8. Long-Term Obligations

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

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

9. Fund Equity and Net Position

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

Net Investment in Capital Assets

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

Restricted Net Position

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

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

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Unrestricted Net Position

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

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

Nonspendable

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

Restricted

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

Committed

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

Assigned

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

Unassigned

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

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

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

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

10. Use of Estimates

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

11. Reclassifications

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

II. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Budgetary Information

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

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

Budgetary Policies - The Town Council is authorized to transfer any unencumbered appropriation balance or portion thereof from one department to another; however, such transfers must occur subsequent to March 31. Transfers within account classifications of a single department are approved by the Town's Finance Officer. Individual additional appropriations of less than 1/10 of 1% of the total budgeted expenditures are approved by Town Council. The Vernon Board of Education is authorized, under State law, to make any transfers necessary within the education budget at their discretion. Authorization for additional appropriations exceeding 1/10 of 1% of total budgeted expenditures requires a public hearing followed by Town Council approval in a special Town meeting. Revised budget amounts are reported as amended by the Town Council during the course of the year. Additional appropriations of \$1,298,642 were authorized during the fiscal year along with reappropriations of \$994,407. The legal level of control, the level at which expenditures may not legally exceed appropriations, is at the department level.

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

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

II. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (CONTINUED)

B. Donor Restricted Endowments

The Town has received certain endowments for perpetual care of the cemetery and memorial maintenance. The amounts are reflected in net position as restricted for endowments. Investment income, including appreciation of \$95,024 for the Cemetery Fund and \$-0- for the Memorial Fund, is approved for expenditure by the individual Boards of the benefiting activities.

C. Capital Projects Authorizations

The following is a summary of certain construction project funds at June 30, 2014:

Project	Project Authorization	Expended To Date	Remaining Authorization
General Government			
ADA Building and Grounds Improvements	\$ 131,084	\$ 50,712	\$ 80,372
Town Hall Renovations	440,000	78,033	361,967
Public Safety			
Animal Control Shelter Renovations	123,100	97,732	25,368
Police Digital Radio System Upgrade*	250,000	250,000	-
Fire Suppression System*	16,450	16,250	200
Fox Hill Tower Communication Center Renovations	225,000	3,400	221,600
Maintenance and Development			
Road Reconstuction	42,353,360	18,680,311	23,673,049
Storm Drainage	204,000		204,000
Bridges	8,968,512	1,943,536	7,024,976
Sidewalk Reconstruction	125,000	165,583	(40,583)
Waste Water Treatment Improvements	1,250,000		1,250,000
Sewer System Improvements	1,148,257	1,055,535	92,722
Parks and Recreation			
Valley Falls Park Dam Reconstruction	12,000		12,000
ADA Building and Grounds Improvements	21,900	10,086	11,814
Fox Hill Tower Renovations	16,000	9,058	6,942
Camp Newhoca Roof Replacements	18,500	8,801	9,699
Eckert's property disc golf course	20,000		20,000

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

II. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (CONTINUED)

C. Capital Projects Authorizations (Continued)

Project	Project Authorization	Expended To Date	Remaining Authorization
Education			
RHS Boiler Repairs	\$ 90,000	\$ 39,230	\$ 50,770
Central Offices Natural Gas Line	50,000	2,951	47,049
School Security Enhancements	538,222	38,050	500,172
Safe Routes to Schools	541,470	-	541,470
RHS Tennis Courts and Track Repairs	16,000	15,523	477
RHS Additions & Renovations	34,657,000	30,735,782	3,921,218
VCMS Renovations	11,519,000	10,783,543	735,457
Elementary School Additions & Renovations:			-
Center Road School	4,420,600	4,281,052	139,548
Lake Street School	5,828,800	4,958,686	870,114
Maple Street School	3,743,200	2,643,496	1,099,704
Northeast School	3,556,000	2,933,929	622,071
Skinner Road School	4,597,400	4,012,396	585,004
Total	<u>\$ 124,880,855</u>	<u>\$ 82,813,675</u>	<u>\$ 42,067,180</u>

* Project completed during the fiscal year.

D. Deficit Equity Balances

The following funds had a deficit equity balance at June 30, 2014:

Major Funds:

Road Improvements Bond \$ 1,733,188

Nonmajor Funds:

Special Revenue Funds:

Public Safety Complex Grant-in-Aid Fund \$ 860,500

Internal Service Fund:

Workers' Compensation \$ 1,297,291

The deficit in the Road Improvements Bond will be funded by future issuance of general obligation bonded debt. The deficit in the Public Safety Complex Grant-in-Aid Fund will be eliminated through the future charges for services. The deficit in the Workers' Compensation Fund will be eliminated by future charges to other funds.

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

III. **DETAILED NOTES**

A. **Cash and Investments**

Deposits - Custodial Credit Risk - Custodial credit risk is the risk that, in the event of a bank failure, the Town's deposits may not be returned to it. The Town does not have a deposit policy for custodial credit risk. As of June 30, 2014, \$24,091,035 of the Town's bank balance of \$24,742,065 (including certificates of deposit and money market accounts) was exposed to custodial credit risk as follows:

Uninsured and uncollateralized	\$21,631,932
Uninsured and collateral held by the pledging bank's Trust department, not in the Town's name	<u>2,459,103</u>
Total amount subject to custodial credit risk	<u>\$24,091,035</u>

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

At June 30, 2014, the Town's investments (including restricted investments) consisted of the following:

TYPE OF INVESTMENT	FAIR VALUE	INVESTMENT MATURITIES (IN YEARS)				
		N/A	LESS THAN 1	1-5 YEARS	5-10 YEAR	OVER 10
Mutual Funds:						
Common Stock	\$ 21,098,380	\$ 21,098,380	\$	\$	\$	\$
International Common Stock/ Exchange Traded Funds ("ETF")	6,643,469	6,643,469				
Corporate Bond/ETF	13,668,241			1,229,150	12,439,091	
Commodities/ETF	41,390	41,390				
Real estate/ETF	57,857	57,857				
Money Market	173,656		173,656			
Certificates of Deposit	145,835		142,094	3,741		
Pooled Fixed Income	8,466,820		8,466,820			
Common Stock	1,029,424	1,029,424				
International Common Stock	63,060	63,060				
Corporate Bonds	327,831		15,482	130,237	151,651	30,461
International Bonds	50,766			25,111	25,655	
Government Agency Bonds	193,546			193,546		
Guaranteed Investment Account	<u>14,823,775</u>			<u>14,823,775</u>		
TOTAL	<u>\$ 66,784,050</u>	<u>\$ 28,933,580</u>	<u>\$ 8,798,052</u>	<u>\$ 16,405,560</u>	<u>\$ 12,616,397</u>	<u>\$ 30,461</u>

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

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

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

III. DETAILED NOTES (CONTINUED)

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

Average Rating	Pooled Fixed Income	Mutual Funds			International Bonds	Guaranteed Investment Account
		Money Market	Corporate Bond/ETF	Corporate Bonds		
AAA.....	\$ 8,466,820	\$	\$ 8,398,458	\$ 29,812	\$	\$
AA			744,333	117,933		14,823,775
A.....			650,604	104,168	50,766	
B.....			684,794			
BB			496,057			
BBB.....			1,085,830	75,918		
CCC			383,888			
Unrated		173,656	1,224,277			
TOTAL	\$ 8,466,820	\$ 173,656	\$13,668,241	\$ 327,831	50,766	\$ 14,823,775

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

The investments are covered by the Securities Investor Protection Corporation ("SIPC") up to \$500,000, including \$250,000 of cash from sale or for purchase of investments, but not cash held solely for the purpose of earning interest. SIPC protects securities such as notes, stocks, bonds, debentures, certificates of deposit and money funds.

	TOTAL	LESS INSURED AMOUNTS	AMOUNT SUBJECT TO CUSTODIAL CREDIT RISK
Government Agency Bonds	\$ 193,546	\$	\$ 193,546
Common Stock	1,029,424	500,000	529,424
International Common Stock.....	63,060		63,060
Corporate Bonds	327,831		327,831
International Bonds	50,766		50,766
TOTAL	\$1,664,627	\$ 500,000	\$1,164,627

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

III. **DETAILED NOTES (CONTINUED)**

B. **Receivables**

Receivable balances have been disaggregated by type and presented separately in the financial statements. Only receivables for the Town's government-wide financial statements with allowances for uncollectible accounts as of June 30, 2014, including the applicable allowances for uncollectible accounts, are presented below.

	PROPERTY TAXES INTEREST AND TAXES		
		LIEN FEES	TOTAL
Current portion	\$ 782,189	\$ 136,382	\$ 918,571
Long-term portion.....	\$ 1,036,856	\$ 599,475	\$ 1,636,331
Less allowance for uncollectibles.....	(225,000)	(350,000)	(575,000)
Net long-term portion	\$ 811,856	\$ 249,475	\$ 1,061,331
	SEWER USER	AMBULANCE MEDICAL SERVICES	
Receivable amount	\$ 1,586,494	\$ 1,448,464	
Less allowance for uncollectibles.....	(142,910)	(724,232)	
Net receivable	\$ 1,443,584	\$ 724,232	

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

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

III. DETAILED NOTES (CONTINUED)

C. Capital Assets

Capital asset activity for the year ended June 30, 2014, for Governmental Activities was as follows:

	Balance July 1, 2013	Increases	Decreases	Balance June 30, 2014
Capital assets, not being depreciated:				
Land	\$ 8,324,925	\$	\$	\$ 8,324,925
Construction in progress	20,845,064	3,130,340	20,292,389	3,683,015
Total capital assets, not being depreciated	29,169,989	3,130,340	20,292,389	12,007,940
Capital assets, being depreciated:				
Land Improvements	6,331,108	116,000		6,447,108
Buildings and improvements	110,944,852	228,899		111,173,751
Machinery and equipment	41,564,751	1,259,168	743,481	42,080,438
Intangibles - computer software	387,278			387,278
Infrastructure	59,213,545	19,422,117	2,901,899	75,733,763
Total capital assets, being depreciated	218,441,534	21,026,184	3,645,380	235,822,338
Total capital assets	247,611,523	24,156,524	23,937,769	247,830,278
Less accumulated depreciation for:				
Land Improvements	4,033,958	187,070		4,221,028
Buildings and improvements	27,883,506	2,203,541		30,087,047
Machinery and equipment	31,930,107	1,395,791	718,035	32,607,863
Intangibles - computer software	348,088	36,050		384,138
Infrastructure	28,176,545	1,544,250	1,889,409	27,831,386
Total accumulated depreciation and amortization	92,372,204	5,366,702	2,607,444	95,131,462
Total capital assets, being depreciated, net	126,069,330	15,659,482	1,037,936	140,690,876
Governmental activities capital assets, net	\$ 155,239,319	\$ 18,789,822	\$ 21,330,325	\$ 152,698,816

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

III. DETAILED NOTES (CONTINUED)

Capital asset activity for the year ended June 30, 2014, for Business-Type Activities was as follows:

	Balance July 1, 2013	Increases	Decreases	Balance June 30, 2014
Capital assets, not being depreciated:				
Land	\$ 1,267,840	\$	\$	\$ 1,267,840
Capital assets, being depreciated:				
Buildings and system	6,088,357	298,016		6,386,373
Land Improvements	216,051			216,051
Machinery and equipment	8,598,523	131,667	68,483	8,661,707
Intangibles - computer software	49,000			49,000
Infrastructure	10,661,856	860,810	187,460	11,335,206
Total capital assets, being depreciated	25,613,787	1,290,493	255,943	26,648,337
Total capital assets	26,881,627	1,290,493	255,943	27,916,177
Less accumulated depreciation:				
Buildings and system	4,664,870	182,629		4,847,499
Land Improvements	176,932	6,308		183,240
Machinery and equipment	6,721,150	215,123	67,403	6,868,870
Intangibles - computer software	24,500	7,000		31,500
Infrastructure	5,183,503	207,379	125,112	5,265,770
Total accumulated depreciation and amortization	16,770,955	618,439	192,515	17,196,879
Total capital assets, being depreciated, net	8,842,832	672,054	63,428	9,451,458
Business-type activities capital assets, net	\$ 10,110,672	\$ 672,054	\$ 63,428	\$ 10,719,298

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

III. DETAILED NOTES (CONTINUED)

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

Governmental activities:	
General government	\$ 151,886
Community development	448
Public safety	576,495
Maintenance and development	2,410,431
Human services	826
Parks and recreation	242,040
Education	<u>1,984,576</u>
Total Depreciation Expense - Governmental Activities	<u>\$ 5,366,702</u>
Business-type activities:	
Sewer use	\$ 573,556
Rental of building	<u>44,883</u>
Total Depreciation Expense - Business-type Activities	<u>\$ 618,439</u>

D. Interfund Receivables, Payables and Transfers

Interfund transfers:

	Transfers In		
	General Fund	Nonmajor Governmental	Total Out
Transfers Out:			
General Fund	\$	\$ 2,261,474	\$ 2,261,474
Nonmajor Governmental	<u>222,961</u>		<u>222,961</u>
Total Transfers In	<u>\$ 222,961</u>	<u>\$ 2,261,474</u>	<u>\$ 2,484,435</u>

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

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

III. DETAILED NOTES (CONTINUED)

At June 30, 2014, the amounts due to and from other funds were as follows:

	DUE FROM OTHER FUNDS	DUE TO OTHER FUNDS
General Fund	\$ 3,359,412	\$ 234,446
Major Funds:		
Road Improvements Bond		692,045
Nonmajor Funds:		
Debt Service Fund		53
Special Revenue Funds:		
Insurance Exchange		9
Town Aid Road		3
Dog License Fund	1,183	459
Ambulance Medical Services		19,556
Vernon Cemetery Commission		4,273
Sewer Assessment		1
Special Education Grants	3,026	39,646
Public Safety Complex Grant-In-Aid		860,500
CDBG Small Cities		812
Parks and Recreation Programs		32,348
Miscellaneous Grants		43,096
Capital Projects Funds:		
School Bond Improvements		267,000
Town Capital & Nonrecurring	146,686	
Education Capital & Nonrecurring	83,000	85,300
South Street Reconstruction		30,656
Phoenix Street Bridge Renovations		51,365
Total Nonmajor Funds	233,895	1,435,077
Fiduciary Funds:		
Other Post Employment Trust		2,083
Student Activity	458	
Miscellaneous Activity	66	999
Total Fiduciary Funds	524	3,082

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

III. DETAILED NOTES (CONTINUED)

	DUE FROM OTHER <u>FUNDS</u>	DUE TO OTHER <u>FUNDS</u>
Enterprise Funds:		
Sewer User Fund	\$	\$ 20,361
Center 375	<u>27</u>	<u></u>
Total Enterprise Funds	<u>27</u>	<u>20,361</u>
Internal Service Funds:		
Workers' Compensation Fund		700,000
Data Processing Fund		<u>508,847</u>
Total Internal Service Funds	<u>-</u>	<u>1,208,847</u>
Total	<u>\$ 3,593,858</u>	<u>\$ 3,593,858</u>

Interfund balances are the result of interfund transfers, reimbursements or loans outstanding at June 30, 2014.

