

OFFICIAL STATEMENT

NEW ISSUE

RATING: See "Rating" herein

In the opinion of Bond Counsel, assuming the accuracy of and compliance by the Town with its representations and covenants relating to certain requirements contained in the Internal Revenue Code of 1986, as amended (the "Code"), under existing statutes, interest on the Bonds and the Notes is excluded from gross income for Federal income tax purposes pursuant to Section 103 of the Code; the Bonds and the Notes 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 "Opinion of Bond Counsel and Tax Exemption" herein.)

TOWN OF VERNON, CONNECTICUT

\$4,400,000

GENERAL OBLIGATION BONDS, ISSUE OF 2017 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, 2018 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 "Rating" herein

\$3,325,000

GENERAL OBLIGATION BOND ANTICIPATION NOTES BOOK-ENTRY-ONLY

Dated: August 3, 2017

Due: August 2, 2018

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 Registrar, Certifying Bank, 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 3, 2017.

Dated: July 27, 2017

TOWN OF VERNON, CONNECTICUT

\$4,400,000

GENERAL OBLIGATION BONDS, ISSUE OF 2017

Dated: Date of Delivery

Due: Serially August 1 as shown below

MATURITY SCHEDULE AND AMOUNTS

<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>
2018	\$295,000	5.000 %	0.850 %	924427UZ8	2026	\$295,000	2.000 %	1.950 % *	924427VH7
2019	295,000	5.000	0.960	924427VA2	2027	295,000	2.000	2.150	924427VJ3
2020	295,000	5.000	1.050	924427VB0	2028	295,000	2.250	2.400	924427VK0
2021	295,000	5.000	1.150	924427VC8	2029	295,000	2.500	2.600	924427VL8
2022	295,000	5.000	1.260	924427VD6	2030	295,000	2.750	2.750	924427VM6
2023	295,000	5.000	1.400	924427VE4	2031	285,000	3.000	2.850 *	924427VN4
2024	295,000	2.000	1.600 *	924427VF1	2032	280,000	3.000	2.900 *	924427VP9
2025	295,000	2.000	1.770 *	924427VG9					

* - Priced assuming redemption on August 1, 2023 however any such redemption is at the option of the Town (see "Optional Redemption" herein).

RAYMOND JAMES

TOWN OF VERNON, CONNECTICUT

\$3,325,000

GENERAL OBLIGATION BOND ANTICIPATION NOTES

Dated: August 3, 2017

Due: August 2, 2018

<u>Coupon</u>	<u>Yield</u>	<u>CUSIP¹</u>
2.000 %	0.930 %	924427VQ7

Jefferies

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 not in excess of ten (10) business days after the occurrence of such events, and (iii) timely notice of a failure by the Town to provide the required annual financial information on or before the date specified in the Continuing Disclosure Agreement with respect to the Bonds to be executed in substantially the form of Appendix C 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.

Issuer:	Town of Vernon, Connecticut (the "Town").
Issue:	\$4,400,000 General Obligation Bonds, Issue of 2017 (the "Bonds").
Dated Date:	August 3, 2017.
Principal Due:	Serially, August 1, 2018 - 2032.
Interest Due:	February 1 and August 1 in each year, commencing February 1, 2018.
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 ("Moody's"). The rating on the Town's outstanding bonds has recently been affirmed as "Aa2" by Moody's.
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 3, 2017, 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.

Issuer:	Town of Vernon, Connecticut (the "Town").
Issue:	\$3,325,000 General Obligation Bond Anticipation Notes, dated August 3, 2017 (the "Notes").
Dated Date:	August 3, 2017.
Principal Due:	At maturity – August 2, 2018.
Interest Due:	At maturity – August 2, 2018.
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 ("Moody's"). The long-term rating on the Town's outstanding bonds has recently been affirmed as "Aa2" by Moody's.
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 3, 2017, 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 \$4,400,000 General Obligation Bonds, Issue of 2017 (the "Bonds") and \$3,325,000 General Obligation Bond Anticipation Notes, dated August 3, 2017 (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, 2018 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, 2022 are not subject to redemption prior to maturity. The Bonds maturing on August 1, 2024 and thereafter are subject to redemption prior to maturity, at the option of the Town, on or after August 1, 2023, 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, 2023 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 2, 2018. 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 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	Prior Debt Issued	Notes Maturing 8/3/2017	The Bonds (This Issue)	The Notes (This Issue)
Road Reconstruction and Improvements	\$ 27,637,000	\$12,480,000	\$ 2,200,000	\$ 3,130,000	\$ 1,525,000
Senior Center Project	3,245,000	-	-	1,270,000	1,800,000
Total	<u>\$ 30,882,000</u>	<u>\$12,480,000</u>	<u>\$ 2,200,000</u>	<u>\$ 4,400,000</u>	<u>\$ 3,325,000</u>

Rating

The Bonds and the Notes have been rated "Aa2" and "MIG 1" respectively, by Moody's Investors Service, Inc. ("Moody's"). The rating on the Town's outstanding Bonds has recently been affirmed as "Aa2" by Moody's. Such rating reflects only the views of such organization and any explanation of the significance of such rating should be obtained from the rating agency furnishing the same, at the following address: Moody's Investors Service, Inc., 7 World Trade Center, 250 Greenwich Street, New York, New York 10007. Generally, a rating agency bases its rating on the information and materials furnished to it and on investigations, studies and assumptions of its own. The Town furnished certain information and materials to the rating agency, some of which may not have been included in this Official Statement. There is no assurance that such rating will continue for any given period of time or that the rating will not be revised or withdrawn entirely by the agency if, in the judgment of such rating agency, circumstances so warrant. A revision or withdrawal of such rating may have an effect on the market price of the Town's bonds and notes.

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 2015 American Community Survey reported Vernon's population as 29,114. Currently 52% of total housing units are single-family, owner-occupied homes. Approximately 43% of Vernon's labor force is employed in the finance, insurance, scientific, management, education and health care sectors.

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

The development of the Town has been guided by zoning regulations and land use planning. The zoning regulations that existed for the former City of Rockville and Vernon Fire District prior to consolidation were converted to the Town of Vernon's zoning regulations. The Town's zoning regulations were adopted in 1965 and are periodically revised to reflect current development standards and practices. The Town's first Master Plan of Conservation and Development was adopted in 1967 and the most recent plan was adopted in 2012.