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

III. DETAILED NOTES (CONTINUED)

E. Changes in Long-Term Obligations

1. Summary of Changes

Long-term liability activity for the year ended June 30, 2014, was as follows:

	Balance July 1, 2013	Additions	Reductions	Balance June 30, 2014	Due Within One Year
Governmental activities:					
Bonds:					
General purpose	\$ 13,317,000	\$	\$ 907,000	\$ 12,410,000	\$ 921,500
Schools	25,275,000		1,582,000	23,693,000	1,608,500
Sewers	743,000		56,000	687,000	55,000
Total bonds	39,335,000	-	2,545,000	36,790,000	2,585,000
Notes:					
State of Connecticut Clean Water Fund	5,613,695		1,564,052	4,049,643	1,595,621
Total bonds and notes	44,948,695	-	4,109,052	40,839,643	4,180,621
Lease purchases:					
Asphalt Box Reclaimer	15,921		7,826	8,095	8,095
Fire Trucks	1,328,951		138,014	1,190,937	140,332
Asphalt Box Reclaimer	453,671		72,862	380,809	73,940
Total lease purchases	1,798,543	-	218,702	1,579,841	222,367
Compensated absences:					
Town	2,880,631	126,168	210,003	2,796,796	668,848
Board of Education	1,141,654		119,655	1,021,999	304,851
Internal Service Fund	17,762	10,102		27,864	26,846
Total compensated absences	4,040,047	136,270	329,658	3,846,659	1,000,545

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

III. DETAILED NOTES (CONTINUED)

	July 1, 2013	Additions	Reductions	June 30, 2014	One Year
Retirement obligations:					
Town:					
Net OPEB obligation*	\$ 939,566	\$ 363,850	\$ 274,780	\$ 1,028,636	\$
Board of Education:					
Net OPEB obligation	1,055,426	505,905	365,249	1,196,082	
Estimated retirement pay	2,059,588	199,664	309,156	1,950,096	476,000
Early retirement pay	1,051,270	39,849	386,234	704,885	287,759
Healthcare termination	18,806		5,299	13,507	3,172
Total Board of Education retirement obligations	4,185,090	745,418	1,065,938	3,864,570	766,931
Total retirement obligations	5,124,656	1,109,268	1,340,718	4,893,206	766,931
Risk management:					
Claims payable	1,126,369	1,395,356	1,586,069	935,656	262,852
Total Governmental Activities Long-Term Liabilities	\$ 57,038,310	\$ 2,640,894	\$ 7,584,199	\$ 52,095,005	\$ 6,433,316
* \$54,999 of the net OPEB obligation is recorded in the Sewer User Fund at 7/1/13 and \$60,398 at 6/30/14.					
Business-Type Activities:					
Compensated absences	\$ 472,619	\$ 37,613	\$ 34,203	\$ 476,029	\$ 112,600
Net OPEB Liability	54,999	5,399		60,398	
Total Business-Type Activities Long-term Liabilities	\$ 527,618	\$ 43,012	\$ 34,203	\$ 536,427	\$ 112,600

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

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

III. DETAILED NOTES (CONTINUED)

Debt Type	Issue Date	Maturity Date	Interest Rate	Amount of Original Issue	Amount Outstanding June 30, 2014
Bonded Debt					
General Purpose Bonds:					
Public Improvements (defeased)	02/01/09	02/01/24	2.50 - 4.50%	720,000	\$ 104,000
Public Improvements	04/12/11	04/01/25	2.00 - 3.75%	2,155,000	1,761,000
Public Improvements (refunding)	04/11/12	08/01/27	2.00 - 4.50%	11,724,000	<u>10,545,000</u>
Total General Purpose Bonds					<u>12,410,000</u>
School Bonds:					
School Renovations (defeased)	02/14/08	02/01/28	3.50 - 5.50%	10,155,000	1,246,000
School Renovations	04/12/11	04/01/25	2.00 - 3.75%	1,600,000	1,299,000
School Renovations (refunding)	04/11/12	08/01/27	2.00 - 4.50%	22,168,000	<u>21,148,000</u>
Total School Bonds					<u>23,693,000</u>
Sewer Bonds:					
Sewer System Improvements (refunding)	04/11/12	08/01/27	2.00 - 4.50%	793,000	<u>687,000</u>
Total Sewer Bonds					<u>687,000</u>
Total Bonded Debt					<u>\$36,790,000</u>
Notes Payable					
State of Connecticut:					
Clean Water Fund 200-C	12/31/97	12/31/16	2.0%	27,635,550	<u>\$ 4,049,643</u>
Lease Purchases					
Asphalt Box Reclaimer	2/1/2011	3/1/2015	3.45%	38,912	\$ 8,095
Fire Trucks	8/22/2012	1/10/2022	1.68%	1,479,761	1,190,937
Asphalt Box Reclaimer	8/22/2012	1/10/2019	1.48%	530,239	<u>380,809</u>
Total Lease Purchases					<u>\$ 1,579,841</u>

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

III. **DETAILED NOTES (CONTINUED)**

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

Fiscal Year Ending June 30	Principal				Notes Payable	Lease Purchase	Total All Debt
	General Purpose	School	Sewer	Total			
2015	\$ 921,500	\$ 1,608,500	\$ 55,000	\$ 2,585,000	\$ 1,595,621	\$ 222,367	\$ 4,402,988
2016	915,500	1,604,500	55,000	2,575,000	1,627,828	217,725	4,420,553
2017	939,000	1,747,000	54,000	2,740,000	826,194	221,233	3,787,427
2018	943,000	1,883,000	54,000	2,880,000		224,797	3,104,797
2019	963,000	2,024,000	53,000	3,040,000		228,419	3,268,419
2020	958,000	2,019,000	53,000	3,030,000		152,523	3,182,523
2021	959,000	2,028,000	53,000	3,040,000		155,086	3,195,086
2022	958,000	2,035,000	52,000	3,045,000		157,691	3,202,691
2023	982,000	2,111,000	52,000	3,145,000			3,145,000
2024	981,000	2,107,000	52,000	3,140,000			3,140,000
2025	916,000	1,227,000	52,000	2,195,000			2,195,000
2026	912,000	1,222,000	51,000	2,185,000			2,185,000
2027	759,000	1,105,000	51,000	1,915,000			1,915,000
2028	303,000	972,000		1,275,000			1,275,000
Total	<u>\$ 12,410,000</u>	<u>\$ 23,693,000</u>	<u>\$ 687,000</u>	<u>\$ 36,790,000</u>	<u>\$4,049,643</u>	<u>\$1,579,841</u>	<u>\$ 42,419,484</u>

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

Fiscal Year Ending June 30	Interest				Notes Payable	Lease Purchase	Total All Debt
	General Purpose	School	Sewer	Total			
2015	\$ 419,870	\$ 816,521	\$ 23,565	\$ 1,259,956	\$ 66,419	\$ 25,923	\$ 1,352,298
2016	394,030	772,536	21,915	1,188,481	34,213	22,192	1,244,886
2017	366,806	716,833	20,280	1,103,919	4,826	18,684	1,127,429
2018	339,679	663,192	18,660	1,021,531		15,120	1,036,651
2019	313,496	609,648	17,188	940,332		11,498	951,830
2020	280,639	539,460	15,332	835,431		7,817	843,248
2021	241,741	454,823	13,080	709,644		5,254	714,898
2022	203,490	371,964	10,915	586,369		2,649	589,018
2023	164,411	287,175	8,770	460,356			460,356
2024	125,886	203,355	6,690	335,931			335,931
2025	88,681	137,215	4,610	230,506			230,506
2026	52,673	88,640	2,550	143,863			143,863
2027	20,475	45,735	765	66,975			66,975
2028	4,545	14,580		19,125			19,125
Total	<u>\$ 3,016,422</u>	<u>\$ 5,721,677</u>	<u>\$ 164,320</u>	<u>\$ 8,902,419</u>	<u>\$ 105,458</u>	<u>\$ 109,137</u>	<u>\$ 9,117,014</u>

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

III. DETAILED NOTES (CONTINUED)

2. Termination Benefits

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

School Administrators

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

Currently, there are 2 former school administrators receiving this benefit. The cost to the Town, net of participant contributions, for the 2013/14 fiscal year is \$3,762. A liability of \$13,507, presented in government-wide financial statements, for this benefit is calculated based upon the discounted present value of future unadjusted premiums and includes a healthcare cost trend of 10.67% and an investment yield of .01%.

In addition to healthcare termination benefits, cash payments are available to school administrator early retirees. Also, there are 7 former school administrators receiving this benefit. The cost to the Town for the 2013/14 fiscal year is \$136,234. An early retirement liability of \$184,993, presented in government-wide financial statements, for this benefit is calculated based upon the discounted present value of expected future benefits and an .01% 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 60 former teachers receiving this benefit. The cost to the Town for the 2013/14 fiscal year is \$250,000. An early retirement liability of \$519,892, presented in government-wide financial statements, for this benefit is calculated based upon the discounted present value of expected future benefits and an .01% yield of investments that are expected to be used to finance such benefit payments.

3. Capital Leases

Capital leases outstanding at June 30, 2014 were for an asphalt box reclaimer and three fire trucks. The present value of future minimum lease payments amounts to \$1,579,841 at June 30, 2014.

The amount of assets capitalized under Capital Leases totaled \$2,011,266 at June 30, 2014 and accumulated depreciation totaled \$394,158. The amount included in depreciation expense for these assets was \$236,472.

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

III. DETAILED NOTES (CONTINUED)

The lease agreement qualifies as a capital lease for accounting purposes and, therefore, has been recorded at the present value of future minimum lease payments as of the date of inception. The following is a schedule of the minimum lease payments under the lease and the present value of the future minimum lease payments at June 30, 2014.

YEAR ENDING JUNE 30,	
2015	\$ 248,290
2016	239,917
2017	239,917
2018	239,917
2019	239,917
Thereafter	481,020
Less amount representing interest	<u>(109,137)</u>
Present value of minimum lease payments	<u>\$1,579,841</u>

4. Statutory Debt Limitations

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

CATEGORY	DEBT LIMIT	NET	
		INDEBTEDNESS	BALANCE
General purpose	\$ 140,766,971	\$ 43,206,000	\$ 97,560,971
Schools.....	281,533,941	61,705,000	219,828,941
Sewers.....	234,611,618	4,898,643	229,712,975
Urban renewal.....	203,330,069	-	203,330,069
Pension deficit.....	187,689,294	-	187,689,294

The total overall statutory debt limit for the Town is equal to seven times annual receipts from taxation, \$437,941,686.

The indebtedness reflected above includes bonds outstanding in addition to the amount of bonds authorized and unissued against which bond anticipation notes are issued and outstanding.

5. Authorized/Unissued Bonds

At a referendum held on November 4, 2004, Public Bond Improvements of \$21,609,000 were authorized to fund \$19,103,000 of roads, sidewalk and bridge reconstruction projects, \$1,295,000 of waste treatment plant improvements and \$1,211,000 of sewer system improvements. Of the \$21,609,000 authorization, \$18,175,000 of bonds have been issued. The remaining unissued Public Bond Improvements authorization is, therefore, \$3,434,000 as of June 30, 2014. This authorization will not be utilized as the improvement projects have either been completed or will not be completed, as in the case of the \$1,295,000 waste water treatment plant improvements authorization.

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

III. DETAILED NOTES (CONTINUED)

At a referendum held on March 29, 2005, School Bond Improvements of \$68,322,000 were authorized to fund \$34,657,000 of additions and renovations to Rockville High School, \$11,519,000 of renovations to Vernon Center Middle School and \$22,146,000 of additions and renovations to the Town's five elementary schools. Of the \$68,322,000 authorization, \$30,310,000 of bonds has been issued. The remaining unissued School Bond Improvements authorization is, therefore, \$38,012,000 as of June 30, 2014. This authorization is not expected to be utilized as these projects have been completed with other funding sources.

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

On January 28, 2014, a referendum was held that appropriated \$27,637,000 for Road Reconstruction and Improvements. Bonds have yet to be issued against this appropriation.

6. Prior Year Advanced Refunding

In prior years, the Town defeased General Obligation Bonds by creating separate irrevocable trusts. New debt has been issued and the proceeds have been used to purchase U.S. government securities that were placed in the trusts. The investments and fixed earnings from the investments are sufficient to fully service the defeased debt until the debt is called or matures. For financial reporting purposes, the debt has been considered defeased and, therefore, is no longer counted in computing the Town's debt for statutory debt limit purposes. As of June 30, 2014, the amount of defeased debt outstanding amounted to \$26,500,000 (net of \$7,500,000 called debt).

F. Restricted Net Position

The amount of restricted net position, which were restricted by enabling legislation, totaled \$42,422 at June 30, 2014.

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

III. DETAILED NOTES (CONTINUED)

G. Fund Balance Classifications

Fund balance components at June 30, 2014 were for the following purposes:

Fund Balance Component	General Fund	Road Improvements Bonds	Nonmajor Funds	Total
Nonspendable:				
Permanent fund principal				
Cemetery	\$	\$	\$ 1,707,760	\$ 1,707,760
Cafeteria inventory			28,479	28,479
Total nonspendable	-	-	1,736,239	1,736,239
Restricted:				
Donor purpose restrictions			599,215	599,215
Grant programs			257,857	257,857
Sewer assessment			20,152	20,152
Cemeteries			186,559	186,559
Housing and community development			138,118	138,118
Education grants			53,783	53,783
Cafeteria			22,270	22,270
Adult Education			86,283	86,283
Total restricted	-	-	1,364,237	1,364,237
Committed:				
Sewer repairs and maintenance			1,707,892	1,707,892
Insurance and medical			487,658	487,658
Community development			173,599	173,599
Police			20,873	20,873
Ambulance			49,794	49,794
Animal control			49,304	49,304
Human services			24,283	24,283
Maintenance for water runoff			49,235	49,235
Parks and recreation programs			226,741	226,741
Sidewalk development			2,701	2,701
Approved capital outlay projects			3,797,941	3,797,941
Total committed	-	-	6,590,021	6,590,021

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

III. DETAILED NOTES (CONTINUED)

<u>Fund Balance Component</u>	<u>General Fund</u>	<u>Road Improvements Bonds</u>	<u>Nonmajor Funds</u>	<u>Total</u>
Assigned:				
General government				
Administration and finance	\$ 230,345	\$	\$	\$ 230,345
Data Processing	127,122			127,122
Pension	238,336			238,336
Insurances	67,762			67,762
Community development				
Planning	8,578			8,578
Public safety				
Police	110,818			110,818
Fire	138,818			138,818
Ambulance	105,000			105,000
Maintenance and development				
Buildings, streets and grounds	108,425			108,425
Refuse and recycling	46,267			46,267
Human services				
Social services	8,676			8,676
Youth services	59			59
Senior services	949			949
Parks and recreation				
Parks and supervision maintenance	10,561			10,561
Public celebration	5,218			5,218
Education				
Compensated absences	322,000			322,000
Debt payments			180,000	180,000
Miscellaneous	11,699			11,699
Total assigned	<u>1,540,633</u>	<u>-</u>	<u>180,000</u>	<u>1,720,633</u>
Unassigned	<u>11,142,709</u>	<u>(1,733,188)</u>	<u>(860,500)</u>	<u>8,549,021</u>
Total	<u>\$ 12,683,342</u>	<u>\$ (1,733,188)</u>	<u>\$ 9,009,997</u>	<u>\$ 19,960,151</u>

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

IV. OTHER INFORMATION

A. Risk Management

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

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

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

	Fiscal Year Ending June 30,	
	2014	2013
Claims payable, July 1	\$ 1,089,952	\$ 1,469,405
Incurred claims, current year	370,002	511,451
Claims adjustments, prior years	(2,083)	42,308
Claims incurred for the fiscal year	367,919	553,759
Claims paid, current and prior years	564,480	933,212
Claims payable, June 30	\$ 893,391	\$ 1,089,952

Based on historical payment data, approximately 25% of claims payable at June 30, 2014, will be paid during the following fiscal year. Thus, \$220,587 of claims payable at June 30, 2014, is considered as a current liability and the remaining \$672,804 is considered as a long-term liability. Claims payable at June 30, 2014, includes \$81,291 of estimated incremental claims adjustment expenses, net of estimated subrogation recoveries.

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

IV. OTHER INFORMATION (CONTINUED)

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

A third party administers the prescription claims processing and the dental claims processing for the Town for which the Town pays a fee. Claims incurred and paid data are provided to the Town, which reimburses Maxor, MedCo and Anthem for the costs of the claims and administrative expenses. As of June 30, 2014, claims payable represents the cost of claims incurred and paid by Maxor, MedCo and Anthem that require reimbursement from the Town.

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

	Fiscal Year	
	2013-14	2012-13
Claims payable, July 1	\$ <u>36,417</u>	\$ <u>105,060</u>
Incurred claims, current year	<u>1,027,437</u>	<u>1,088,162</u>
Claims paid, current and prior years	<u>1,021,589</u>	<u>1,156,805</u>
Claims payable, June 30	\$ <u><u>42,265</u></u>	\$ <u><u>36,417</u></u>

The entire portion of claims payable at June 30, 2014, is considered payable in the ensuing fiscal year.