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

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

Form of Government

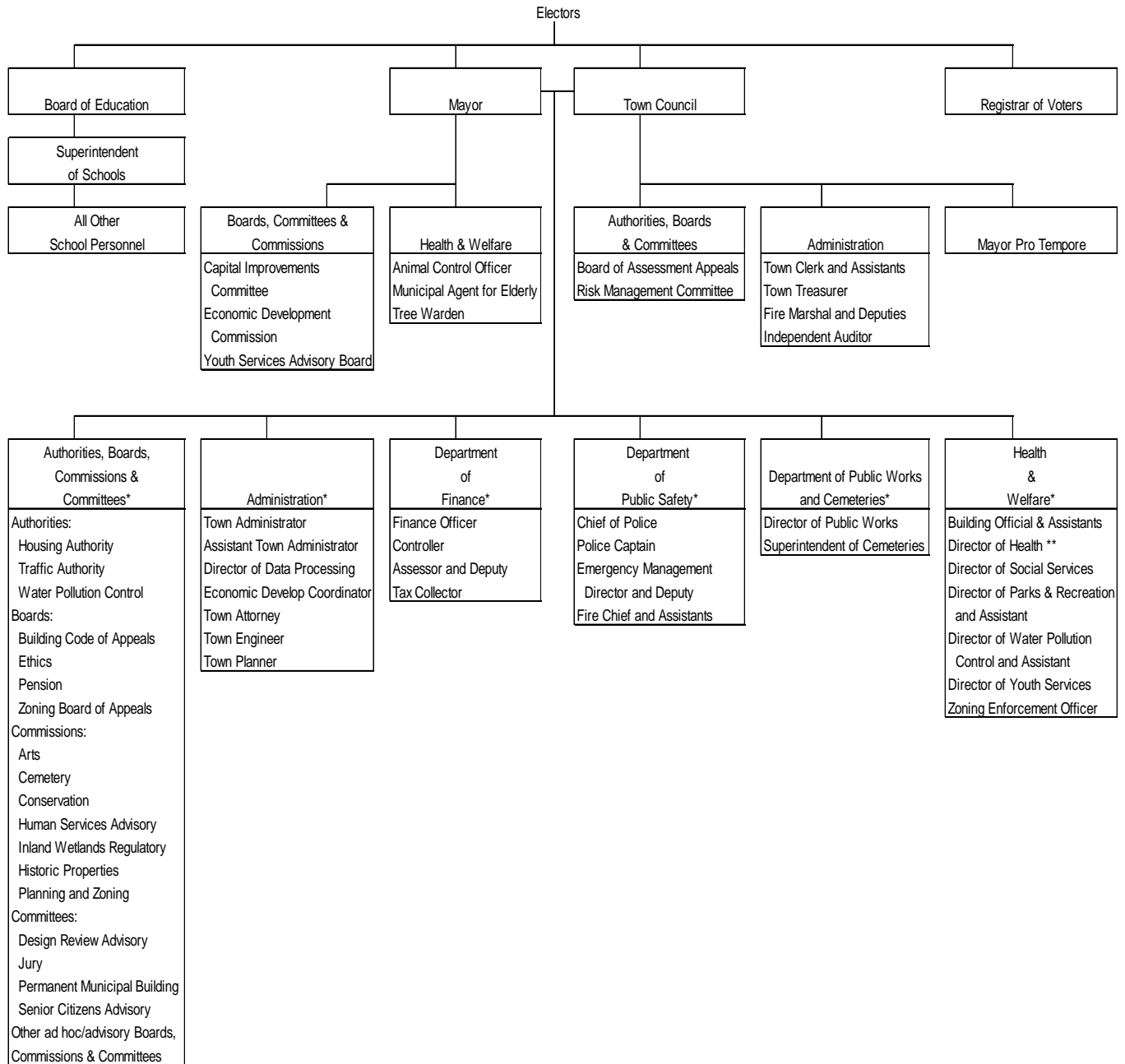
The Town of Vernon has operated under the Mayor-Town Council form of government since 1970. The Town Council acts as the legislative body of the Town. The Town Council consists of twelve members elected on a partisan basis for two-year terms. A full-time, professional Town Administrator is appointed by the Mayor and approved by the Town Council. The Town's operating budget is submitted by the Mayor to the Town Council annually by March 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

TOWN OF VERNON, CT

ORGANIZATION CHART



* 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
Laura B. Bush	Town Council	2 years - Elected
William F. Campbell	Town Council	2 years - Elected
Julie Clay	Town Council	2 years - Elected
Thomas DiDio	Town Council	2 years - Elected
Virginia M. Gingras	Town Council	2 years - Elected
Ann Letendre	Town Council	2 years - Elected
Brian R. Motola	Town Council	2 years - Elected
Steven Peterson	Town Council	2 years - Elected
Pauline Schaefer	Town Council	2 years - Elected
James Tedford	Town Council	2 years - Elected
Steve Wakefield	Town Council	2 years – Elected
Vacant	Town Administrator	Appointed
James M. Luddecke	Finance Officer/Treasurer	Appointed
Joseph Macary	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: The Town administrator position is currently vacant and the Town is undertaking a search for a new Town Administrator.

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

Summary of Municipal Services

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

Fire Protection and Ambulance Service. Fire protection is provided by a volunteer fire department with a total of 183 members and six fire stations distributed throughout the town. Major equipment includes six 1,000 GPM pumpers (one of which is also a 2,000 gallon tanker); two 95' aerial ladder trucks; and two heavy rescue trucks. A multitude of other specialized equipment, including two utility task vehicles (UTV); a mobile decontamination trailer; a boat; and mobile air truck are spread out among the various stations. The supervisory staff is led by the fire chief, along with three assistant chiefs, ten company captains, and twenty lieutenants overseeing 122 active firefighters. Emergency medical services are provided by a full-time EMS supervisor, a part-time EMS supervisor, twenty-five part-time EMTs, and the utilization of three (3) ambulances. A minimum of one ambulance is staffed 24 hours a day, seven days per week. Paramedic services are contracted through an external agency.

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 kiddie pools and one spray pool, two beaches on Middle Bolton Lake, one beach at Valley Falls which provide swimming, a beach house, track, boat launch, picnic areas, fishing and ice skating. Additionally, the Town has a Teen Center, Valley Falls Nature Barn, numerous playgrounds, 16 baseball fields, 8 softball fields (two that are lighted), 11 soccer fields, 6 lacrosse fields and 2 football fields. There are 10 lighted tennis courts at Rockville High School and Henry Park; and 5 outdoor basketball courts. The Michael Shea Fitness Trail at Dart Hill Park is the newest addition to the Vernon Parks and Recreation's list of activities for physical fitness.

Water Pollution Control Authority. The Town has one wastewater treatment facility which serves approximately 80% of the Town's residents. The facility also accepts sanitary waste from portions of the surrounding towns of Tolland, Ellington, Manchester and South Windsor in accordance with the provisions of Intergovernmental Sewer Agreements between each of those communities and the Town. The 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.

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 final cost for the BLRWPCA project was approximately \$21,694,000, of which the Town's share is currently 29%, or approximately \$6,291,000. Significant shares of the project costs were 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. The Town's share of project costs after the application of these grants was approximately \$2,702,000, of which approximately \$2,419,894 is currently outstanding. The debt is expected to be repaid through sewer benefit assessments and a small tax levy.

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 fifth year of the contract and currently pays a fee of \$65.12 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 per year to the Town. In the initial contract, the solid waste disposal fee increased 2.5% annually, on a calendar year basis. The contract has two five-year option periods, and the Town is currently negotiating to exercise the first option, with no rate increase in the first year; then in the subsequent years, increased by the CPI.

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

Electricity. Electricity is supplied by TransCanada and delivered by Eversource.

Educational System

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

Educational Facilities

School	Grade	Date Occupied	Date of Renovations	Number of Classrooms	Enrollment 10/1/2016	Design Capacity
Center Road Elementary School	PK-5	1969	2010	33	477	825
Lake Street Elementary School	PK-5	1960	1961, 2010	20	269	525
Maple Street Elementary School	PK-5	1923	1962, 2010	23	282	525
Northeast Elementary School	PK-5	1954	2010	19	283	525
Skinner Road Elementary School	PK-5	1963	2010	21	315	525
Vernon Middle School	6-8	1968	2010	70	712	1,500
Rockville High School and VO-AG	9-12	1959	1964, 1976, 2010	136	848	2,400
Out of District	All	n/a	n/a	n/a	38	n/a
Total				322	3,224	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>
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
2015-16	165	1,499	681	823	41	3,209
2016-17	146	1,480	712	848	38	3,224

<u>Projected Enrollments</u>						
<u>School Year</u>	<u>Pre-K</u>	<u>K-5</u>	<u>6 - 8</u>	<u>9 - 12</u>	<u>Out of District</u>	<u>Total</u>
2017-18	174	1,442	688	829	41	3,174
2018-19	174	1,422	654	848	41	3,139
2019-20	174	1,421	641	829	41	3,106
2020-21	174	1,404	630	846	41	3,095
2021-22	174	1,397	619	836	41	3,067

¹ As of October 1 in each year.

Source: Superintendent of Schools.

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Municipal Employees

<u>Fiscal Year</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Board of Education	629	629	615	622	640
General Government	212	212	209	208	206
Total	<u>841</u>	<u>841</u>	<u>824</u>	<u>830</u>	<u>846</u>

Source: Town Officials.

Municipal Employees by Category

<u>Department</u>	<u>Number of Employees</u>
<u>General Government</u>	
General Government	36
Community Development	3
Public Safety	76
Maintenance and Development	72
Human Services	11
Parks and Recreation	12
Townwide	2
Subtotal	<u>212</u>
<u>Board of Education</u>	
Administration and Principals	18
Teachers	323
Classroom Instructional Aids/Paraprofessionals	136
Nurses	8
Clerical/Custodial/Maintenance	64
Cafeteria Workers	30
Plant Operation Supervisors	2
Librarians/Media Managers/Assistants	7
Non-Bargaining Employees	41
Subtotal	<u>629</u>
Grand Total	<u><u>841</u></u>

Source: Town Officials.

Employee Collective Bargaining Representation

<u>Employees</u>	<u>Organization</u>	<u>Number of Employees Covered</u>	<u>Current Contract Expiration</u>
General Government			
Police officers	Local 17, Connecticut Independent Police Union	48	6/30/2017 ¹
Public Works/Parks/Water Pollution	Local 1471, AFSCME, AFL-CIO	59	6/30/2019
Public Works Supervisors	Local 818, AFSCME, AFL-CIO	5	6/30/2018
Civilian Police Department Employees	Local 47, Connecticut Independent Laborers Union (CILU)	13	6/30/2017 ¹
Professionals	Local 818, AFSCME, AFL-CIO	34	6/30/2016 ¹
Waste Treatment Plant Supervisors	Local 818, AFSCME, AFL-CIO	3	6/30/2018
Non-Bargaining	Not affiliated	50	N/A
Subtotal - General Government		212	
Board of Education			
Clerical/Custodial/Maintenance	Local 1303, AFSCME, AFL-CIO	64	6/30/2019
Teachers	Vernon Education Association	323	6/30/2021
School Administrators	Vernon School Administrators Association	18	6/30/2018
School Nurses	Vernon School Nurses' Association	8	6/30/2019
Cafeteria	United Food & Commercial Workers, Local 919, AFL-CIO	30	6/30/2017 ¹
Plant Operation Supervisors	Local 818, Council #4, Supervisors	2	6/30/2018
Service Aids & Teacher Assistants	Vernon Federation of Paraprofessionals	136	6/30/2017 ¹
Librarians/Media Managers/Assistants	Local 1303-279, AFSCME, AFL-CIO	7	6/30/2019
Non-Bargaining	Not affiliated	41	N/A
Subtotal - Board of Education		629	
Total		841	

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>
1980	27,974	114,823	3,107,576
1990	29,841	128,699	3,287,116
2000	28,063	136,364	3,405,565
2010	29,179	152,691	3,574,097
2015	29,114	151,948	3,593,222

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	1,802	6.2	6,240	4.1	191,445	5.3
5 - 9	1,302	4.5	7,794	5.1	214,983	6.0
10 - 14	1,323	4.5	8,893	5.9	231,075	6.4
15 - 19	1,460	5.0	15,626	10.3	255,286	7.1
20 - 24	1,995	6.9	17,987	11.8	237,578	6.6
25 - 34	5,362	18.4	15,205	10.0	436,678	12.2
35 - 44	3,257	11.2	16,954	11.2	448,840	12.5
45 - 54	3,600	12.4	22,998	15.1	556,454	15.5
55 - 59	2,163	7.4	10,802	7.1	259,565	7.2
60 - 64	1,803	6.2	9,089	6.0	219,040	6.1
65 - 74	2,585	8.9	11,773	7.7	291,955	8.1
75 - 84	1,767	6.1	6,060	4.0	162,332	4.5
85 and over	695	2.4	2,527	1.7	87,991	2.4
Total	29,114	100.0	151,948	100.0	3,593,222	100.0

Source: U.S. Bureau of the Census, American Community Survey, 2011-2015.

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	678	3.2	2,006	2.1	105,725	4.3
9th to 12th grade	967	4.6	4,214	4.4	144,132	5.9
High School graduate	6,526	30.7	26,140	27.4	673,973	27.4
Some college, no degree	3,751	17.7	17,624	18.5	430,129	17.5
Associates degree	2,099	9.9	9,128	9.6	183,289	7.4
Bachelor's degree	4,424	20.8	20,417	21.4	516,001	21.0
Graduate or professional degree	2,787	13.1	15,879	16.6	409,606	16.6
Total	21,232	100.0	95,408	100.0	2,462,855	100.0
Percent of High School Graduates		92.3%		93.5%		89.9%
Percent of College Graduates		34.0%		38.0%		37.6%

Source: U.S. Bureau of Census, American Community Survey, 2011-2015.

Selected Wealth and Income Indicators

	Median Family		Per Capita Income	
	(2000)	(2015)	(2000)	(2015)
Town of Vernon	\$59,599	\$82,614	\$25,150	\$33,874
Tolland County	70,856	98,025	25,474	35,446
Connecticut	65,521	89,031	28,766	38,803
United States	49,600	66,011	21,690	28,930

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	183	2.5	504	1.4	30,926	3.5
10,000 to 14,999	162	2.2	399	1.1	18,063	2.0
15,000 to 24,999	411	5.7	1,225	3.4	46,085	5.1
25,000 to 34,999	657	9.1	1,704	4.7	55,715	6.2
35,000 to 49,999	776	10.7	2,866	7.9	83,173	9.3
50,000 to 74,999	1,085	15.0	5,454	14.9	139,724	15.6
75,000 to 99,999	1,110	15.3	6,501	17.8	126,557	14.1
100,000 to 149,999	1,744	24.1	9,394	25.7	183,030	20.4
150,000 to 199,999	778	10.8	4,658	12.8	94,575	10.6
200,000 or more	326	4.5	3,803	10.4	117,791	13.2
	<u>7,232</u>	<u>100.0</u>	<u>36,508</u>	<u>100.0</u>	<u>895,639</u>	<u>100.0</u>

Source: U.S. Bureau of the Census, American Community Survey, 2011-2015.