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

IV. OTHER INFORMATION (CONTINUED)

B. Commitments and Contingencies

Pending Suits and Claims

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

State and Federal Grants

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

Waste Treatment Plant Debt

The Town permanently financed the upgrade and expansion of the Vernon Waste Treatment Plant on December 31, 1997 with a \$27,635,550 State of Connecticut Clean Water Fund (CWF) loan, payable monthly through December 31, 2016. Of the \$4,049,643 due on the CWF loan as of June 30, 2014, the Towns of Ellington, Manchester, South Windsor and Tolland are obligated to provide payments totaling \$871,680 to the Town of Vernon in installments through December 31, 2016. The Town of Vernon is responsible for debt service payments on the loan.

Bolton Lakes Wastewater Disposal

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

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

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

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

IV. OTHER INFORMATION (CONTINUED)

C. Employee Retirement Systems and Pension Plans

Defined Benefit Plans

1. *Plan Descriptions*

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

The Town 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 liason.

b. *Participant Membership*

Participant membership at January 1, 2014 was as follows:

	<u>Police</u>	<u>Town</u>	<u>LOSAP</u>
Retirees, disabled and beneficiaries currently receiving benefits	49	180	12
Terminated employees entitled to benefits, but not yet receiving them	2	177	36
Active employees: Vested, partially vested and nonvested	50	377	137
Total participant membership	<u>101</u>	<u>734</u>	<u>185</u>

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

IV. OTHER INFORMATION (CONTINUED)

c. *Benefit Provisions*

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

i. Normal Retirement Date and Benefits

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 nonbargaining 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.

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

IV. OTHER INFORMATION (CONTINUED)

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.

ii. 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.

iii. Death Benefits

Death benefits are payable to beneficiaries as determined by death before retirement or death after retirement provisions. For Police and Town participants, upon the death of a nonvested participant, there shall be payable to the beneficiary, a death benefit equal to the participant's contributions plus interest. A preretirement spousal death benefit is payable to vested participants who have been married five full years prior to death. The preretirement spousal death benefit is determined as for early retirement, based on earnings and credited service to the date of participant death. For 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.

iv. Disability Benefit

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.

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

IV. OTHER INFORMATION (CONTINUED)

2. Contributions

Contribution 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.

Police

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.

For the year ended June 30, 2014, the average active member contribution rate was 8.50% of annual base compensation, and the Town's average contribution rate was 30.71% of annual payroll.

Town

Non-bargaining Town Hall employees, P.W. Supervisors, School Librarians, School Supervisors, and Education Custodial, Secretarial and Maintenance and the Water Pollution Control non union 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 year ended June 30, 2014, the average active member contribution rate was 6.71% of annual base compensation, and the Town's average contribution rate was 12.65% of annual payroll.

LOSAP

Members of the volunteer fire department are not required to contribute to the plan.

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

IV. OTHER INFORMATION (CONTINUED)

3. Investments

a. 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. The following are the asset allocation policies as of December 31, 2013:

<u>Asset Class</u>	<u>Target Allocation</u>		
	<u>Police</u>	<u>Town</u>	<u>LOSAP</u>
Large Cap Equity	33.0%	29.0%	34.0%
Mid Cap Equity	4.0%	4.0%	4.0%
Small Cap Equity	6.0%	5.0%	5.0%
International Equity	12.0%	12.0%	25.0%
Fixed Income	25.0%	30.0%	30.0%
Stable Value	20.0%	20.0%	N/A
Real Estate/Commodities	N/A	N/A	5.0%

4. Concentrations

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

5. Rate of Return

For the year ended December 31, 2013, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was as follows:

Police Plan	14.60%
Town Plan	13.50%
LOSAP Plan	12.39%

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

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

IV. OTHER INFORMATION (CONTINUED)

6. Net Pension Liability

The components of the net pension liability at June 30, 2014, were as follows:

	<u>Police</u>	<u>Town</u>	<u>LOSAP</u>
Total pension liability	\$ 36,609,816	\$ 62,527,281	\$ 1,285,952
Plan fiduciary net position	<u>(19,139,308)</u>	<u>(35,852,999)</u>	<u>(1,464,512)</u>
Net pension liability (asset)	<u>\$ 17,470,508</u>	<u>\$ 26,674,282</u>	<u>\$ (178,560)</u>
Plan fiduciary net position as a percentage of the total pension liability	<u>52.28%</u>	<u>57.34%</u>	<u>113.89%</u>

7. Actuarial Assumptions

The total pension liability was determined by an actuarial valuation as of January 1, 2014, using the following actuarial assumptions, applied to all periods included in the measurement:

	<u>Police</u>	<u>Town</u>	<u>LOSAP</u>
<u>GASB 67</u>			
Actuarial cost method	Entry age	Entry age	Entry age
Asset valuation method (1)	Market value	Market value	Market value
Post-retirement increases	None	None	None
Amortization method	Level % closed	Level % closed	Level Dollar closed
Inflation	1.50%	1.50%	N/A
Salary increase	2.50%	3.00%	N/A
Investment rate of return	7.25%	7.25%	6.50%
Mortality rates	RP-2000 Mortality table Projected to 2014	RP-2000 mortality table Projected to 2014	RP-2000 mortality table Projects to 2014

- (1) For Police and Town, assets are valued at contract value with a market value adjustment factor for the guaranteed deposit account assets, and at market value for separate accounts, which is considered the best representation of fair value. The market value of the guaranteed deposit account is an estimate only and not the result of the precise calculation which would be done at contract discontinuance or to measure the impact of excess withdrawals in any calendar year.

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

IV. OTHER INFORMATION (CONTINUED)

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of June 30, 2014 (see the discussion of the pension plan's investment policy) are summarized in the following table:

<u>Asset Class</u>	<u>Police</u> Long-Term Expected Real Rate of Return	<u>Town</u> Long-Term Expected Real Rate of Return	<u>LOSAP</u> Long-Term Expected Real Rate of Return
Large Cap Equity	8.50%	8.50%	8.50%
Mid Cap Equity	9.00%	9.00%	9.00%
Small Cap Equity	9.25%	9.25%	9.25%
International Equity	8.25%	8.25%	8.25%
Fixed Income	4.90%	4.90%	4.90%
Stable Value	4.50%	4.50%	N/A
Real Estate/Commodities	N/A	N/A	3.75%

8. Discount Rate

The discount rate used to measure the total pension liability was 7.50% for the Police and Town plans and 6.50% for the LOSAP plan. 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 Town 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.

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

IV. OTHER INFORMATION (CONTINUED)

9. 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 7.50% 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 (6.50%) or 1-percentage-point higher (8.50%) than the current rate:

Police

	1% Decrease (6.50%)	Current Discount (7.50%)	1% Increase (8.50%)
Net Pension Liability (asset)	\$ 21,796,138	\$ 17,470,508	\$ 13,827,503

Town

	1% Decrease (6.50%)	Current Discount (7.50%)	1% Increase (8.50%)
Net Pension Liability (asset)	\$ 32,958,429	\$ 26,674,282	\$ 21,289,467

The following presents the net pension liability, calculated using the discount rate of 6.50% 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 (5.50%) or 1-percentage-point higher (7.50%) than the current rate:

LOSAP

	1% Decrease (5.50%)	Current Discount (6.50%)	1% Increase (7.50%)
Net Pension Liability (asset)	\$ 37,775	\$ (178,560)	\$ (355,165)

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

IV. OTHER INFORMATION (CONTINUED)

10. Funded Status and Funding Progress

The total pension liability was determined by an actuarial valuation as of January 1, 2014, using the following actuarial assumptions, applied to all periods included in the measurement:

<u>GASB 27</u>	<u>Police</u>	<u>Town</u>	<u>LOSAP</u>
Actuarial cost method	Projected Unit Credit	Projected Unit Credit	Frozen Entry Age
Asset valuation method	5 year smoothed market	5 year smoothed market	Market value
Post-retirement increases	None	None	None
Amortization method	Level % of payroll closed	Level % of payroll closed	Level dollar closed
Remaining amortization period	26 years	26 years	0 years
Inflation	1.50%	1.50%	N/A
Salary increase	2.50%	3.00%	N/A
Investment rate of return	7.50%	7.50%	6.50%

The funded status of the plan as of December 31, 2013 was as follows:

January 1, Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability(AAL) (b)	Over (Unfunded) AAL (UAAL) (a-b)	Funded AAL Ratio (a/b)	Covered Payroll (c)	Over (Under) Funded AAL as a % of Covered Payroll ((a-b)/c)
<u>POLICE PLAN</u>						
2014	\$ 18,032,156	\$ 35,556,727	\$ (17,524,571)	50.7%	\$ 4,549,520	(385.2%)
<u>TOWN PLAN</u>						
2014	\$ 34,566,389	\$ 61,575,373	\$ (27,008,984)	56.1%	\$ 14,933,089	(180.9%)
<u>LOSAP</u>						
2014	\$ 1,464,512	\$ 1,035,916	\$ 428,596	141.4%	N/A	N/A

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

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

IV. OTHER INFORMATION (CONTINUED)

11. Annual Pension Cost and Net Pension Asset ("NPA")

The changes in the NPA were as follows:

	<u>Police</u>	<u>Town</u>	<u>LOSAP</u>
Annual required contribution (ARC)	\$ 1,348,338	\$ 1,883,779	\$ 34,172
Adjustment to ARC	<u>-</u>	<u>-</u>	<u>-</u>
Annual pension cost (APC)	1,348,338	1,883,779	34,172
Employer contributions made	<u>(1,348,338)</u>	<u>(1,883,779)</u>	<u>(34,172)</u>
Change in net pension asset	-	-	-
Net pension asset, January 1, 2013	<u>(126,800)</u>	<u>(294,364)</u>	<u>-</u>
Net Pension asset, December 31, 2013	\$ <u>(126,800)</u>	\$ <u>(294,364)</u>	\$ <u>-</u>

12. Three Year Trend Information

Fiscal Year	Annual Pension Cost (APC)	Actual Employer Contribution	Percentage of APC Contributed	Net Pension Asset
POLICE				
12/31/13	\$ 1,348,338	\$ 1,348,338	100.0%	\$ (126,800)
12/31/12	1,365,291	1,365,291	100.0%	(126,800)
12/31/11	1,240,074	1,366,874	110.2%	(126,800)
TOWN				
12/31/13	\$ 1,883,779	\$ 1,883,779	100.0%	\$ (294,364)
12/31/12	1,788,972	1,788,972	100.0%	(294,364)
12/31/11	1,704,215	1,998,579	117.3%	(294,364)
LOSAP				
12/31/13	\$ 34,172	\$ 34,172	100.0%	\$ -
12/31/12	45,237	45,237	100.0%	-
12/31/11	34,123	34,123	100.0%	-

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

IV. OTHER INFORMATION (CONTINUED)

13. Plan Statements

**Statement of Fiduciary Fund Net Position
Pension Trust Funds
December 31, 2013**

	Police Pension	Town Pension	Volunteer Firefighters Length of Service Award Program (LOSAP)	Total
Assets:				
Investments, at fair value:				
Mutual funds:				
Common stock	\$ 7,349,747	\$ 13,198,449	\$ 141,117	\$ 20,689,313
International common stock/ Exchange Traded Fund ("ETF")	2,138,715	4,110,470	317,127	6,566,312
Corporate bond/ETF	4,313,834	9,059,312	109,521	13,482,667
Commodities/ETF			25,788	25,788
Real estate/ETF	6,560	12,969	26,276	45,805
Money market			65,255	65,255
Common stock			472,932	472,932
International common stock			18,500	18,500
Corporate bonds			171,477	171,477
International bonds			23,972	23,972
Government agency bonds			92,547	92,547
Guaranteed investment account	5,339,661	9,484,114		14,823,775
Total assets	19,148,517	35,865,314	1,464,512	56,478,343
Liability:				
Accounts and other payables	9,209	12,315		21,524
Net Position:				
Held in trust for pension benefits	\$ 19,139,308	\$ 35,852,999	\$ 1,464,512	\$ 56,456,819

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

IV. OTHER INFORMATION (CONTINUED)

**Statement of Changes in Fiduciary Net Position
Pension Trust Funds
For the Year Ended December 31, 2013**

	Police Pension	Town Pension	Volunteer Firefighters Length of Service Award Program (LOSAP)	Total
Additions:				
Contributions:				
Employer	\$ 1,348,338	\$ 1,883,779	\$ 34,172	\$ 3,266,289
Employee	368,533	1,001,400		1,369,933
Total contributions	1,716,871	2,885,179	34,172	4,636,222
Net investment income	2,959,137	4,875,577	204,365	8,039,079
Less investment expenses	84,915	92,924		177,839
Net investment income (loss)	2,874,222	4,782,653	204,365	7,861,240
Net additions	4,591,093	7,667,832	238,537	12,497,462
Deductions:				
Benefit payments/annuity purchases	2,209,528	2,603,683	26,184	4,839,395
Refund of contributions	1,075	60,989		62,064
Administrative expense	67,398	93,140	15,668	176,206
Total deductions	2,278,001	2,757,812	41,852	5,077,665
Change in net position	2,313,092	4,910,020	196,685	7,419,797
Net Position - January 1, 2013	16,826,216	30,942,979	1,267,827	49,037,022
Net Position - December 31, 2013	\$ 19,139,308	\$ 35,852,999	\$ 1,464,512	\$ 56,456,819

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

IV. OTHER INFORMATION (CONTINUED)

D. Defined Contribution Pension Plans

Establishment and Amendment

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

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

<u>Effective Date</u>	<u>Plan</u>
July 1, 2009	Department of Public Works Clerical Bargaining Unit
January 1, 2010	Professional Employees Bargaining Unit
January 1, 2010	DPW Supervisors Bargaining Unit
January 1, 2010	Water Pollution Control Supervisors Bargaining Unit
August 4, 2010	Town non-union employees
July 1, 2011	DPW Laborers / Parks / WPC Bargaining Unit
July 1, 2013	Police Civilians Bargaining Unit
June 4, 2014	Board of Education non-union employees

Contributions

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

<u>Plan</u>	<u>Employee Contribution</u>	<u>Employer Contribution</u>
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

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

IV. OTHER INFORMATION (CONTINUED)

Employee and Employer contributions made for 2013/14 fiscal year are as follows:

<u>Plan</u>	<u>Employee Contribution</u>	<u>Employer Contribution</u>
DPW Clerical	\$ 0	\$ 0
Professionals	23,629	13,746
DPW Supervisors	0	0
WPC Supervisors	0	0
Town non-union	12,733	10,710
DPW Laborers / Parks / WPC	34,524	18,350
Police Civilians	2,577	0
Education non-union	0	0

Vesting

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

Normal Retirement Age

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

Assets

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

E. Other Post Employment Benefits Plans

1. Plan Description

a. Plan Type, Employees Covered

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

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

IV. OTHER INFORMATION (CONTINUED)

b. Participant Membership

Participant membership at July 1, 2012 was as follows:

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

c. Benefit Provisions

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

2. Summary of Significant Accounting Policies

a. Basis of Accounting

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

b. Valuation of Plan Investments

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

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

IV. OTHER INFORMATION (CONTINUED)

3. Funding Policy

a. Employer Contributions

The Town's contributions are actuarially determined on an annual basis using the projected unit credit method. The Police, Town and Board of Education's total plan contribution for fiscal year 2013/14 was \$640,029.

b. Employee Contributions

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

4. Funded Status and Funding Progress

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

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

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

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

IV. OTHER INFORMATION (CONTINUED)

5. Actuarial Methods and Assumptions

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

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

VALUATION DATE	July 1, 2012
ACTUARIAL COST METHOD	Projected Unit Credit
ASSET VALUATION METHOD	Fair Value
AMORTIZATION METHOD	Level Percentage
<u>REMAINING AMORTIZATION PERIOD:</u>	
Police	24 years closed
Town	24 years closed
Board of Education	24 years closed

ACTUARIAL ASSUMPTIONS:

Investment rate of return - Town and Police	7.0%
Investment rate of return - Board of Education	7.0%
Healthcare inflation rate:	
Initial	7.2%
Ultimate	4.7%
Inflation	2.5%

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

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

IV. OTHER INFORMATION (CONTINUED)

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

The changes in the NOO were as follows:

	POLICE	TOWN	BOARD OF EDUCATION	TOTAL
Annual required contribution	\$ 187,889	\$ 170,380	\$ 494,253	\$ 852,522
Interest on net OPEB obligation.....	33,934	35,685	73,880	143,499
Adjustment to annual required contribution	<u>(28,582)</u>	<u>(30,057)</u>	<u>(62,228)</u>	<u>(120,867)</u>
Annual OPEB cost.....	193,241	176,008	505,905	875,154
Contributions made	<u>146,350</u>	<u>128,430</u>	<u>365,249</u>	<u>640,029</u>
Change in net OPEB obligation	46,891	47,578	140,656	235,125
Net OPEB obligation - July 1, 2013	<u>484,778</u>	<u>509,787</u>	<u>1,055,426</u>	<u>2,049,991</u>
Net OPEB obligation - June 30, 2014.....	<u>\$ 531,669</u>	<u>\$ 557,365</u>	<u>\$1,196,082</u>	<u>\$ 2,285,116</u>

7. Three Year Trend Information

YEAR ENDING JUNE 30	ANNUAL OPEB COST (AOC)	PERCENTAGE OF AOC CONTRIBUTED	NET OPEB OBLIGATION
<u>POLICE</u>			
2014	\$ 193,241	75.7%	\$ 531,669
2013	255,985	65.2%	484,778
2012	242,760	47.4%	395,793
<u>TOWN</u>			
2014	\$ 176,008	73.0%	\$ 557,365
2013	240,619	73.6%	509,787
2012	228,941	59.0%	446,168
<u>BOARD OF EDUCATION</u>			
2014	\$ 505,905	72.2%	\$1,196,082
2013	599,373	74.6%	1,055,426
2012	571,275	82.6%	903,053

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

IV. OTHER INFORMATION (CONTINUED)

YEAR ENDING JUNE 30	ANNUAL OPEB COST (AOC)	PERCENTAGE OF AOC CONTRIBUTED	NET OPEB OBLIGATION
<u>TOTAL</u>			
2014	\$ 875,154	73.1%	\$2,285,116
2013	1,095,977	72.2%	2,049,991
2012	1,042,976	69.2%	1,745,014

F. On-Behalf Payments

The amount of the State Teachers' Retirement Plan contribution recognized in the General Fund intergovernmental revenues and education expenditures for contributions made by the State on-behalf of the Town's teachers was \$6,285,839.

G. Change in Major Funds

As of July 1, 2013, the Debt Service, Public Bond Improvements and School Bond Improvements funds are reclassified as nonmajor funds. The impact on the major funds and nonmajor governmental funds presentation (Exhibits C and D) was as follows:

	Debt Service	Public Bond Improvements	School Bond Improvements	Nonmajor Governmental Funds
Fund balance - June 30, 2013, as previously reported	\$ 180,000	\$ 150,404	\$ 310,011	\$ 5,546,994
Change in major fund classification	<u>(180,000)</u>	<u>(150,404)</u>	<u>(310,011)</u>	<u>640,415</u>
Fund balance - June 30, 2014	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 6,187,409</u>

Required Supplementary Information

TOWN OF VERNON, CONNECTICUT

GENERAL FUND
 SCHEDULE OF REVENUES AND OTHER FINANCING SOURCES
 BUDGET AND ACTUAL
 FOR THE YEAR ENDED JUNE 30, 2014

	Budgeted Amounts			Variance with Final Budget
	Original	Final	Actual	
Tax revenue				
Current year taxes	\$ 60,037,115	\$ 60,037,115	\$60,499,291	\$ 462,176
Prior year taxes	380,000	380,000	917,181	537,181
Supplemental motor vehicle tax	632,000	632,000	828,013	196,013
Interest and lien fees	220,000	220,000	418,027	198,027
Warrant revenue	7,000	7,000	15,034	8,034
Liens	4,000	4,000	6,416	2,416
Total tax revenue	61,280,115	61,280,115	62,683,962	1,403,847
Intergovernmental				
Civil preparedness grant	7,100	7,100	10,846	3,746
FEMA Public Assistance October Storm Alfred			16,767	16,767
Bullet Proof Vest grant	2,000	2,000	3,492	1,492
Community services block grant	20,436	20,436	20,634	198
Education cost sharing	17,645,165	17,645,165	17,645,165	-
Public pupil transportation	162,680	162,680	149,830	(12,850)
Non-public pupil transportation	7,752	7,752		(7,752)
Vocational Agriculture	107,667	107,667	168,722	61,055
Student Based Supplement grant	128,580	128,580	128,580	-
Medicaid reimbursement	70,000	70,000	80,171	10,171
Medicaid retro reimbursement			86,632	86,632
Pilot - Colleges and hospitals	310,576	310,576	310,249	(327)
Pilot - State owned property	197,848	197,848	197,996	148
Pilot - Shelter rent	46,000	46,000	73,753	27,753
Tax relief - Elderly circuit breaker	142,000	142,000	142,746	746
Tax relief - Disability exemption	3,360	3,360	3,118	(242)
Tax relief - Veterans exemption	24,000	24,000	21,035	(2,965)
Mashantucket Pequot and Mohegan grant	177,566	177,566	177,261	(305)
Telephone tax sharing	68,000	68,000	56,369	(11,631)
Municipal Video Trust Account	20,000	20,000	7,519	(12,481)
Judicial reimbursement - Parking	50	50	350	300
Judicial reimbursements	200	200	360	160
Special reimbursements - Permits	200	200	147	(53)
Driving Under the Influence grant	30,000	30,000	4,509	(25,491)
Motor Vehicle Violation surcharge	10,000	10,000	12,295	2,295
Safe Streets Driving Enforcement	5,000	5,000		(5,000)
Historic Document Preservation Grant	6,000	6,000	6,500	500
Other - State grants	8,000	8,000	2,845	(5,155)
Total intergovernmental	19,200,180	19,200,180	19,327,891	127,711

(Continued)-1

TOWN OF VERNON, CONNECTICUT

GENERAL FUND
 SCHEDULE OF REVENUES AND OTHER FINANCING SOURCES
 BUDGET AND ACTUAL
 FOR THE YEAR ENDED JUNE 30, 2014

	Budgeted Amounts			Variance with Final Budget
	Original	Final	Actual	
Charges for services				
Town Clerk recording fees	\$ 404,000	\$ 404,000	\$ 412,348	\$ 8,348
Historic document preservation	13,200	13,200	10,797	(2,403)
Farmland Preservation surcharge			135,973	135,973
State Treasurer - MERS			69,391	69,391
Printing and copying fees	200	200	663	463
Finance administration fee	11,000	11,000	11,000	-
Planning and zoning fees	7,000	7,000	7,173	173
Conservation fees	2,500	2,500	2,198	(302)
Assessor fees	1,000	1,000	672	(328)
Tax Lien Option Agreement			1,890	1,890
Police - Special services	10,000	10,000	245,711	235,711
Fingerprint fees	2,500	2,500	1,390	(1,110)
Other Public Safety	4,000	4,000	959	(3,041)
Fire Marshal - services	600	600	200	(400)
Historic properties certification			100	100
Refuse Energy Community Outreach			20,000	20,000
Recycling	45,000	45,000	26,361	(18,639)
Recycling bin promotion	2,000	2,000	3,510	1,510
Bulky waste pickup	12,000	12,000	14,150	2,150
CRRA reimbursement			9,771	9,771
Other maintenance and development	12,000	12,000	4,939	(7,061)
Yankee Gas - administrative allocation	1,700	1,700	1,760	60
Energy application administration	8,663	8,663	8,769	106
Housing Rehab Administration	600	600	812	212
Recreation - Other			3,773	3,773
Tuition - Special education	175,000	175,000	86,780	(88,220)
Tuition - Next Step Program			100,000	100,000
Tuition - Vo-ag	301,000	301,000	245,880	(55,120)
Tuition - Special education Vo-ag	29,000	29,000		(29,000)
School Use Activity			44,597	44,597
Other - Education community	4,000	4,000	26,824	22,824
Total charges for services	1,046,963	1,046,963	1,498,391	451,428
Licenses and permits				
Building permits	445,000	445,000	450,351	5,351
Zoning Review	150	150	500	350
ZBA Fees	3,900	3,900	2,630	(1,270)
Zoning Permits	4,000	4,000	3,750	(250)
Town Clerk - License surcharge	3,000	3,000	2,166	(834)
Refuse licensing	5,500	5,500	3,500	(2,000)
Transfer station permits	75,000	75,000	59,490	(15,510)
Driveway & road cut permits	9,000	9,000	8,950	(50)
Total licenses and permits	545,550	545,550	531,337	(14,213)
Fines and penalties				
Parking tags	14,200	14,200	11,903	(2,297)
Zoning citations	2,000	2,000	10,000	8,000
Total fines and penalties	16,200	16,200	21,903	5,703

(Continued)-2

TOWN OF VERNON, CONNECTICUT

GENERAL FUND
 SCHEDULE OF REVENUES AND OTHER FINANCING SOURCES
 BUDGET AND ACTUAL
 FOR THE YEAR ENDED JUNE 30, 2014

	Budgeted Amounts			Variance with Final Budget
	Original	Final	Actual	
Interest on investments				
General Fund	\$ 40,000	\$ 40,000	\$ 106	\$ (39,894)
Interest on investments-Post Employment	60	60	25	(35)
Teachers' Retirement Board	10	10	5	(5)
Total interest on investments	40,070	40,070	136	(39,934)
Other revenue				
Purchasing Card Reimbursement	44,000	44,000	10,489	(33,511)
Rental income - Annex	24,000	24,000	24,000	-
Rental income - Senior Center			189	189
Rental management fee	50,000	50,000	50,000	-
Rental income other			17,122	17,122
Medical insurance reimbursement	152,310	152,310	133,506	(18,804)
Insurance reimbursements			1,973	1,973
Gasoline reimbursement	80,830	80,830	114,911	34,081
Tolland - East /East Main St. Sewers	30,267	30,267	30,267	-
Lease - Ellington pump station	6,400	6,400	6,750	350
Education	32,295	32,295	68,781	36,486
Miscellaneous	22,000	22,000	22,042	42
Total other revenue	442,102	442,102	480,030	37,928
Total revenues	82,571,180	82,571,180	84,543,650	1,972,470
Other financing sources				
Special Revenue Funds:				
Special Revenue	5,200	5,200	395	(4,805)
Recreation programs	62,500	62,500	62,500	-
Sewer assessments - Ord. 167	62,000	62,000	62,000	-
Sewer assessments - Ord. 201	16,000	16,000	16,000	-
Ambulance services	82,000	82,000	82,000	-
Interest on investments-Insurance Exchange	80	80	9	(71)
Interest on investments-Town Aid Road	160	160	3	(157)
Interest on investments-Sewer Assessments	120	120	1	(119)
Total Special Revenue Funds	228,060	228,060	222,908	(5,152)

(Continued)-3

TOWN OF VERNON, CONNECTICUT

GENERAL FUND
 SCHEDULE OF REVENUES AND OTHER FINANCING SOURCES
 BUDGET AND ACTUAL
 FOR THE YEAR ENDED JUNE 30, 2014

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Transfers in:				
Debt Service Fund:				
Interest on investments	\$ 220	\$ 220	\$ 53	\$ (167)
Total transfers in	<u>228,280</u>	<u>228,280</u>	<u>222,961</u>	<u>(5,319)</u>
Total revenues and other financing sources	<u>\$ 82,799,460</u>	<u>\$ 82,799,460</u>	<u>84,766,611</u>	<u>\$1,967,151</u>
Budgetary revenues are different than GAAP revenue because:				
State of Connecticut "on-behalf" contributions to the Connecticut State Teachers'				
Retirement System for Town teachers are not budgeted				
			<u>6,285,839</u>	
Total revenues and other financing sources as reported on the statement of revenues, expenditures and changes in fund balances - governmental funds - Exhibit D			<u>\$91,052,450</u>	

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TOWN OF VERNON, CONNECTICUT

GENERAL FUND
SCHEDULE OF EXPENDITURES AND OTHER FINANCING USES
BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2014

	<u>Budgeted Amounts</u>		Expenditures	Outstanding Encumbrances	Total Expenditures and Encumbrances	Variance with Final Budget
	Original	Final				
<u>General government</u>						
Town Council	\$ 12,183	\$ 15,701	\$ 10,447	\$ 730	\$ 11,177	\$ 4,524
Probate court	12,696	24,696	17,115	7,580	24,695	1
Executive and administrative	644,807	689,177	642,815	18,298	661,113	28,064
Law	115,830	190,241	134,326	54,646	188,972	1,269
Registration	89,858	90,478	82,259	2,612	84,871	5,607
Elections - general	33,424	38,082	37,419	311	37,730	352
Elections - primary	1	1			-	1
Elections - referendum	6,500	6,721	4,628	1,598	6,226	495
Finance administration	485,400	534,640	523,887	7,680	531,567	3,073
Independent audit	50,775	52,025	51,920	100	52,020	5
Treasury	13,914	40,514	691	39,776	40,467	47
Purchasing	9,820	16,465	11,731	4,720	16,451	14
Assessment	258,870	276,385	273,633	2,300	275,933	452
Refunds - tax adjustments	29,700	16,600	8,286		8,286	8,314
Collector of Revenue	216,625	231,356	214,056	16,515	230,571	785
Revaluation	24,750	48,290	1,520	46,766	48,286	4
Town Clerk	263,080	482,621	434,946	26,713	461,659	20,962
Board of Assessment Appeals	2,800	2,800	2,799		2,799	1
Water Pollution Control Authority	8,217	8,217	8,217		8,217	-
Greater Hartford Transit District	3,793	3,793	3,793		3,793	-
Data processing	965,247	1,091,964	964,230	127,122	1,091,352	612
Total general government	3,248,290	3,860,767	3,428,718	357,467	3,786,185	74,582
<u>Community development</u>						
Town Planner - Administration	245,652	240,576	221,149	8,578	229,727	10,849

(Continued)-1

TOWN OF VERNON, CONNECTICUT

GENERAL FUND
 SCHEDULE OF EXPENDITURES AND OTHER FINANCING USES
 BUDGET AND ACTUAL
 FOR THE YEAR ENDED JUNE 30, 2014

	<u>Budgeted Amounts</u>		Expenditures	Outstanding Encumbrances	Total Expenditures and Encumbrances	Variance with Final Budget
	Original	Final				
<u>Public safety</u>						
Police	\$ 5,826,032	\$ 6,114,557	\$ 5,950,484	\$ 110,818	\$ 6,061,302	\$ 53,255
School crossing guards	62,070	62,070	58,417		58,417	3,653
Traffic authority	312,760	388,912	286,484	83,462	369,946	18,966
Fire fighting and administration	1,191,885	1,226,771	1,155,227	55,356	1,210,583	16,188
Fire Marshal	97,838	99,121	98,117		98,117	1,004
Building inspection	270,319	277,123	272,108	505	272,613	4,510
Emergency Management	44,567	47,222	43,444	48	43,492	3,730
Animal control	127,505	131,990	131,274		131,274	716
Total public safety	7,932,976	8,347,766	7,995,555	250,189	8,245,744	102,022
<u>Maintenance and development</u>						
Public Works administration	648,574	666,828	656,659	2,520	659,179	7,649
General maintenance	1,254,893	1,244,792	1,211,986	23,744	1,235,730	9,062
Equipment maintenance	802,157	857,503	797,049	49,543	846,592	10,911
Maintenance of gov't buildings	755,913	781,750	752,262	18,594	770,856	10,894
Snow removal	192,970	331,970	298,813	14,024	312,837	19,133
Refuse collection and disposal	1,011,851	1,072,045	994,784	29,485	1,024,269	47,776
Recycling	310,985	320,557	299,240	16,782	316,022	4,535
Condominium refuse	4,423	4,423	4,314		4,314	109
Tree Warden	10,650	10,650	8,916	1,600	10,516	134
Leaf collection program	116,740	116,899	104,218		104,218	12,681
Engineering admin. services	300,753	303,924	303,454	438	303,892	32
Total maintenance and development	5,409,909	5,711,341	5,431,695	156,730	5,588,425	122,916