Employment by Industry

Employment Sector	Town of Vernon		Tolland County		State of Connecticut	
	Number	Percent	Number	Percent	Number	Percent
Agriculture, Forestry, Fishing, Hunting & Mining	91	0.6	757	0.9	7,214	0.4
Construction	836	5.5	5,200	6.5	100,593	5.6
Manufacturing	2,114	13.8	9,282	11.6	191,286	10.7
Wholesale Trade	360	2.4	1,848	2.3	44,581	2.5
Retail Trade	1,758	11.5	7,708	9.6	193,799	10.9
Transportation, Warehousing & Utilities	811	5.3	3,196	4.0	66,850	3.8
Information	390	2.6	1,565	2.0	41,486	2.3
Finance, Insurance & Real Estate	1,331	8.7	7,059	8.8	163,822	9.2
Professional, Scientific & Management	1,311	8.6	7,185	9.0	199,942	11.2
Educational Services & Health Care	3,954	25.9	22,396	27.9	471,587	26.5
Arts, Entertainment, Recreation & Food Services	1,125	7.4	6,895	8.6	153,516	8.6
Other Service (including nonprofit)	804	5.3	3,467	4.3	79,998	4.5
Public Administration	401	2.6	3,632	4.5	66,743	3.7
Total Labor Force, Employed	<u>15,286</u>	<u>100.0</u>	<u>80,190</u>	<u>100.0</u>	<u>1,781,417</u>	<u>100.0</u>

Source: U.S. Bureau of Census, American Community Survey, 2011-2015.

Major Employers

Name of Employer	Nature of Entity	Estimated Number of Employees
Town of Vernon	Municipality	841
Visiting Nurse and Health Services	Nursing, therapy and supporting services	471
Rockville General Hospital	General hospital and specialized health	457
Stop & Shop	Retail grocery supermarket	316
New England Mechanical Services	HVAC engineering, contracting and	300
Vernon Manor	Convalescent and elderly care	175
Healthwise Medical Associates	Healthcare	162
Price Chopper	Retail grocery supermarket	161
Rein's Delicatessen	Restaurant	155
State of Connecticut	State government agencies	145
Total		3,183

Source: Town of Vernon, Economic Development Coordinator.

Unemployment Rate Statistics

Yearly Average	Town of Vernon	Hartford Labor Market	State of Connecticut	United States
2007	4.4%	4.7%	4.6%	4.6%
2008	5.2%	5.7%	5.8%	5.8%
2009	7.6%	8.3%	8.3%	9.3%
2010	8.6%	9.2%	9.1%	9.6%
2011	8.1%	9.2%	9.1%	9.0%
2012	8.0%	8.4%	8.3%	8.1%
2013	7.4%	7.8%	7.8%	7.4%
2014	6.4%	6.6%	6.6%	6.2%
2015	5.4%	5.6%	5.6%	5.3%
2016	4.9%	5.1%	5.0%	4.7%
<u>2016 Monthly</u>				
January	5.1%	5.4%	5.4%	5.1%
February	5.3%	5.4%	5.5%	4.9%
March	4.9%	5.1%	5.1%	4.6%
April	4.3%	4.7%	4.7%	4.1%
May	4.5%	4.5%	4.8%	4.1%

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
2017 ¹	10	\$1,182,763	117	\$17,008,657	1,881	\$21,021,765	2,008	\$ 39,213,185
2016	9	1,308,200	127	52,852,968 ²	2,264	27,355,063	2,400	81,516,231
2015	16	2,100,600	50	11,502,039	2,064	19,536,294	2,130	33,138,933
2014	11	1,368,500	76	7,120,134	1,851	14,408,011	1,938	22,896,645
2013	16	1,998,000	80	5,741,017	1,807	19,899,840	1,903	27,638,857
2012	13	1,954,000	89	6,504,974	1,915	19,704,831	2,017	28,163,805
2011	23	2,569,000	103	4,583,919	1,668	13,263,268	1,794	20,416,187
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

¹ As of May 31, 2017.

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

Source: Town of Vernon, Office of Building Inspections

Number of Dwelling Units

2015	2010	2000	1990	% Increase 1990-2015	% Increase 2000-2015	% Increase 2010-2015
14,124	13,896	12,867	12,748	10.79%	9.77%	1.64%

Source: U.S. Bureau of Census.

Vernon Housing Inventory

Type	Units	Percent
1-unit detached	6,412	45.4
1-unit attached	947	6.7
2 to 4 units	2,494	17.7
5 to 9 units	1,652	11.7
10 or more units	2,341	16.6
Mobile home, trailer, other	278	2.0
Total Inventory	14,124	100.0

Source: U.S. Bureau of Census, American Community Survey, 2011-2015.

Characteristics of Housing Units

Value of Owner Occupied Units	Town of Vernon		Tolland County		State of Connecticut	
	Number	Percent	Number	Percent	Number	Percent
\$ 0 to 50,000	272	3.8	1,072	2.7	24,620	2.7
50,000 to 99,999	253	3.5	866	2.2	28,771	3.2
100,000 to 149,999	904	12.6	2,879	7.2	78,066	8.6
150,000 to 199,999	1,960	27.3	7,041	17.7	140,544	15.5
200,000 to 299,999	2,801	39.0	15,164	38.0	251,106	27.7
300,000 to 499,999	707	9.8	10,631	26.7	235,670	26.0
500,000 to 999,999	175	2.4	1,941	4.9	106,965	11.8
1,000,000 and over	113	1.6	286	0.7	40,485	4.5
Total	7,185	100.0	39,880	100.0	906,227	100.0
Median Value	\$206,000		\$247,700		\$270,500	

Source: U.S. Bureau of Census, American Community Survey, 2011-2015.

Age Distribution of Housing

Year Structure Built	Town of Vernon		Tolland County		State of Connecticut	
	Number	Percent	Number	Percent	Number	Percent
1939 or earlier	2,018	14.3	8,087	13.9	331,829	22.2
1940 to 1949	329	2.3	2,387	4.1	105,253	7.1
1950 to 1959	2,611	18.5	8,202	14.0	230,868	15.5
1960 to 1969	2,686	19.0	8,796	15.1	200,380	13.4
1970 to 1979	2,212	15.7	8,403	14.4	199,447	13.4
1980 to 1989	2,009	14.2	9,158	15.7	193,595	13.0
1990 to 1999	823	5.8	6,160	10.6	115,076	7.7
2000 to 2009	1,282	9.1	6,367	10.9	103,911	7.0
2010 to 2013	154	1.1	796	1.4	10,815	0.7
2014 or later	0	0.0	27	0.0	615	0.0
Total housing units	14,124	100.0	58,383	100.0	1,491,789	100.0

Source: U.S. Bureau of Census, American Community Survey, 2011-2015.