(Continued)-2

TOWN OF VERNON, CONNECTICUT

GENERAL FUND
SCHEDULE OF EXPENDITURES AND OTHER FINANCING USES
BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2014

	<u>Budgeted Amounts</u>		Expenditures	Outstanding Encumbrances	Total Expenditures and Encumbrances	Variance with Final Budget
	Original	Final				
<u>Human services</u>						
North Central Health District	\$ 130,252	\$ 130,252	\$ 130,251	\$ 1	\$ 130,252	\$ -
Visiting Nurses and Health Services	12,249	12,249	12,249		12,249	-
Hockanum Valley Community Council	165,000	165,000	165,000		165,000	-
Child Guidance Clinic	5,500	5,500	5,500		5,500	-
Exchange Club-Prevent Child Abuse	4,000	4,000	4,000		4,000	-
Tri-County ARC	3,500	3,500	3,500		3,500	-
MARC, Inc. of Manchester	2,000	2,000	2,000		2,000	-
Shelter Services	14,200	17,544	7,792		7,792	9,752
Connecticut Legal Services	1	1	-		-	1
Hartford Interval House	2,500	2,500	2,500		2,500	-
YWCA Sexual Assault Services	2,000	2,000	2,000		2,000	-
Hockanum Valley School Readiness	4,000	4,000	4,000		4,000	-
Social services administration	250,956	243,396	231,811	6,176	237,987	5,409
Youth services	216,950	231,057	229,885	59	229,944	1,113
Senior center	126,896	147,687	135,524	949	136,473	11,214
Total human services	940,004	970,686	936,012	7,185	943,197	27,489
<u>Parks, recreation and culture</u>						
Recreation administration	364,061	368,471	365,620	2,577	368,197	274
Public celebration	10,000	15,218	9,913	5,218	15,131	87
Parks maintenance	597,813	639,541	629,708	7,984	637,692	1,849
Art commission	8,524	8,524	8,384		8,384	140
Historical Society	5,445	5,445	5,445		5,445	-
Rockville Public Library	310,000	310,000	310,000		310,000	-
Total parks, recreation and culture	1,295,843	1,347,199	1,329,070	15,779	1,344,849	2,350

(Continued)-3

TOWN OF VERNON, CONNECTICUT

GENERAL FUND
SCHEDULE OF EXPENDITURES AND OTHER FINANCING USES
BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2014

	<u>Budgeted Amounts</u>		Expenditures	Outstanding Encumbrances	Total Expenditures and Encumbrances	Variance with Final Budget
	Original	Final				
<u>Townwide</u>						
Social Security and Medicare	\$ 949,300	\$ 941,300	\$ 931,472	\$	\$ 931,472	\$ 9,828
Pension	2,403,507	2,642,844	2,404,354	238,336	2,642,690	154
Group insurance	2,540,879	2,579,366	2,530,106	48,963	2,579,069	297
Unemployment compensation	40,000	43,044	20,823	12,421	33,244	9,800
Municipal insurance	989,418	1,013,196	1,006,734	6,378	1,013,112	84
Contingency	112,860	18,090	1,730		1,730	16,360
Housing Authority sewer subsidy	49,995	56,683	51,576	5,107	56,683	-
Vernon Cemetery Commission	160,752	160,752	160,752		160,752	-
Total townwide	7,246,711	7,455,275	7,107,547	311,205	7,418,752	36,523
Subtotal - General Government	26,319,385	27,933,610	26,449,746	1,107,133	27,556,879	376,731
<u>Debt service</u>						
Debt service - principal	2,771,437	2,771,437	2,771,437		2,771,437	-
Debt service - interest	1,372,412	1,372,412	1,372,409		1,372,409	3
Total debt service	4,143,849	4,143,849	4,143,846	-	4,143,846	3
<u>Capital improvements</u>						
Capital improvements - Town	50,000	239,241	130,174	109,000	239,174	67

(Continued)-4

TOWN OF VERNON, CONNECTICUT

GENERAL FUND
SCHEDULE OF EXPENDITURES AND OTHER FINANCING USES
BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2014

	<u>Budgeted Amounts</u>		<u>Expenditures</u>	<u>Outstanding Encumbrances</u>	<u>Total Expenditures and Encumbrances</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>				
<u>Education</u>						
Regular instruction	\$ 18,252,738	\$ 18,211,523	\$ 18,080,480	\$	\$ 18,080,480	\$ 131,043
Special Education instruction	4,590,844	4,893,376	5,035,035		5,035,035	(141,659)
Continuing Education	221,911	221,911	221,911		221,911	-
Special Education program support	3,412,555	2,954,256	3,271,193		3,271,193	(316,937)
Social Work services	531,567	522,314	511,603		511,603	10,711
Guidance services	724,206	701,303	764,791		764,791	(63,488)
Health services	422,793	446,835	438,518		438,518	8,317
Psychological services	564,461	574,094	551,559		551,559	22,535
Speech pathology & audio services	628,450	567,468	555,321		555,321	12,147
Instructional program support	38,129	58,103	189,933		189,933	(131,830)
Library / Media services	351,390	341,928	325,101		325,101	16,827
Curriculum development	1,516,562	1,312,385	1,064,792		1,064,792	247,593
Superintendent's office	477,136	551,216	536,162		536,162	15,054
Board of Education - Elected	126,934	150,717	150,213		150,213	504
Principal office services	2,031,694	1,997,342	1,878,185		1,878,185	119,157
Business office	447,018	518,306	501,000		501,000	17,306
Building / Plant operations	3,946,853	4,220,688	4,149,904		4,149,904	70,784
Student transportation services	2,473,263	2,455,995	2,406,366		2,406,366	49,629
General control	189,772	171,681	140,495		140,495	31,186
Information systems	810,657	810,657	816,933		816,933	(6,276)
System-wide fringe benefits	8,106,861	8,296,733	8,318,454		8,318,454	(21,721)
Extra curricular student activities	497,601	468,618	452,745		452,745	15,873
Reserve for negotiation	113,295	141,525	141,525		141,525	-
Total Education	50,476,690	50,588,974	50,502,219	-	50,502,219	86,755
Total Expenditures	80,989,924	82,905,674	81,225,985	1,216,133	82,442,118	463,556

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TOWN OF VERNON, CONNECTICUT

GENERAL FUND
SCHEDULE OF EXPENDITURES AND OTHER FINANCING USES
BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2014

	<u>Budgeted Amounts</u>		Expenditures	Outstanding Encumbrances	Total Expenditures and Encumbrances	Variance with Final Budget
	Original	Final				
<u>Other financing uses</u>						
Transfers out:						
Special Revenue Funds:						
Town Clerk - Preservation surcharge	\$	\$ 3,599	\$ 3,599	\$	\$ 3,599	\$ -
Planning - Open space	10,000	10,000	10,000		10,000	-
Community & Economic development	39,600	39,600	39,600		39,600	-
Firefighting and administration	16,018	16,018	16,018		16,018	-
Social services administration	10,000	8,250		2,500	2,500	5,750
Debt service - principal	1,387,773	1,435,259	1,435,215		1,435,215	44
Debt service - interest	112,483	198,233	198,166		198,166	67
Capital improvements - Town	215,565	381,865	381,865		381,865	-
Capital improvements - Education		75,914	75,914		75,914	-
Education - Capital Reserve			83,000		83,000	(83,000)
Education - Building / Plant Operations	18,097	18,097	18,097		18,097	-
Total other financing uses	1,809,536	2,186,835	2,261,474	2,500	2,263,974	(77,139)
Total expenditures and other financing uses	\$ 82,799,460	\$ 85,092,509	\$ 83,487,459	\$ 1,218,633	84,706,092	\$ 386,417

Budgetary expenditures are different than GAAP expenditures because:

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

6,285,839

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

(1,218,633)

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

\$ 89,773,298

(Concluded)-6

TOWN OF VERNON, CONNECTICUT

POLICE PENSION PLAN

REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF CHANGES IN NET PENSION LIABILITY
 YEAR ENDED DECEMBER 31, 2013

	2013
TOTAL PENSION LIABILITY:	
Service cost	\$ 759,496
Interest	2,620,600
Benefit payments, including refunds of member contributions	<u>(2,385,303)</u>
NET CHANGE IN TOTAL PENSION LIABILITY	994,793
TOTAL PENSION LIABILITY - JANUARY 1	<u>35,615,023</u>
TOTAL PENSION LIABILITY - DECEMBER 31 (A)	<u><u>\$ 36,609,816</u></u>
PLAN FIDUCIARY NET POSITION:	
Contributions - employer	\$ 1,348,338
Contributions - member	368,533
Net investment income	2,874,222
Benefit payments, including refunds of member contributions	(2,210,603)
Administration	<u>(67,398)</u>
NET CHANGE IN PLAN FIDUCIARY NET POSITION	2,313,092
PLAN FIDUCIARY NET POSITION - JANUARY 1	<u>16,826,216</u>
PLAN FIDUCIARY NET POSITION - DECEMBER 31 (B)	<u><u>\$ 19,139,308</u></u>
NET PENSION LIABILITY (ASSET) - DECEMBER 31 (A)-(B)	<u><u>\$ 17,470,508</u></u>

TOWN OF VERNON, CONNECTICUT

TOWN PENSION PLAN

REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF CHANGES IN NET PENSION LIABILITY
 YEAR ENDED DECEMBER 31, 2013

	2013
TOTAL PENSION LIABILITY:	
Service cost	\$ 1,355,480
Interest	4,472,890
Benefit payments, including refunds of member contributions	<u>(2,814,688)</u>
NET CHANGE IN TOTAL PENSION LIABILITY	3,013,682
TOTAL PENSION LIABILITY - JANUARY 1	<u>59,513,599</u>
TOTAL PENSION LIABILITY - DECEMBER 31 (A)	<u><u>\$ 62,527,281</u></u>
PLAN FIDUCIARY NET POSITION:	
Contributions - employer	\$ 1,883,779
Contributions - member	1,001,400
Net investment income	4,782,653
Benefit payments, including refunds of member contributions	(2,664,672)
Administration	<u>(93,140)</u>
NET CHANGE IN PLAN FIDUCIARY NET POSITION	4,910,020
PLAN FIDUCIARY NET POSITION - JANUARY 1	<u>30,942,979</u>
PLAN FIDUCIARY NET POSITION - DECEMBER 31 (B)	<u><u>\$ 35,852,999</u></u>
NET PENSION LIABILITY (ASSET) - DECEMBER 31 (A)-(B)	<u><u>\$ 26,674,282</u></u>

TOWN OF VERNON, CONNECTICUT

LOSAP RETIREMENT PLAN

REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF CHANGES IN NET PENSION LIABILITY
 YEAR ENDED DECEMBER 31, 2013

	2013
TOTAL PENSION LIABILITY:	
Service cost	\$ 19,751
Interest	78,483
Benefit payments, including refunds of member contributions	<u>(19,718)</u>
NET CHANGE IN TOTAL PENSION LIABILITY	78,516
TOTAL PENSION LIABILITY - JANUARY 1	<u>1,207,436</u>
TOTAL PENSION LIABILITY - DECEMBER 31 (A)	<u><u>\$ 1,285,952</u></u>
PLAN FIDUCIARY NET POSITION:	
Contributions - employer	\$ 34,172
Net investment income	204,365
Benefit payments, including refunds of member contributions	(26,184)
Administration	<u>(15,668)</u>
NET CHANGE IN PLAN FIDUCIARY NET POSITION	196,685
PLAN FIDUCIARY NET POSITION - JANUARY 1	<u>1,267,827</u>
PLAN FIDUCIARY NET POSITION - DECEMBER 31 (B)	<u><u>\$ 1,464,512</u></u>
NET PENSION LIABILITY (ASSET) - DECEMBER 31 (A)-(B)	<u><u>\$ (178,560)</u></u>

TOWN OF VERNON, CONNECTICUT

POLICE PENSION PLAN

REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF NET PENSION LIABILITY
 DECEMBER 31, 2013

	2013
TOTAL PENSION LIABILITY	\$ 36,609,816
PLAN FIDUCIARY NET POSITION	(19,139,308)
NET PENSION LIABILITY (ASSET)	\$ 17,470,508
PLAN FIDUCIARY NET POSITION AS A PERCENTAGE OF THE TOTAL PENSION LIABILITY	52.28%
COVERED-EMPLOYEE PAYROLL	\$ 4,549,520
NET PENSION LIABILITY (ASSET) AS A PERCENTAGE OF COVERED-EMPLOYEE PAYROLL	384.01%

SCHEDULE OF INVESTMENT RETURNS

	2013
ANNUAL MONEY WEIGHTED RATE OF RETURN, NET INVESTMENT EXPENSE	14.60%

TOWN OF VERNON, CONNECTICUT

TOWN PENSION PLAN

REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF NET PENSION LIABILITY
 DECEMBER 31, 2013

	2013
TOTAL PENSION LIABILITY	\$ 62,527,281
PLAN FIDUCIARY NET POSITION	(35,852,999)
NET PENSION LIABILITY (ASSET)	\$ 26,674,282
PLAN FIDUCIARY NET POSITION AS A PERCENTAGE OF THE TOTAL PENSION LIABILITY	57.34%
COVERED-EMPLOYEE PAYROLL	\$ 14,933,089
NET PENSION LIABILITY (ASSET) AS A PERCENTAGE OF COVERED-EMPLOYEE PAYROLL	178.63%

SCHEDULE OF INVESTMENT RETURNS

	2013
ANNUAL MONEY WEIGHTED RATE OF RETURN, NET INVESTMENT EXPENSE	13.50%

TOWN OF VERNON, CONNECTICUT

LOSAP RETIREMENT PLAN

REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF NET PENSION LIABILITY
 DECEMBER 31, 2013

	2013
TOTAL PENSION LIABILITY	\$ 1,285,952
PLAN FIDUCIARY NET POSITION	(1,464,512)
NET PENSION LIABILITY (ASSET)	\$ (178,560)
PLAN FIDUCIARY NET POSITION AS A PERCENTAGE OF THE TOTAL PENSION LIABILITY	113.89%
COVERED-EMPLOYEE PAYROLL	\$ -
NET PENSION LIABILITY (ASSET) AS A PERCENTAGE OF COVERED-EMPLOYEE PAYROLL	N/A

SCHEDULE OF INVESTMENT RETURNS

	2013
ANNUAL MONEY WEIGHTED RATE OF RETURN, NET INVESTMENT EXPENSE	12.39%

TOWN OF VERNON, CONNECTICUT

POLICE PENSION PLAN

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CONTRIBUTIONS
LAST 10 FISCAL YEARS

FISCAL YEAR	ACTUARIALLY DETERMINED CONTRIBUTION	CONTRIBUTIONS IN RELATION TO THE ACTUARIALLY DETERMINED CONTRIBUTION	CONTRIBUTION EXCESS (DEFICIENCY)	COVERED- EMPLOYEE PAYROLL	CONTRIBUTIONS AS A PERCENTAGE OF COVERED- EMPLOYEE PAYROLL
2013	\$ 1,348,338	\$ 1,348,338	\$ -	\$ 4,390,111	30.71%
2012	1,365,291	1,365,291	-	4,434,630	30.79%
2011	1,240,074	1,366,874	126,800	4,352,823	31.40%
2010	1,057,949	1,057,949	-	4,350,681	24.32%
2009	1,025,928	1,025,928	-	4,181,987	24.53%
2008	1,107,688	1,107,688	-	3,927,006	28.21%
2007	1,020,600	1,020,600	-	3,701,061	27.58%
2006	931,473	931,473	-	3,512,784	26.52%
2005	933,759	933,759	-	3,739,097	24.97%
2004	822,023	822,023	-	3,739,097	21.98%

TOWN OF VERNON, CONNECTICUT

TOWN PENSION PLAN

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CONTRIBUTIONS
LAST 10 FISCAL YEARS

FISCAL YEAR	ACTUARIALLY DETERMINED CONTRIBUTION	CONTRIBUTIONS IN RELATION TO THE ACTUARIALLY DETERMINED CONTRIBUTION	CONTRIBUTION EXCESS (DEFICIENCY)	COVERED- EMPLOYEE PAYROLL	CONTRIBUTIONS AS A PERCENTAGE OF COVERED- EMPLOYEE PAYROLL
2013	\$ 1,883,779	\$ 1,883,779	\$ -	\$ 14,895,476	12.65%
2012	1,788,972	1,788,972	-	14,396,003	12.43%
2011	1,704,215	1,998,579	294,364	14,247,198	14.03%
2010	1,502,551	1,502,551	-	14,074,891	10.68%
2009	1,509,046	1,509,046	-	13,857,289	10.89%
2008	1,750,784	1,750,784	-	13,408,005	13.06%
2007	1,677,731	1,677,731	-	12,743,672	13.17%
2006	1,583,333	1,583,333	-	12,469,300	12.70%
2005	1,190,512	1,190,512	-	11,910,153	10.00%
2004	1,118,434	1,118,434	-	11,910,153	9.39%

TOWN OF VERNON, CONNECTICUT

LOSAP RETIREMENT PLAN

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CONTRIBUTIONS
LAST 10 FISCAL YEARS

FISCAL YEAR	ACTUARIALLY DETERMINED CONTRIBUTION	CONTRIBUTIONS IN RELATION TO THE ACTUARIALLY DETERMINED CONTRIBUTION	CONTRIBUTION EXCESS (DEFICIENCY)	COVERED- EMPLOYEE PAYROLL	CONTRIBUTIONS AS A PERCENTAGE OF COVERED- EMPLOYEE PAYROLL
2013	\$ 34,172	\$ 34,172	\$ -	N/A	N/A
2012	45,237	45,237	-	N/A	N/A
2011	34,123	34,123	-	N/A	N/A
2010	44,431	44,431	-	N/A	N/A
2009	120,129	120,129	-	N/A	N/A
2008	83,206	83,206	-	N/A	N/A
2007	97,968	97,968	-	N/A	N/A
2006	95,012	95,012	-	N/A	N/A
2005	86,265	86,265	-	N/A	N/A
2004	98,688	98,688	-	N/A	N/A

TOWN OF VERNON, CONNECTICUT

POLICE PENSION PLAN

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
YEAR ENDED DECEMBER 31, 2013

Changes of benefit terms	None
Changes of assumptions	None
Method and assumptions used in calculations of actuarially determined contribution	The actuarially determined contribution rates in the schedule of contributions are calculated as of January 1, 2013, six months prior to the end of the fiscal year in which contributions are reported

The following actuarial methods and assumptions were used to determine contribution rates reported in that schedule:

Actuarial Cost Method	Projected Unit Credit
Amortization Method	Level percentage, closed
Remaining Amortization Period	26
Asset Valuation Method	5 year smoothing
Inflation	1.50%
Salary Increases	3.00%
Investment Rate of Return	7.50%, net of pension plan investment and contract fees

TOWN OF VERNON, CONNECTICUT

TOWN PENSION PLAN

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
YEAR ENDED DECEMBER 31, 2013

Changes of benefit terms	None
Changes of assumptions	None
Method and assumptions used in calculations of actuarially determined contribution	The actuarially determined contribution rates in the schedule of contributions are calculated as of January 1, 2013, six months prior to the end of the fiscal year in which contributions are reported

The following actuarial methods and assumptions were used to determine contribution rates reported in that schedule:

Actuarial Cost Method	Projected Unit Credit
Amortization Method	Level percentage, closed
Remaining Amortization Period	26
Asset Valuation Method	5 year smoothing
Inflation	1.50%
Salary Increases	3.00%
Investment Rate of Return	7.50%, net of pension plan investment and contract fees

TOWN OF VERNON, CONNECTICUT**LOSAP RETIREMENT PLAN****NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
YEAR ENDED DECEMBER 31, 2013**

Changes of benefit terms	None
Changes of assumptions	None
Method and assumptions used in calculations of actuarially determined contribution	The actuarially determined contribution rates in the schedule of contributions are calculated as of January 1, 2013, six months prior to the end of the fiscal year in which contributions are reported

The following actuarial methods and assumptions were used to determine contribution rates reported in that schedule:

Actuarial Cost Method	Frozen entry age
Amortization Method	Level dollar, closed
Remaining Amortization Period	0
Asset Valuation Method	Fair Value
Inflation	N/A
Salary Increases	N/A
Investment Rate of Return	6.50%

TOWN OF VERNON, CONNECTICUT

REQUIRED SUPPLEMENTARY INFORMATION

VERNON RETIREMENT SYSTEM
SCHEDULES OF FUNDING PROGRESSPOLICE PLAN

	A	B	(A-B)	(A/B)	(C)	[(A-B)/C]
ACTUARIAL VALUATION DATE	ACTUARIAL VALUE OF ASSETS	ACTUARIAL ACCRUED LIABILITY (AAL) PROJECTED UNIT CREDIT	OVER (UNDER) FUNDED AAL	FUNDED AAL RATIO	COVERED PAYROLL	OVER/(UNDER) FUNDED AAL AS A PERCENTAGE OF COVERED PAYROLL
JANUARY 1,						
2009	\$ 15,349,405	\$ 24,985,131	\$ (9,635,726)	61.4%	\$ 4,181,987	(230.4%)
2010	16,898,080	27,986,776	(11,088,696)	60.4%	4,350,681	(254.9%)
2011	16,862,650	29,969,970	(13,107,320)	56.3%	4,352,823	(301.1%)
2012	16,653,256	31,441,382	(14,788,126)	53.0%	4,434,630	(333.5%)
2013	16,662,221	33,489,061	(16,826,840)	49.8%	4,390,111	(383.3%)
2014	18,032,156	35,556,727	(17,524,571)	50.7%	4,549,520	(385.2%)

TOWN PLAN

	A	B	(A-B)	(A/B)	(C)	[(A-B)/C]
ACTUARIAL VALUATION DATE	ACTUARIAL VALUE OF ASSETS	ACTUARIAL ACCRUED LIABILITY (AAL) PROJECTED UNIT CREDIT	OVER (UNDER) FUNDED AAL	FUNDED AAL RATIO	COVERED PAYROLL	OVER/(UNDER) FUNDED AAL AS A PERCENTAGE OF COVERED PAYROLL
JANUARY 1,						
2009	\$ 24,412,641	\$ 40,929,548	\$ (16,516,907)	59.6%	\$ 13,857,289	(119.2%)
2010	26,751,553	46,632,119	(19,880,566)	57.4%	14,074,891	(141.2%)
2011	28,199,302	49,873,997	(21,674,695)	56.5%	14,247,198	(152.1%)
2012	29,800,448	53,500,179	(23,699,731)	55.7%	14,396,003	(164.6%)
2013	31,354,306	56,269,385	(24,915,079)	55.7%	14,895,476	(167.3%)
2014	34,566,389	61,575,373	(27,008,984)	56.1%	14,933,089	(180.9%)

(Continued)

TOWN OF VERNON, CONNECTICUT

REQUIRED SUPPLEMENTARY INFORMATION

VERNON RETIREMENT SYSTEM
SCHEDULES OF FUNDING PROGRESS

<u>LOSAP</u>						
	A	B	(A-B)	(A/B)	C	[(A-B)/C]
ACTUARIAL VALUATION DATE	ACTUARIAL VALUE OF ASSETS	ACTUARIAL ACCRUED LIABILITY (AAL) FROZEN ENTRY AGE	OVER (UNDER) FUNDED AAL	FUNDED AAL RATIO	COVERED PAYROLL	OVER/(UNDER) FUNDED AAL AS A PERCENTAGE OF COVERED PAYROLL
JANUARY 1,						
2009	\$ 745,780	\$ 806,210	\$ (60,430)	92.5%	N/A	N/A
2010	1,018,412	845,758	172,654	120.4%	N/A	N/A
2011	1,148,440	873,498	274,942	131.5%	N/A	N/A
2012	1,116,227	933,551	182,676	119.6%	N/A	N/A
2013	1,267,827	973,134	294,693	130.3%	N/A	N/A
2014	1,464,512	1,035,916	428,596	141.4%	N/A	N/A

N/A - Not applicable to this plan.

(Concluded)

TOWN OF VERNON, CONNECTICUT
REQUIRED SUPPLEMENTARY INFORMATION
OTHER POST EMPLOYMENT BENEFIT PLANS
SCHEDULES OF FUNDING PROGRESS

<u>POLICE PLAN</u>						
	A	B	(A-B)	(A/B)	C	[(A-B)/C]
ACTUARIAL VALUATION DATE	ACTUARIAL VALUE OF ASSETS	ACTUARIAL ACCRUED LIABILITY (AAL) PROJECTED UNIT CREDIT	OVER (UNDER) FUNDED AAL	FUNDED AAL RATIO	COVERED PAYROLL	OVER/(UNDER) FUNDED AAL AS A PERCENTAGE OF COVERED PAYROLL
JULY 1, 2008	\$	\$ 3,071,000	\$ (3,071,000)	0.0%	\$ 3,352,315	(91.61%)
2009	N/A	N/A	N/A	N/A	N/A	N/A
2010	60,000	2,269,000	(2,209,000)	2.6%	3,394,227	(65.08%)
2011	N/A	N/A	N/A	N/A	N/A	N/A
2012	70,008	1,821,136	(1,751,128)	3.8%	3,553,068	(49.28%)
2013	N/A	N/A	N/A	N/A	N/A	N/A
<u>TOWN PLAN</u>						
	A	B	(A-B)	(A/B)	C	[(A-B)/C]
ACTUARIAL VALUATION DATE	ACTUARIAL VALUE OF ASSETS	ACTUARIAL ACCRUED LIABILITY (AAL) PROJECTED UNIT CREDIT	OVER (UNDER) FUNDED AAL	FUNDED AAL RATIO	COVERED PAYROLL	OVER/(UNDER) FUNDED AAL AS A PERCENTAGE OF COVERED PAYROLL
JULY 1, 2008	\$	\$ 2,128,000	\$ (2,128,000)	0.0%	\$ 8,275,348	(25.71%)
2009	N/A	N/A	N/A	N/A	N/A	N/A
2010		1,893,000	(1,893,000)	0.0%	8,240,567	(22.97%)
2011	N/A	N/A	N/A	N/A	N/A	N/A
2012	7,001	1,363,777	(1,356,776)	0.5%	8,601,324	(15.77%)
2013	N/A	N/A	N/A	N/A	N/A	N/A

(Continued)

TOWN OF VERNON, CONNECTICUT

REQUIRED SUPPLEMENTARY INFORMATION

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

	A	B	(A-B)	(A/B)	C	[(A-B)/C]
ACTUARIAL VALUATION DATE	ACTUARIAL VALUE OF ASSETS	ACTUARIAL ACCRUED LIABILITY (AAL) PROJECTED UNIT CREDIT	OVER (UNDER) FUNDED AAL	FUNDED AAL RATIO	COVERED PAYROLL	OVER/(UNDER) FUNDED AAL AS A PERCENTAGE OF COVERED PAYROLL
JULY 1, 2008	\$	\$ 8,194,000	\$ (8,194,000)	0.0%	\$ 28,991,599	(28.26%)
2009	N/A	N/A	N/A	N/A	N/A	N/A
2010		6,193,000	(6,193,000)	0.0%	30,026,823	(20.62%)
2011	N/A	N/A	N/A	N/A	N/A	N/A
2012		5,016,063	(5,016,063)	0.0%	30,007,917	(16.72%)
2013	N/A	N/A	N/A	N/A	N/A	N/A

N/A - Not available due to biennial valuations.

(Concluded)

TOWN OF VERNON, CONNECTICUT

OTHER POST EMPLOYMENT BENEFIT PLANS

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULES OF EMPLOYER CONTRIBUTIONS

YEAR ENDED JUNE 30	ANNUAL REQUIRED CONTRIBUTION	ACTUAL CONTRIBUTION	PERCENTAGE CONTRIBUTED
<u>POLICE</u>			
2009	\$ 249,000	\$ 142,000	57.0%
2010	259,000	160,000	61.8%
2011	270,000	209,000	77.4%
2012	239,000	115,000	48.1%
2013	251,000	167,000	66.5%
2014	187,889	146,350	77.9%
<u>TOWN</u>			
2009	\$ 206,000	\$ 79,000	38.3%
2010	215,000	97,000	45.1%
2011	223,000	117,000	52.5%
2012	224,000	135,000	60.3%
2013	235,000	177,000	75.3%
2014	170,380	128,430	75.4%
<u>BOARD OF EDUCATION</u>			
2009	\$ 618,000	\$ 324,000	52.4%
2010	643,000	392,000	61.0%
2011	669,000	413,000	61.7%
2012	560,000	472,000	84.3%
2013	588,000	447,000	76.0%
2014	494,253	365,249	73.9%

TOWN OF VERNON, CONNECTICUT

OTHER POST EMPLOYMENT BENEFIT PLANS

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
YEAR ENDED JUNE 30, 2014

Changes of benefit terms	None
Changes of assumptions	None
Method and assumptions used in calculations of actuarially determined contribution	The actuarially determined contribution rates in the schedule of contributions are calculated as of July 1, 2012, two years prior to the end of the fiscal year in which contributions are reported

The following actuarial methods and assumptions were used to determine contribution rates reported in that schedule:

Actuarial Cost Method	Projected Unit Credit
Amortization Method	Level Percentage - Closed
Remaining Amortization Period	24 Years
Asset Valuation Method	Fair value
Investment Rate of Return	7.00%
Healthcare inflation rate - initial	7.20%
Healthcare inflation rate - ultimate	4.70%
Inflation rate	2.50%

APPENDIX B – OPINION OF BOND COUNSEL AND TAX EXEMPTION

The following information has been prepared by Bond Counsel in connection with this bond and note 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 successful bidder when the Bonds and Notes are delivered, and a copy of the legal opinion will be included in the record of proceedings of the Town authorizing the Bonds and Notes. The opinion will be dated and given on and will speak only as of the date of original delivery of the Bonds and Notes to the successful bidder.

The opinion of Day Pitney LLP with respect to the Bonds and Notes 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 \$6,130,000 General Obligation Bonds, Issue of 2015, dated as of August 5, 2015 and \$6,350,000 Bond Anticipation Notes, dated as of August 5, 2015.

We have examined a record of proceedings authorizing the Bonds and Notes, and based on our examination, we are of the opinion that the Town of Vernon is authorized to issue the Bonds and Notes; the Town is duly and legally organized; all proper proceedings for the issuance and delivery of the Bonds and Notes have been taken; no limitation of indebtedness under the laws of the State of Connecticut has been exceeded in the issuance of the Bonds and Notes; the Bonds and Notes 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 and Notes 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 Notes 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 and Notes is excluded from gross income for Federal income tax purposes. The Town officials authorized to issue the Bonds and Notes 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 and Notes 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 Notes, 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 and Notes is excluded from gross income for Federal income tax purposes pursuant to Section 103 of the Code; and (2) the Bonds and Notes are not "private activity bonds" and interest on the Bonds and Notes is not treated as a preference item for purposes of calculating the Federal alternative minimum tax, but in the case of corporations a portion of such interest may be included in alternative minimum taxable income for purposes of computing any Federal alternative minimum tax.

Based on the record of proceedings authorizing the Bonds and Notes, it is our opinion that, under existing statutes: (1) interest on the Bonds and Notes is excluded from Connecticut taxable income for purposes of the Connecticut income tax on individuals, trusts and estates; and (2) interest on the Bonds and Notes 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 and Notes 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 and Notes. Failure to comply with any of these requirements may cause the interest on the Bonds and Notes 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 and Notes will enter into a Tax Compliance Agreement in connection with the delivery of the Bonds and Notes, 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 and Notes 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 and an alternative minimum tax on corporations. 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 and Notes are not "private activity bonds" so that interest on the Bonds and Notes will not be treated as a preference item for individuals or corporations in calculating alternative minimum taxable income.

The Code provides, however, that for most corporations a portion of the excess of adjusted current earnings (which includes certain tax-exempt interest) over other alternative minimum taxable income will be included in alternative minimum taxable income for purposes of calculating the corporation's alternative minimum tax.

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 Bonds And Notes 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 and Notes should be aware that the ownership of tax-exempt obligations, such as the Bonds and Notes, 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 and Notes 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 and Notes, under existing statutes: (1) interest on the Bonds and Notes is excluded from Connecticut taxable income for purposes of the Connecticut income tax on individuals, trusts, and estates; and (2) interest on the Bonds and Notes 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 and Notes is included in gross income for purposes of the Connecticut corporation business tax.