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 August 3, 2017 (Pro Forma)

Total fiscal year ended 2016 tax collections (including interest and lien fees)(unaudited estimate)	\$66,405,525
State Reimbursement for Revenue Loss on Tax Relief for the Elderly	-
Base for Establishing Debt Limit	<u>\$66,405,525</u>

Debt Limit

	General Purpose	Schools	Sewers	Urban Renewal	Unfunded Past Pension	Total Debt
(2.25 times base)	\$ 149,412,431					
(4.50 times base)		\$ 298,824,863				
(3.75 times base)			\$249,020,719			
(3.25 times base)				\$215,817,956		
(3.00 times base)					\$199,216,575	
(7.00 times base)						\$ 464,838,675

Indebtedness (Including The Notes)

Bonds Payable	\$ 20,073,000	\$ 16,958,000	\$ 469,000	\$ -	\$ -	\$ 37,500,000
The Bonds (<i>This Issue</i>)	4,400,000	-	-	-	-	4,400,000
The Notes (<i>This Issue</i>)	3,325,000	-	-	-	-	3,325,000
Authorized but Unissued Debt	11,241,690	5,051,504	3,648,946	-	-	19,942,140
Gross Direct Debt	39,039,690	22,009,504	4,117,946	-	-	65,167,140
Overlapping Debt:						
Bolton Lakes Regional Water Pollution Control Authority ¹	-	-	2,419,894	-	-	2,419,894
Total Net Direct and Overlapping Debt	39,039,690	22,009,504	6,537,840	-	-	67,587,034
Excess of Limit Over Outstanding and Authorized Debt	<u>\$ 110,372,741</u>	<u>\$ 276,815,359</u>	<u>\$242,482,879</u>	<u>\$215,817,956</u>	<u>\$199,216,575</u>	<u>\$ 397,251,641</u>

¹ Reflects Town's 29% share of total project costs. 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.

Source: Town Officials

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Calculation of Net Direct Debt

As of August 3, 2017 (Pro Forma)

Bonded Debt:

The Bonds (<i>This Issue</i>)	\$ 4,400,000
General Purpose	20,073,000
Schools	16,958,000
Sewers	469,000
Total Bonded Debt ¹	<u>41,900,000</u>

Short-Term Debt:

The Notes (<i>This Issue</i>)	<u>3,325,000</u>
Total Short Term Debt	

Total Direct Debt	<u>45,225,000</u>
Net Direct Debt	<u>45,225,000</u>

Overlapping Debt:

Bolton Lakes Regional WPCA ²	<u>2,419,894</u>
Net Direct Plus Overlapping Debt	<u>\$ 47,644,894</u>

¹ Does not include authorized but unissued debt of \$19,942,140.

² Reflects Town's 29% share of total project costs. 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 August 3, 2017 (Pro Forma)

Total Direct Debt	\$ 45,225,000
Net Direct Debt	\$ 45,225,000
Net Direct Plus Overlapping Debt	\$ 47,644,894
Population ¹	29,114
Net Taxable Grand List (10/1/16)	\$1,794,830,542
Estimated Full Value	\$2,564,043,631
Equalized Net Taxable Grand List (10/1/15) ²	\$2,514,856,763
Per Capita Income (2015) ¹	\$ 33,874

Total Direct Debt:

Per Capita	\$1,553.38
To Net Taxable Grand List	2.52%
To Estimated Full Value	1.76%
To Equalized Net Taxable Grand List	1.80%
Per Capita to Per Capita Income	4.59%

Net Direct Debt:

Per Capita	\$1,553.38
To Net Taxable Grand List	2.52%
To Estimated Full Value	1.76%
To Equalized Net Taxable Grand	1.80%
Per Capita to Per Capita Income	4.59%

Net Direct Plus Overlapping Debt:

Per Capita	\$1,636.49
To Net Taxable Grand List	2.65%
To Estimated Full Value	1.86%
To Equalized Net Taxable Grand List	1.89%
Per Capita to Per Capita Income	4.83%

¹ U.S. Bureau of Census.

² Office of Policy and Management, State of Connecticut

Historical Debt Statement

	2016-17 ¹	2015-16	2014-15	2013-14	2012-13
Population ²	29,114	29,114	29,114	29,162	29,122
Net taxable grand list	\$1,769,349,013	\$1,767,082,528	\$1,762,050,886	\$1,734,380,865	\$1,738,439,714
Estimated full value	\$2,527,641,447	\$2,524,403,611	\$2,517,215,551	\$2,477,686,950	\$2,483,485,306
Equalized net taxable grand list ³	\$2,514,856,763	\$2,546,983,355	\$2,520,764,900	\$2,402,677,895	\$2,484,656,177
Per capita income ²	\$ 33,874	\$ 33,874	\$ 33,874	\$ 35,314	\$ 35,361
Short-term debt	\$ 2,200,000	\$ 6,350,000	\$ -	\$ -	\$ -
Long-term debt	\$ 40,960,000	\$ 38,586,194	\$ 36,659,022	\$ 40,839,643	\$ 44,948,695
Total Direct Indebtedness	\$ 43,160,000	\$ 44,936,194	\$ 36,659,022	\$ 40,839,643	\$ 44,948,695
Net Direct Debt	\$ 43,160,000	\$ 44,758,357	\$ 36,130,797	\$ 39,966,893	\$ 43,739,255
Overlapping Debt	\$ 2,566,213	\$ 2,566,213	\$ 2,702,000	\$ 2,737,386	\$ 2,737,386
Net Direct Plus Overlapping Debt	\$ 45,726,213	\$ 47,324,570	\$ 38,832,797	\$ 42,704,279	\$ 46,476,641

¹ Unaudited estimate.

² U.S. Bureau of Census.

³ Office of Policy and Management, State of Connecticut

Historical Debt Ratios

Total Direct debt:	2016–17¹	2015–16	2014–15	2013–14	2012–13
Per capita	\$1,482.45	\$1,543.46	\$1,259.15	\$1,400.44	\$1,543.46
To net taxable grand list	2.44%	2.54%	2.08%	2.35%	2.59%
To estimated full value	1.71%	1.78%	1.46%	1.65%	1.81%
To equalized net taxable grand list	1.72%	1.76%	1.45%	1.70%	1.81%
Debt per capita to per capita income	4.38%	4.56%	3.72%	3.97%	4.36%
Net Direct debt:					
Per capita	\$1,482.45	\$1,537.35	\$1,241.01	\$1,370.51	\$1,501.93
To net taxable grand list	2.44%	2.53%	2.05%	2.30%	2.52%
To estimated full value	1.71%	1.77%	1.44%	1.61%	1.76%
To equalized net taxable grand list	1.72%	1.76%	1.43%	1.66%	1.76%
Debt per capita to per capita income	4.38%	4.54%	3.66%	3.88%	4.25%
Net Direct Plus					
Per capita	\$1,570.59	\$1,625.49	\$1,333.82	\$1,464.38	\$1,595.93
To net taxable grand list	2.58%	2.68%	2.20%	2.46%	2.67%
To estimated full value	1.81%	1.87%	1.54%	1.72%	1.87%
To equalized net taxable grand list	1.82%	1.86%	1.54%	1.78%	1.87%
Debt per capita to per capita income	4.64%	4.80%	3.94%	4.15%	4.51%

¹ Unaudited estimate.