Owners of the Bonds and Notes should consult their tax advisors with respect to other applicable state and local tax consequences of ownership of the Bonds and Notes and the disposition thereof, including the extent to which gains and losses from the sale or exchange of the Bonds and Notes 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 and Notes may be greater than the amount payable on the Bonds and Notes at maturity. The excess of the initial public offering price at which a substantial amount of such Bonds and Notes 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 and Notes were ultimately sold to the public.

The discussion in this paragraph applies to those Bonds and Notes 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 and Notes 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 and notes.

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 and Notes will not have an effect on the federal tax status or the market price of the Bonds and Notes or will not change the effect of other federal tax law consequences, including those discussed above, of owning and disposing of the Bonds and Notes, 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 and Notes 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 and Notes 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 Bonds or Notes. Prospective owners of the Bonds and Notes, 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 and Notes, including any tax consequences arising under the laws of any other state or other taxing jurisdiction.

APPENDIX C - FORM OF CONTINUING DISCLOSURE AGREEMENT FOR THE 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 August 5, 2015 by the Town of Vernon, Connecticut (the "Issuer") acting by its undersigned officers, duly authorized, in connection with the issuance of \$6,130,000 General Obligation Bonds, Issue of 2015, dated as of August 5, 2015 (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 22, 2015 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, 2015) as follows:

(i) Financial statements of the Issuer's general fund, and any special revenue, capital projects, internal service and trust or agency funds, and the general long-term obligations account group 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; and

(n) appointment of a successor or additional trustee or the change of name of a trustee, if material.

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.

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: _____
John D. Ward
Town Administrator

By: _____
James M. Luddecke
Finance Officer

APPENDIX D - FORM OF CONTINUING DISCLOSURE AGREEMENT FOR THE NOTES

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 Notes to be executed by the Town substantially in the following form, to provide, or cause to be provided, notice of the occurrence of certain events with respect to the Notes:

Continuing Disclosure Agreement For Notes

This Continuing Disclosure Agreement for Notes ("Agreement") is made as of August 5, 2015 by the Town of Vernon, Connecticut (the "Issuer") acting by its undersigned officers, duly authorized, in connection with the issuance of \$6,350,000 Bond Anticipation Notes, dated as of August 5, 2015 of the Issuer (the "Notes"), for the benefit of the beneficial owners from time to time of the Notes.

Section 1. Definitions. For purposes of this Agreement, the following capitalized terms shall have the following meanings:

"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. 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 Notes:

- (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 notes, or other material events affecting the tax status of the Notes;
- (g) modifications to rights of holders of the Notes, if material;
- (h) Note calls, if material, and tender offers;
- (i) Note defeasances;
- (j) release, substitution, or sale of property securing repayment of the Notes, 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; and

(n) appointment of a successor or additional trustee or the change of name of a trustee, if material.

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 Notes, unless the Issuer applies for or participates in obtaining the enhancement.

Event (f). Event (f) is relevant only to the extent interest on the Notes 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 Notes will be redeemed in the case of a partial redemption, (C) notice of redemption is given to the holders of the Note to be redeemed as required under the terms of the Notes, 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 Note purchases.

Section 3. Use of Agents.

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 4. 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 Notes, or (ii) such time as the Issuer ceases to be an obligated person with respect to the Notes within the meaning of the Rule.

Section 5. Enforcement.

The Issuer acknowledges that the undertakings set forth in Section 2 of this Agreement are intended to be for the benefit of, and enforceable by, the beneficial owners from time to time of the Notes. 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 five business days with respect to the undertakings set forth in Section 2 of this Agreement) from the time the Issuer's Finance Officer, or a successor, receives written notice from any beneficial owner of the Notes 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 Notes 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 Notes.

Section 6. Miscellaneous.

(a) All documents provided by the Issuer to a Repository pursuant to the Issuer's undertakings set forth in Section 2 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 information, data or additional notices from time to time as it deems appropriate in connection with the Notes. If the Issuer elects to provide any such information, data or additional notices, the Issuer shall have no obligation under this Agreement to update or continue to provide further information, data or additional 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 Notes, 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.

(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: _____
John D. Ward
Town Administrator

By: _____
James M. Luddecke
Finance Officer

APPENDIX E – NOTICE OF SALE – THE BONDS

NOTICE OF SALE
\$6,130,000
Town of Vernon, Connecticut
General Obligation Bonds
(BOOK-ENTRY)

ELECTRONIC BIDS via PARITY® will be received by the Town of Vernon, Connecticut at Day Pitney LLP, Bushnell Conference Room, 242 Trumbull Street, Hartford, Connecticut, until **11:00 A.M. Eastern Time on WEDNESDAY,**

JULY 22, 2015

for the purchase, when issued, at not less than par and accrued interest from the date of the Bonds to the date of delivery, of the whole of

\$6,130,000 General Obligation Bonds, Issue of 2015
Payable annually on August 1 as follows:

\$410,000 in 2016 to 2029
\$390,000 in 2030

The Bonds will be dated August 5, 2015, with interest payable on February 1, 2016 and thereafter semiannually on each August 1st and February 1st.

The Bonds will be general obligations of the Town payable from ad valorem taxes levied on all taxable property in the Town without limitation as to rate or amount except 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.

DTC Book Entry. The Bonds will be issued by means of a book-entry system with no physical distribution of bond certificates made to the public. The Bonds will be issued in registered form and one bond certificate for each maturity will be issued to The Depository Trust Company ("DTC"), New York, New York, registered in the name of its nominee, Cede & Co., and immobilized in its custody. A book-entry system will be employed, evidencing ownership of the Bonds in principal amounts of \$5,000 or any integral multiple thereof, with transfers of ownership effected on the records of DTC and its Participants pursuant to rules and procedures adopted by DTC and its Participants. The purchaser, as a condition to delivery of the Bonds, will be required to deposit the bond certificates with DTC, registered in the name of Cede & Co. Principal of, redemption premium, if any, and interest on the Bonds will be payable by the Town or its agent to DTC or its nominee as registered owner of the Bonds. Principal, redemption premium, if any, and interest payments by DTC to Participants of DTC will be the responsibility of DTC; principal, redemption premium, if any, and interest payments to Beneficial Owners by Participants of DTC will be the responsibility of such Participants and other nominees of Beneficial Owners. The Town will not be responsible or liable for payments by DTC to its Participants or by DTC Participants or Indirect Participants to Beneficial Owners or for maintaining, supervising or reviewing the records maintained by DTC, its Participants or persons acting through such Participants.

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 to replace DTC, or (b) the Town determines to discontinue the book-entry system of evidence and transfer of ownership of the Bonds, the Town will authenticate and deliver replacement Bonds in the form of fully registered certificates. Any such replacement Bonds will provide that interest will be payable by check mailed by the Paying Agent to the registered owner whose name appears on the registration books of the Town as of the close of business on the record date preceding each interest payment date. The record dates will be the fifteenth day of January and July (or the preceding business day if such fifteenth day is not a business day).

Redemption. Bonds maturing after August 1, 2021 are subject to redemption prior to maturity, at the option of the Town, on or after August 1, 2021, 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, following notice mailed by first class mail at least 30 days prior to the redemption date

to the registered owners of the Bonds to be redeemed, at the following redemption price, expressed as a percentage of the principal amount, plus accrued interest to the date set for redemption:

<u>Period During Which Redeemed</u>	<u>Redemption Price</u>
August 1, 2021 and thereafter	100.0%

Proposals. Each proposal must specify the amount bid for the Bonds (which shall be the aggregate par value of the Bonds, and, at the option of the bidder, a premium), and must specify in a multiple of one-twentieth or one eighth of one percent the rate or rates of interest per annum which the Bonds are to bear, but shall not specify (a) more than one interest rate for any Bonds having a like maturity, or (b) any interest rate for any Bonds which exceeds the interest rate specified in such proposal for any other Bonds by more than two (2%) percentage points. In addition to the amount bid for the Bonds, the purchaser must pay an amount equal to the interest on the Bonds accrued to the date of delivery. For the purpose of the bidding process, the time as maintained on PARITY® shall constitute the official time. For information purposes only, bidders are requested to state in their bids the true interest cost to the Town, as described under "Basis of Award" below, represented by the rate or rates of interest and the bid price specified in their respective bids.

Electronic Proposals Bidding Procedure. Electronic bids for the purchase of the Bonds must be submitted through the facilities of PARITY®. Any prospective bidder must be a subscriber of I-Deal's Bidcomp competitive bidding system. Further information about PARITY®, including any fee charged, may be obtained from PARITY®, 1359 Broadway, 2nd Floor, New York, New York 10018, Attention: Customer Service Department (telephone: (212) 849-5021 - email notice: parity@i-deal.com). The Town neither will confirm any subscription nor be responsible for any failure of a prospective bidder to subscribe.

Once an electronic bid made through the facilities of PARITY® is communicated to the Town, it shall constitute an irrevocable offer, in response to this Notice, and shall be binding upon the bidder as if made by a signed, sealed bid delivered to the Town. By submitting a bid for the Bonds via PARITY®, the bidder represents and warrants to the Town that such bidder's bid for the purchase of the Bonds is submitted for and on behalf of such prospective bidder by an officer or agent who is duly authorized to bind the prospective bidder by an irrevocable offer and that acceptance of such bid by the Town will bind the bidder by a legal, valid and enforceable contract, for the purchase of the Bonds on the terms described in this Notice. **The Town shall not be responsible for any malfunction or mistake made by, or as a result of the use of the facilities of PARITY®, the use of such facilities being the sole risk of the prospective bidder.**

Disclaimer - Each PARITY® prospective electronic bidder shall be solely responsible to make necessary arrangements to access PARITY® for the purposes of submitting its bid in a timely manner and in compliance with the requirements of this Notice of Sale. Neither the Town nor PARITY® shall have any duty or obligation to undertake such arrangements to bid for any prospective bidder or to provide or assure such access to any prospective bidder, and neither the Town nor PARITY® shall be responsible for a bidder's failure to make a bid or for proper operation of, or have any liability for any delays or interruptions of, or any damages caused by, PARITY®. The Town is using PARITY® as a communication mechanism, and not as the Town's agent, to conduct the electronic bidding for the Bonds. The Town is not bound by any advice and determination of PARITY® to the effect that any particular bid complies with the terms of this Notice of Sale and in particular the bid requirements herein set forth. All costs and expenses incurred by prospective bidders in connection with their subscription to, arrangements with and submission of bids via PARITY® are the sole responsibility of the bidders; and the Town is not responsible, directly or indirectly, for any such costs or expenses. If a prospective bidder encounters any difficulty in arranging to bid or submitting, modifying or withdrawing a bid for the Bonds, the prospective bidder should telephone PARITY® at (212) 849-5021. If any provision of this Notice shall conflict with information provided by PARITY®, this Notice of Sale shall control.

All electronic bids shall be deemed to incorporate the provisions of this Notice and the form of Proposal for Bonds.

Basis of Award. As between proposals which comply with this Notice, the Bonds will be sold to the responsible bidder offering to purchase the Bonds at the lowest true interest cost to the Town. For the purpose of determining the successful bidder, the true interest cost to the Town will be the annual interest rate, compounded semiannually, which, when used to discount all payments of principal and interest payable on the Bonds to August 5, 2015, the date of the Bonds, results in an amount equal to the purchase price for the Bonds, excluding interest accrued to the date of delivery. If there is more than one responsible bidder making said offer at the same lowest true interest cost, the Bonds will be sold to the responsible bidder whose proposal is selected by the Town by lot from among all such proposals. It is requested that each proposal be accompanied by a statement of the percentage of true interest cost completed to four decimal places. Such statement shall not be considered as part of the proposal.

The right is reserved to reject any and all proposals and to reject any proposal not complying with this Notice of Sale and to waive any irregularity or informality with respect to any proposal.

The Town further reserves the right to postpone the sale to another time and date in its sole discretion for any reason, including internet difficulties. The Town will use its best efforts to notify prospective bidders in a timely manner of any need for a postponement. If the sale is postponed, an alternative bid date will be published on Bloomberg at least 48 hours prior to such alternative bid date. Upon the establishment of an alternative bid date, any bidder may submit proposals for the purchase of the Bonds in accordance with the provisions of this Notice of Sale.

Certifying and Paying Agent. The Bonds will be authenticated by U.S. Bank National Association, Hartford, Connecticut. U.S. Bank National Association will act as Registrar and Paying Agent.

Delivery. At or prior to the delivery of the Bonds the successful bidder shall be furnished, without cost, with (a) the approving opinion of Day Pitney LLP of Hartford, Connecticut, Bond Counsel, substantially in the form set out in Appendix B to the Official Statement; (b) a signature and no litigation certificate, in form satisfactory to said firm, dated as of the date of delivery of the Bonds, and stating that there is no litigation pending, or to the knowledge of the signer or signers thereof threatened, affecting the validity of the Bonds or the power of the Town to levy and collect taxes to pay them; (c) a signed copy of the Official Statement prepared for this bond issue; (d) a certificate of Town Officials relating to the accuracy and completeness of the Official Statement; (e) a Continuing Disclosure Agreement; and (f) a receipt of payment for the Bonds. U.S. Bank National Association will keep the original opinion and certificates and copies of the supporting documents, which may be examined at its principal office in Hartford, Connecticut, upon reasonable notice.

Bond Counsel Opinion. The opinion of Bond Counsel will cover the following matters: (1) that the Bonds will be valid general obligations of the Town when duly certified; (2) that, 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, under existing statutes, interest on the Bonds is excluded from gross income for Federal income tax purposes pursuant to Section 103 of the Code; and 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, but in the case of corporations a portion of such interest may be included in alternative minimum taxable income for purposes of computing any Federal alternative minimum tax; and (3) that, under existing statutes, interest on the Bonds is excluded from Connecticut taxable income for purposes of the Connecticut income tax on individuals, trusts and estates; and 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. The Bonds will *not* be "qualified tax-exempt obligations" for purposes of the deduction by financial institutions of interest expense that is allocable to tax-exempt obligations.

Official Statement. The Town of Vernon has prepared a preliminary Official Statement for the Bond issue which is dated July 8, 2015. The Town deems such preliminary Official Statement final as of its date for purposes of SEC Rule 15c2-12(b)(1), but it is subject to revision or amendment. The Town will make available to the winning purchaser 50 copies of the Official Statement as prepared by the Town at the Town's expense. The copies of the Official Statement will be made available to the winning purchaser at the office of the Town's financial advisor, Independent Bond and Investment Consultants LLC, Madison, Connecticut, by the delivery of the Bonds or by the seventh business day after the day bids on the Bonds are received if earlier. If the Town's financial advisor is provided with the necessary information from the winning purchaser by noon of the day following the day bids on the Bonds are received, the copies of the Official Statement will include an additional cover page and other pages indicating the interest rates, ratings, yields or reoffering prices, the name of the managing underwriter, the name of the insurer, if any, on the Bonds and any corrections. The purchaser shall arrange with the financial advisor the method of delivery of the copies of the Official Statement to the purchaser. Additional copies of the Official Statement may be obtained by the purchaser at its own expense by arrangement with the printer.

Continuing Disclosure Agreement. The Town will enter into a Continuing Disclosure Agreement with respect to the Bonds, substantially in the form attached as Appendix C to the Official Statement (the "Continuing Disclosure Agreement for Bonds"), to provide or cause to be provided, in accordance with the requirements of SEC Rule 15c2 12, (i) annual financial information and operating data, (ii) timely notice of the occurrence of certain material 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. The winning bidder'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 Bonds.

CUSIP Numbers. The deposit of the Bonds with DTC under a book-entry system requires the assignment of CUSIP numbers prior to delivery. It shall be the responsibility of the purchaser to apply for CUSIP numbers for the Bonds prior to delivery. Neither the failure to print such CUSIP number on any bond, nor any error with respect thereto, shall constitute cause for a failure or refusal by the purchaser thereof to accept delivery of and pay for the Bonds. All expenses in relation to the printing of CUSIP numbers on the Bonds shall be paid for by the Town; provided, however, that the Town assumes no responsibility for any CUSIP Service Bureau charge or other charge that may be imposed for the assignment of such numbers, which charges shall be the responsibility of and shall be paid for by the purchaser.

Reoffering Prices. IT SHALL BE THE RESPONSIBILITY OF THE PURCHASER TO FURNISH TO THE TOWN IN WRITING BEFORE THE DELIVERY OF THE BONDS THE REOFFERING PRICES AT WHICH A SUBSTANTIAL PORTION OF EACH MATURITY OF THE BONDS WERE SOLD. The successful bidder may specify that the Bonds as “not reoffered” if the successful bidder certifies that it purchased the specified Bonds for its own account (or the account of a related party) without any present intention of reoffering such Bonds to any other investor.

Delivery Date and Payment. It is expected that the closing on the Bonds will occur on or about August 5, 2015 through the facilities of the Depository Trust Company, New York, New York, against payment in immediately available Federal funds.

More Information. For more information regarding this issue and the Town reference is made to the Official Statement. Proposal forms and copies of the Official Statement may be obtained from Mr. William N. Lindsay, Independent Bond and Investment Consultants LLC, 129 Samson Rock Drive, Suite A, Madison, Connecticut 06443 (telephone: (203) 245-9603) or from Mr. James M. Luddecke, Finance Officer, Town of Vernon, Town Hall, 14 Park Place, Vernon, Connecticut 06066 (telephone: (860) 870-3690).

DANIEL A. CHAMPAGNE,
Mayor

JOHN D. WARD,
Town Administrator

JAMES M. LUDDECKE,
Finance Officer

July 8, 2015

APPENDIX F – NOTICE OF SALE AND BID PROPOSAL – THE NOTES

NOTICE OF SALE \$6,350,000 Town of Vernon, Connecticut Bond Anticipation Notes (BOOK-ENTRY)

SEALED PROPOSALS and ELECTRONIC BIDS via PARITY® will be received by the Town of Vernon, Connecticut at Day Pitney LLP, Bushnell Conference Room, 242 Trumbull Street, , Hartford, Connecticut until **11:30 A.M. Eastern Time on WEDNESDAY,**

JULY 22, 2015

for the purchase of \$6,350,000 Bond Anticipation Notes of the Town of Vernon, dated August 5, 2015, maturing on August 4, 2016 (the "Notes").

The Notes will be payable with interest at maturity. Interest shall be computed on the basis of a 30-day month and a 360-day year. The Notes are not subject to redemption prior to maturity.

The Notes will be general obligations of the Town payable from ad valorem taxes levied on all taxable property in the Town without limitation as to rate or amount except 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.

DTC Book-Entry. The Notes will be issued by means of a book-entry system with no physical distribution of note certificates made to the public. The Notes will be issued in registered form and one note certificate for each interest rate will be issued to The Depository Trust Company ("DTC"), New York, New York, registered in the name of its nominee, Cede & Co., and immobilized in its custody. A book-entry system will be employed, evidencing ownership of the Notes in principal amounts of \$5,000 or any integral multiple thereof, with transfers of ownership effected on the records of DTC and its Participants pursuant to rules and procedures adopted by DTC and its Participants. The purchaser, as a condition to delivery of the Notes, will be required to deposit the note certificates with DTC, registered in the name of Cede & Co. Principal of and interest on the Notes will be payable by the Town or its agent to DTC or its nominee as registered owner of the Notes. Principal and interest payments by DTC to Participants of DTC will be the responsibility of DTC; principal and interest payments to Beneficial Owners by Participants of DTC will be the responsibility of such Participants and other nominees of Beneficial Owners. The Town will not be responsible or liable for payments by DTC to its Participants or by DTC Participants or Indirect Participants to Beneficial Owners or for maintaining, supervising or reviewing the records maintained by DTC, its Participants or persons acting through such Participants.

In the event that (a) DTC determines not to continue to act as securities depository for the Notes and the Town fails to identify another qualified securities depository to replace DTC, or (b) the Town determines to discontinue the book-entry system of evidence and transfer of ownership of the Notes, the Town will authenticate and deliver replacement Notes in the form of fully registered certificates. Any such replacement Notes, will provide that principal of and interest on the Notes will be payable to the registered owner upon presentation and surrender of the Notes at the principal office of the Paying Agent, or of its successors as paying agent for the Notes.

Proposals. Proposals may be made for all or any part of the Notes. No proposal for less than the minimum denomination or for less than par and accrued interest will be entertained. Each proposal must state one rate of interest in a multiple of one-hundredth (1/100) of one-percent (1%) per annum for each part of the Notes bid for in the proposal. For the purpose of the bidding process, the time as maintained on PARITY® shall constitute the official time. For information purposes only, bidders are requested to state in their bids the net interest rate to the Town, as described under "Basis of Award" below, represented by the rate or rates of interest and the bid price specified in their respective bids.

Sealed Proposals Bidding Procedure. All sealed proposals for the purchase of the Notes shall be submitted on forms furnished by the Town and submitted at the time and place indicated above. All proposals must be enclosed in sealed envelopes marked on the outside, in substance, "Proposal for Vernon Notes." All proposals should be addressed to Mr. James M. Luddecke, Finance Officer, Town of Vernon, c/o Day Pitney LLP, Bushnell Conference Room, 242 Trumbull Street, Hartford, Connecticut 06103.

Electronic Proposals Bidding Procedure. Electronic bids for the purchase of the Notes must be submitted through the facilities of PARITY®. Any prospective bidder must be a subscriber of I-Deal's Bidcomp competitive bidding system. Further information about PARITY®, including any fee charged, may be obtained from PARITY®, 1359 Broadway, 2nd Floor, New York, New York 10018, Attention: Customer Service Department (telephone: (212) 849-5021, email notice: parity@i-deal.com). The Town neither will confirm any subscription nor be responsible for any failure of a prospective bidder to subscribe.

Once an electronic bid made through the facilities of PARITY® is communicated to the Town, it shall constitute an irrevocable offer, in response to this Notice, and shall be binding upon the bidder as if made by a signed, sealed bid delivered to the Town. By submitting a bid for the Notes via PARITY®, the bidder represents and warrants to the Town that such bidder's bid for the purchase of the Notes is submitted for and on behalf of such prospective bidder by an officer or agent who is duly authorized to bind the prospective bidder by an irrevocable offer and that acceptance of such bid by the Town will bind the bidder by a legal, valid and enforceable contract, for the purchase of the Notes on the terms described in this Notice. **The Town shall not be responsible for any malfunction or mistake made by, or as a result of the use of the facilities of PARITY®, the use of such facilities being the sole risk of the prospective bidder.**

Disclaimer - Each PARITY® prospective electronic bidder shall be solely responsible to make necessary arrangements to access PARITY® for the purposes of submitting its bid in a timely manner and in compliance with the requirements of this Notice of Sale. Neither the Town nor PARITY® shall have any duty or obligation to undertake such arrangements to bid for any prospective bidder or to provide or assure such access to any prospective bidder, and neither the Town nor PARITY® shall be responsible for a bidder's failure to make a bid or for proper operation of, or have any liability for any delays or interruptions of, or any damages caused by, PARITY®. The Town is using PARITY® as a communication mechanism, and not as the Town's agent, to conduct the electronic bidding for the Notes. The Town is not bound by any advice and determination of PARITY® to the effect that any particular bid complies with the terms of this Notice of Sale and in particular the bid requirements herein set forth. All costs and expenses incurred by prospective bidders in connection with their subscription to, arrangements with and submission of bids via PARITY® are the sole responsibility of the bidders; and the Town is not responsible, directly or indirectly, for any such costs or expenses. If a prospective bidder encounters any difficulty in arranging to bid or submitting, modifying or withdrawing a bid for the Notes, the prospective bidder should telephone PARITY® at (212) 849-5021. If any provision of this Notice of Sale shall conflict with information provided by PARITY®, this Notice of Sale shall control.

All electronic bids shall be deemed to incorporate the provisions of this Notice of Sale and the form of Proposal for Notes.

Basis of Award. As between proposals which comply with this Notice, the Notes will be sold to the responsible bidder or bidders offering to purchase the Notes at the lowest net interest rate, which will be determined for each interest rate stated in the proposal based on the total interest to be payable at such rate and deducting therefrom any premium. If there is more than one responsible bidder making said offer at the same lowest net interest rate, the Notes will be sold to the responsible bidder with a proposal for the highest principal amount of Notes specified or, if the same principal amount of Notes is specified in such proposals, to the responsible bidder whose proposal is selected by the Town by lot from among all such proposals. If a bidder is awarded only a part of the Notes, any premium offered in such proposal will be proportionately reduced so that the resulting net interest rate with respect to the Notes awarded is the same as that contained in the bidder's proposal with respect to the entire amount bid at such rate, carried to four places.

The Town reserves the right to award to any bidder all or any part of the Notes bid for in its proposal. The right is reserved to reject any and all proposals and to reject any proposal not complying with this Notice of Sale and to waive any irregularity or informality with respect to any proposal.

The Town further reserves the right to postpone the sale to another time and date in its sole discretion for any reason, including internet difficulties. The Town will use its best efforts to notify prospective bidders in a timely manner of any need for a postponement. If the sale is postponed, an alternative bid date will be published on Bloomberg at least 48 hours prior to such alternative bid date. Upon the establishment of an alternative bid date, any bidder may submit proposals for the purchase of the Bonds in accordance with the provisions of this Notice of Sale.

Certifying and Paying Agent. The Notes will be authenticated by U.S. Bank National Association, Hartford, Connecticut. U.S. Bank National Association will act as Registrar and Paying Agent.

Delivery. At or prior to the delivery of the Notes the successful bidder shall be furnished, without cost, with (a) the approving opinion of Day Pitney LLP of Hartford, Connecticut, Bond Counsel, substantially in the form set out in Appendix B to the Official Statement; (b) a signature and no litigation certificate, in form satisfactory to said firm, dated as of the date of delivery of the Notes and receipt of payment therefor, and stating that there is no litigation pending, or to the knowledge of the signer or signers thereof threatened, affecting the validity of the Notes or the power of the Town to levy and collect taxes to pay them; (c) a signed copy of the Official Statement prepared for this Note issue; (d) a certificate of Town Officials relating to the accuracy and completeness of the Official Statement; (e) a Continuing Disclosure Agreement; and (f) a receipt of payment for the Notes. U.S. Bank National Association will keep the original opinion and certificates and copies of the supporting documents, which may be examined at its principal office in Hartford, Connecticut, upon reasonable notice.

Bond Counsel Opinion. The opinion of Bond Counsel will cover the following matters: (1) that the Notes will be valid general obligations of the Town when duly certified; (2) that, 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, under existing statutes, interest on the Notes is excluded from gross income for Federal income tax purposes pursuant to Section 103 of the Code; the Notes are not "private activity bonds" and interest on the Notes is not treated as a preference item for purposes of calculating the Federal alternative minimum tax, but in the case of corporations a portion of such interest may be included in alternative minimum taxable income for purposes of computing any Federal alternative minimum tax; and (3) that, under existing statutes, interest on the Notes is excluded from Connecticut taxable income for purposes of the Connecticut income tax on individuals, trusts and estates; and interest on the Notes 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. The Notes will *not* be "qualified tax-exempt obligations" for purposes of the deduction by financial institutions of interest expenses that is allocable to tax-exempt obligations.

Official Statement. The Town of Vernon has prepared a preliminary Official Statement for the Note issue which is dated July 8, 2015. The Town deems such preliminary Official Statement final as of its date for purposes of SEC Rule 15c2-12(b)(1) but it is subject to revision or amendment. The Town will make available to each winning purchaser 50 copies of the Official Statement as prepared by the Town at the Town's expense. The copies of the Official Statement will be made available to the winning purchaser(s) at the office of the Town's financial advisor, Independent Bond and Investment Consultants LLC, Madison, Connecticut, by the delivery of the Notes or by the seventh business day after the day bids on the Notes are received if earlier. The purchaser shall arrange with the financial advisor the method of delivery of the copies of the Official Statement to the purchaser. Additional copies of the Official Statement may be obtained by the purchaser at its own expense by arrangement with the printer.

Continuing Disclosure Agreement. The Town will enter into a Continuing Disclosure Agreement with respect to the Notes, substantially in the form attached as Appendix D to the Official Statement (the "Continuing Disclosure Agreement for Notes"), to provide or cause to be provided, in accordance with the requirements of SEC Rule 15c2-12, timely notice of the occurrence of certain material events with respect to the Notes. The winning bidder's obligation to purchase the Notes shall be conditioned upon its receiving, at or prior to the delivery of the Notes, an executed copy of the Continuing Disclosure Agreement for Notes.

CUSIP Numbers. The deposit of the Notes with DTC under a book-entry system requires the assignment of CUSIP numbers prior to delivery. It shall be the responsibility of the purchaser to apply for CUSIP numbers for the Notes prior to delivery. Neither the failure to print such CUSIP number on any note, nor any error with respect thereto, shall constitute cause for a failure or refusal by the purchaser thereof to accept delivery of and pay for the Notes. All expenses in relation to the printing of CUSIP numbers on the Notes shall be paid for by the Town; provided, however, that the Town assumes no responsibility for any CUSIP Service Bureau charge or other charge that may be imposed for the assignment of such numbers, which charges shall be the responsibility of and shall be paid for by the purchaser.

Reoffering Prices. **IT SHALL BE THE RESPONSIBILITY OF THE PURCHASER TO FURNISH TO THE TOWN IN WRITING BEFORE THE DELIVERY OF THE NOTES THE REOFFERING PRICES AT WHICH A SUBSTANTIAL PORTION OF THE NOTES WERE SOLD.** The successful bidder may specify that the Bonds as "not reoffered" if the successful bidder certifies that it purchased the specified Bonds for its own account (or the account of a related party) without any present intention of reoffering such Notes to any other investor.

Delivery Date and Payment. The Notes will be delivered against payment in immediately available Federal funds through the facilities of The Depository Trust Company, New York, New York on August 5, 2015.

More Information. For more information regarding this issue and the Town reference is made to Official Statement. Proposal forms and copies of the Official Statement may be obtained from Mr. William N. Lindsay, Independent Bond and Investment Consultants LLC, 129 Samson Rock Drive, Suite A, Madison, Connecticut 06443 (telephone: (203) 245-9603) or from Mr. James M. Luddecke, Finance Officer, Town of Vernon, Town Hall, 14 Park Place, Vernon, Connecticut 06066 (telephone: (860) 870-3690).

DANIEL A. CHAMPAGNE,
Mayor

JOHN D. WARD,
TOWN ADMINISTRATOR

JAMES M. LUDDECKE,
Finance Officer

July 8, 2015

PROPOSAL FOR NOTES

July 22, 2015

Mr. James M. Luddecke
Finance Officer
Town of Vernon
c/o Day Pitney LLP
Bushnell Conference Room
242 Trumbull Street
Hartford, Connecticut 06103

Subject to the provisions and in accordance with the terms of the annexed Notice of Sale dated July 8, 2015 which is hereby made a part of this proposal, we hereby offer to purchase the principal amount of the Notes specified below at the interest rate per annum plus the premium, if any, specified below, and to pay therefor said principal amount, premium, if any, and interest accrued on said Notes to the date of their delivery, if any. The following is our computation of the net interest rate, made as provided in the above-mentioned Notice of Sale, but not constituting any part of the foregoing proposal.

Of the \$6,350,000 Bond Anticipation Notes of the Town of Vernon, dated August 5, 2015, maturing August 4, 2016, we bid the following:

Principal Amount	\$ _____	Principal Amount	\$ _____
Interest Rate	_____ %	Interest Rate	_____ %
Premium	\$ _____	Premium	\$ _____
Net Interest Rate	_____ % (four decimals)	Net Interest Rate	_____ % (four decimals)
Principal Amount	\$ _____	Principal Amount	\$ _____
Interest Rate	_____ %	Interest Rate	_____ %
Premium	\$ _____	Premium	\$ _____
Net Interest Rate	_____ % (four decimals)	Net Interest Rate	_____ % (four decimals)

Name of Bidder: _____

Address of Bidder: _____

Signature of Officer or
Authorized Agent of Bidder: _____

Telephone Number: _____