Outstanding Short-Term Indebtedness

Following this issue, the Town will have \$3,325,000 in short-term debt outstanding.

Capital Leases

The Town has entered into a capital lease agreement for the purchase of two fire pumpers, a fire rescue truck, an excavator, a recycling truck and a parks tractor. The present value of future minimum lease payment as of June 30, 2017 is estimated to be \$918,515. 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 BLRWPCA sewer project was completed in 2016 with approximately \$6,291,000 or 29% of project costs attributable to the Town of Vernon. This proportionate share was reduced by BLRWPCA grants and benefit assessments to \$2,701,277. In June 2016, the BLRWPCA issued a State of Connecticut

Clean Water Fund loan obligation to finance project costs, allocating \$2,701,277 to Vernon. This allocation is considered overlapping debt for the Town of Vernon. The balance of overlapping debt as of August 3, 2017 is \$2,419,894.

Clean Water Fund Program

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

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

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

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 third issuance against the authorization. The Town expects to finance the improvements through additional bond issues over the next two fiscal years.

On March 28, 2017, voters approved a bond authorization in the amount of \$3,245,000 to fund the acquisition of property located at 135 Bolton Road in Vernon and the design, reconstruction and improvement of the existing building on the property for use as a senior center. This issue is the first issuance against the authorization. The Town expects to finance the balance of the authorization next fiscal year.

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 total BLRWPCA project cost was approximately \$21,694,000, of which the Town’s current estimated share is 29% share, or approximately \$6,292,000, which was reduced to approximately \$2,702,000 net of available grants. 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 2018-2023 Plan projects a total of \$97,743,830 in spending for projects and equipment, of which approximately \$14,697,098 is expected to be financed through the issuance of bonds. A complete copy of the most recent capital improvement program is available from the Finance Office.

	<u>2017/18</u>	<u>2018/19</u>	<u>2019/20</u>	<u>2020/21</u>	<u>2021/22</u>	<u>2022/23</u>	<u>Total</u>
<u>Summary of Programs</u>							
Total Projects	\$21,865,580	\$14,789,823	\$49,289,735	\$1,912,500	\$1,462,500	\$1,422,947	\$90,743,085
Total Equipment	<u>1,614,846</u>	<u>2,000,716</u>	<u>973,065</u>	<u>537,277</u>	<u>625,867</u>	<u>1,248,974</u>	<u>7,000,745</u>
Total Program Costs	<u>\$23,480,426</u>	<u>\$16,790,539</u>	<u>\$50,262,800</u>	<u>\$2,449,777</u>	<u>\$2,088,367</u>	<u>\$2,671,921</u>	<u>\$97,743,830</u>
<u>Sources of Financing</u>							
General Fund Impact	\$5,217,175	\$8,063,908	\$4,363,632	\$1,830,244	\$1,356,134	\$1,251,688	\$ 22,082,781
LoCIP Grants	171,486	209,533	209,533	209,533	209,533	209,533	1,219,151
Other Sources	1,040,000	245,500	26,900	63,000	63,000	-	1,438,400
Capital and Non-Recurring	737,000	-	-	-	-	-	737,000
Grant Applications	4,330,000	2,600,000	1,700,000	100,000	100,000	100,000	8,930,000
Lease Purchase	613,500	1,593,000	715,500	247,000	359,700	1,110,700	4,639,400
G.O. Bonds	7,371,265	4,078,598	3,247,235	-	-	-	14,697,098
State Clean Water Fund	<u>4,000,000</u>	<u>-</u>	<u>40,000,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>44,000,000</u>
Total Funding Sources	<u>\$23,480,426</u>	<u>\$16,790,539</u>	<u>\$50,262,800</u>	<u>\$2,449,777</u>	<u>\$2,088,367</u>	<u>\$2,671,921</u>	<u>\$97,743,830</u>

School Construction Projects

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

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

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

Project	Total Appropriation	Estimated Reimbursement Rate (%)	Total Estimated Grant ¹
Vernon Center Middle School Roof Replacement	\$ 872,865	68.93	\$ 412,643
Northeast School Roof Replacement	1,231,881	68.93	823,445
Skinner Road School Roof Replacement	1,656,354	68.93	981,093
Total	\$ 3,761,100		\$ 2,217,181

¹ Estimated grants receivable are based upon eligibility of reimbursable project costs. Final eligible costs to be determined at completion of post project audit. To date, the Town has received \$1,799,365 in grants for the projects and expects to receive an additional \$417,816.

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	19,475,771	-	-	2,670,229
Bolton Lakes Regional WPCA ²	6,293,000	2,702,000	-	-	3,591,000
Road Reconstruction and Improvements	27,637,000	12,657,000	3,130,000	1,525,000	10,325,000
Senior Center	3,245,000	-	1,270,000	1,800,000	175,000
Total All Projects	\$125,811,000	\$98,143,860	\$4,400,000	\$3,325,000	\$19,942,140

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 29% share of total project costs. 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.

Combined Schedule of Long Term Debt through Maturity

As of August 3, 2017 (Pro Forma)

Fiscal Year	Principal Payments	Interest Payments	Total Payments	Principal <i>This Issue</i>	Principal All Issues
2018 ¹	\$ 3,715,000	\$ 1,326,081	\$ 5,041,081	\$ -	\$ 3,715,000
2019	3,875,000	1,219,681	5,094,681	295,000	4,170,000
2020	3,865,000	1,093,831	4,958,831	295,000	4,160,000
2021	3,875,000	947,094	4,822,094	295,000	4,170,000
2022	3,880,000	798,619	4,678,619	295,000	4,175,000
2023	3,980,000	647,406	4,627,406	295,000	4,275,000
2024	3,975,000	498,881	4,473,881	295,000	4,270,000
2025	3,030,000	372,581	3,402,581	295,000	3,325,000
2026	3,020,000	267,188	3,287,188	295,000	3,315,000
2027	2,750,000	170,525	2,920,525	295,000	3,045,000
2028	2,110,000	101,875	2,211,875	295,000	2,405,000
2029	835,000	61,950	896,950	295,000	1,130,000
2030	835,000	41,150	876,150	295,000	1,130,000
2031	815,000	19,875	834,875	295,000	1,110,000
2032	400,000	4,500	404,500	285,000	685,000
2033	-	-	-	280,000	280,000
Total	\$ 40,960,000	\$ 7,571,237	\$48,531,237	\$ 4,400,000	\$ 45,360,000

¹ Includes \$3,460,000 in principal payments as of August 3, 2017.

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, Mahoney Sabol & Company, LLC of Glastonbury, Connecticut were appointed by the Town Council in April 2017 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, 2016, 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 the Town's prior auditors, Cohn Reznick LLP of Farmington, Connecticut. 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 2015 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.

Connecticut General Statutes Section 4-661 ("Section 4-661") creates a cap on adopted general budget expenditures for municipalities in Connecticut in order for municipalities to be eligible to receive the full amount of the State's municipal revenue sharing grant. Beginning in fiscal year ending June 30, 2018, and in each fiscal year thereafter, the Office of Policy and Management ("OPM") must reduce the municipal revenue sharing grant amount for those municipalities whose adopted general budget expenditures (with certain exceptions including but not limited to debt service, special education, implementation of court orders or arbitration awards, budgeting for an audited deficit, nonrecurring grants, capital expenditures, or payments on unfunded pension liabilities, and certain major disaster or emergency expenditures) exceeds the spending limits specified in the general statutes. For each applicable fiscal year, OPM must determine the municipality's percentage growth in general budget expenditures over the prior fiscal year and reduce the grant if the growth rate is equal to or greater than 2.5% or the inflation rate, whichever is greater, each of those amounts adjusted by an amount proportionate to any increase to the municipality's population from the previous fiscal year. The reduction is generally equal to 50 cents for every dollar the municipality spends over this cap. Each municipality must annually certify to the Secretary of the OPM whether such municipality has exceeded the cap and if so the amount by which the cap was exceeded. For the fiscal year ending June 30, 2018, and each fiscal year thereafter, motor vehicle property tax grants to municipalities that impose mill rates on real property and personal property other than motor vehicles greater than 32 mills or that, when combined with the mill rate of any district located within the municipality, impose mill rates greater than 32 mills, shall be made in an amount equal to the difference between the amount of property taxes levied by the municipality and any district located within the municipality on motor vehicles for the assessment year commencing October 1, 2013, and the amount such levy would have been if the mill rate on motor vehicles for said assessment year was 32 mills. Due to uncertainty regarding the State of Connecticut Budget and the cap on municipality's motor vehicle mill rates, the Town for the fiscal year ending June 30, 2018 the Town assumed a motor vehicle mill rate of 37.00 mills. However, the Town has elected not to send out motor vehicle tax bills at this time.

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, 2016 there were approximately 1,052 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, 2016. The most recent valuation for the Volunteer Fire LOSAP plan was as of January 1, 2017.

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

	Police Plan ¹	Town Plan ¹	LOSAP Plan ²
Total pension liability	\$ 43,031,339	\$ 78,820,895	\$ 1,447,013
Plan fiduciary net position	20,132,986	40,430,240	1,574,854
Net pension liability	<u>\$ 22,898,353</u>	<u>\$ 38,390,655</u>	<u>\$ (127,841)</u>
Plan fiduciary net position as a %			
of total pension liability	46.8%	51.3%	108.8%

¹ GASB 67/38 disclosure updated to December 31, 2016.

² Valuation as of January 1, 2017.

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:

	1% Decrease 6.00%	Discount Rate 7.00%	1% Increase 8.00%
Net Pension Liability	\$ 28,129,505	\$ 22,898,353	\$ 18,320,707
<u>Town Plan</u>			
	1% Decrease 6.00%	Current Discount Rate 7.00%	1% Increase 8.00%
Net Pension Liability	\$ 46,701,218	\$ 38,390,655	\$ 31,014,134
<u>LOSAP Plan</u>¹			
	1% Decrease 5.50%	Current Discount Rate 6.50%	1% Increase 7.50%
Net Pension Liability	\$ 72,819	\$ (127,841)	\$ (319,787)

¹ Valuation as of January 1, 2017.

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)]
Police						
2016	\$ 19,839,445	\$ 40,020,990	\$(20,181,545)	49.6%	\$ 4,866,463	-414.7%
2015	19,088,421	38,238,607	(19,150,186)	49.9%	4,747,257	-403.4%
2014	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%

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)]
Town						
2016	\$ 39,900,098	\$ 73,351,990	\$(33,451,892)	54.4%	\$15,411,202	-217.1%
2015	37,610,383	69,025,078	(31,414,695)	54.5%	14,789,154	-212.4%
2014	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%
LOSAP ¹						
2017	\$ 1,574,854	\$ 1,369,527	\$ 205,327	115.0%	N/A	N/A
2016	1,441,953	1,305,400	136,553	110.5%	N/A	N/A
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	1,116,227	933,551	182,676	119.6%	N/A	N/A

¹ Valuation as of January 1, 2017.

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
2018 ¹	\$ 1,810,000	100.0%	\$ 2,637,792	100.0%	\$ 44,048	100.0%
2017 ²	1,730,812	100.0%	2,525,719	100.0%	52,289	100.0%
2016	1,639,455	100.0%	2,383,370	100.0%	39,924	100.0%
2015	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%

¹ Adopted budget

² Unaudited.

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

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

Defined Contribution Pension Plan

The Town Council has authorized the establishment of 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, 2012	Police Civilian's Bargaining Unit
June 4, 2014	Board of Education non-union employees
July 1, 2014	Board of Education Cafeteria
July 1, 2015	Board of Education Supervisors
July 1, 2016	Board of Education Nurses
July 1, 2016	Board of Education Librarians

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. 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. However, the Actuarial Required Contribution for Fiscal Year 2016-17 increased from \$684,579 to \$719,304 in Fiscal Year 2016-17.

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%	\$ 8,827,941	-16.1%
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
2017 ¹	\$ 206,838	81.9%	\$ 201,905	99.4%	\$ 310,561	93.4%
2016	196,853	75.4%	192,158	78.7%	295,568	115.8%
2015	197,475	71.9%	179,073	90.5%	519,471	99.7%
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%

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, 2016, effective fiscal year 2017-18. Under Section 12-62 of the Connecticut General Statutes, the Town must do a revaluation every five years based on generally accepted mass appraisal methods and a revaluation by physical inspection no later than ten years from the preceding physical inspection. Prior to the completion of each revaluation, the Assessor shall conduct a field review.

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

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

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

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

Tax Collection Procedure

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

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

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

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

Real Property Tax Levies and Collections

Fiscal Year 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 6/30/17 ⁴
2018 ^{1, 2}	\$1,794,830,542	38.55	\$62,328,965 ³	In process	In process	In process
2017 ⁴	1,769,349,013	37.93	67,788,938	98.8%	\$ 841,535	\$ 841,535
2016	1,767,082,528	36.91	65,758,703	98.9%	737,489	613,022
2015	1,762,050,886	36.11	63,997,909	98.7%	839,835	76,043
2014	1,734,380,865	35.40	62,210,620	98.6%	883,316	55,984
2013 ²	1,738,439,714	33.63	58,684,540	98.5%	872,240	32,119
2012	1,914,573,272	29.90	57,407,016	98.6%	803,778	40,543
2011	1,894,638,804	30.02	57,184,120	98.8%	699,198	38,647
2010 ⁵	1,890,669,101	28.42	53,909,593	98.8%	641,526	36,038
2009 ⁵	1,702,120,658	30.28	51,858,264	98.6%	744,062	32,058

¹ Adopted Budget.

² Revaluation.

³ Unaudited estimated, excludes motor vehicle tax levy. Due to the uncertainty surrounding the State of Connecticut's budget and the impact on Connecticut General Statute 12-71e, the Town assumed a 37 mill tax rate for motor vehicles but elected not to send out motor vehicle tax bills at this time. See "Motor Vehicle Property Tax Rate" herein.

⁴ Unaudited estimate.

⁵ 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
10/01/16 ^{1,2}	\$1,542,988	\$ 86,312	\$ 183,244	\$1,812,544	\$ 17,713	\$ 1,794,831
10/01/15	1,521,759	82,321	180,716	1,784,796	15,447	1,769,349
10/01/14	1,516,179	89,335	180,314	1,785,828	18,745	1,767,083
10/01/13	1,509,734	85,341	184,647	1,779,722	17,671	1,762,051
10/01/12	1,500,008	75,767	176,322	1,752,097	17,716	1,734,381
10/01/11 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

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 Dated	Residential Property	Comm./Indus Property	All Other	Total Real Property
10/01/16 ^{1,2}	\$ 1,083,608	\$ 447,502	\$ 11,878	\$1,542,988
10/01/15	1,146,488	368,921	6,350	1,521,759
10/01/14	1,142,602	367,152	6,425	1,516,179
10/01/13	1,137,949	364,583	7,202	1,509,734
10/01/12	1,133,280	359,258	7,470	1,500,008
10/01/11 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	402,533	8,889	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

¹ Adopted Budget.

² Revaluation.

³ Revaluation, phased-in over 3 years.

Source: Town of Vernon Assessor's Office.

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Largest Taxpayers

The following table sets forth the ten largest taxpayers in the Town per the Grand List dated October 1, 2016:

<u>Name of Taxpayer</u>	<u>Nature of Business</u>	<u>Assessment</u>	<u>Rank</u>	<u>Percent of Total</u>
Chapman and The Mansions, LLC	Land and Apartments	\$ 61,548,730	1	3.43%
Evandro Santini & Woodbrook LLC	Land and Apartments	41,161,200	2	2.29%
Tri City Improvements, LLC	Shopping center	26,595,720	3	1.48%
Prospect Rockville Hospital & ECHN	Healthcare	21,395,930	4	1.19%
Eversource	Utility	17,043,480	5	0.95%
CE Vernon II LLC	Shopping center	16,480,560	6	0.92%
Connecticut Water Company	Utility	14,537,689	7	0.81%
Boston Rockville / Boston Vernon	Shopping centers / Land	9,676,420	8	0.54%
Chapman Acres LLC	Apartments	9,076,970	9	0.51%
Briar Knoll Apartments	Apartments	7,899,990	10	0.44%
Total		<u>\$ 225,416,689</u>		<u>12.56%</u>

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 2012-2016 in "Statement of Revenues, Expenditures and Changes in Fund Balance (GAAP Basis) - General Fund" herein.

On June 7, 2017, the regular session of the State of Connecticut General Assembly ended without the passage of the fiscal years 2017-2018 and 2018-2019 biennial budget, beginning on July 1, 2017. The State Constitution provides that the General Assembly may not authorize general budget expenditures in excess of estimated revenues. Both the State's Office of Policy and Management and the General Assembly's Office of Fiscal Analysis have estimated that fixed cost growth in the State's General Fund will significantly exceed revenue growth for fiscal year 2017-2018, and will require a reduction in non-fixed costs in order to achieve a balanced budget. The Governor's proposed budget as submitted to the General Assembly's 2017 regular session included reductions in State aid and other grants to municipalities, a requirement that municipalities fund a portion of the annual teacher pension fund contributions currently entirely funded by the State, and other measures that could have had a material adverse effect on the finances of Connecticut municipalities. It is anticipated that the General Assembly will reconvene in one or more special sessions to further consider and adopt the biennial budget for the 2017-2018 and 2018-2019 fiscal years. Proposals similar to those previously made by the Governor, or others impacting municipal budgets, may be incorporated into the adopted biennial budget.

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Property Tax Revenues

Fiscal	Total Revenues & Transfers In	Property Tax Revenues	Property Tax as a % of Total Revenues & Transfers Out
2018 ¹	\$ 89,494,832	\$69,196,466	77.3%
2017 ²	90,133,753	67,790,139	75.2%
2016	95,480,987	66,502,928	69.7%
2015	92,908,740	64,116,182	69.0%
2014	91,052,450	62,683,962	68.8%
2013	87,047,424	58,939,088	67.7%
2012	88,002,442	57,327,038	65.1%
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%

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.

Source: Annual audited financial statements; fiscal year 2016-17 unaudited estimate and 2017-18 adopted budgets.

Intergovernmental Revenues

Fiscal Year	Total Revenues & Transfers In	Intergovernmental Revenue	Intergovernmental Revenue as a % of Total Revenue & Transfers In
2018 ¹	\$ 89,494,832	\$ 18,028,791	20.1%
2017 ²	90,133,753	19,678,293	21.8%
2016	95,480,987	25,120,365	26.3%
2015	92,908,740	25,776,430	27.7%
2014	91,052,450	25,613,730	28.1%
2013	87,047,424	25,275,405	29.0%
2012	88,002,442	27,838,711	31.6%
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%

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.

Source: Annual audited financial statements; fiscal year 2016-17 unaudited estimate and 2017-18 adopted budgets.

Motor Vehicle Property Tax Rate

Connecticut General Statutes Section 12-71e creates a cap on the local property tax mill rate for motor vehicles for the assessment year commencing October 1, 2015, and each assessment year thereafter. For the assessment year commencing October 1, 2015, the mill rate for motor vehicles shall not exceed 37 mills. For the assessment year commencing October 1, 2016, and each assessment year thereafter, the mill rate for motor vehicles shall not exceed 32 mills. Any municipality or special tax district may establish a mill rate for motor vehicles that is different from its mill rate for real property. No district or borough may set a motor vehicle mill rate that if combined with the motor vehicle mill rate of the municipality in which such district or borough is located would result in a combined motor vehicle mill rate (1) above 37 mills for the assessment year commencing October 1, 2015, or (2) above 32 mills for the assessment year commencing October 1, 2016, and each assessment year thereafter. Due to uncertainty regarding the State of Connecticut Budget and the cap on municipality's motor vehicle mill rates, the Town for the fiscal year ending June 30, 2018 the Town assumed a motor vehicle mill rate of 37.00 mills. However, the Town has elected not to send out motor vehicle tax bills at this time.

Expenditures

Fiscal Year	Education	General Government	Public Safety	Town Wide	Debt Service
2018 ¹	58.9%	3.9%	9.8%	9.9%	7.3%
2017 ²	58.6%	4.4%	9.8%	9.0%	7.5%
2016	61.0%	4.0%	9.2%	8.5%	4.7%
2015	62.4%	3.9%	9.3%	8.2%	4.4%
2014	63.3%	3.8%	8.9%	7.9%	4.6%
2013	62.7%	3.7%	9.4%	8.1%	5.0%
2012	59.5%	3.7%	13.0%	7.7%	5.3%
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%

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.

Source: Annual audited financial statements; fiscal year 2016-17 unaudited estimate and 2017-18 adopted budgets.

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Comparative General Fund Operating Statement – FY 2015-16
Budget and Actual (Budgetary Basis)

	Fiscal Year 2015-16		
	Revised Budget	Actual	Variance Favorable (Unfavorable)
REVENUES			
Property taxes	\$65,374,123	\$66,502,928	\$ 1,128,805
Intergovernmental	19,062,489	19,224,840	162,351
Charges for services	897,311	1,426,501	529,190
Licenses and permits	565,550	1,557,541	991,991
Fines and penalties	39,000	111,596	72,596
Investment income	20,010	14,060	(5,950)
Other	522,088	510,816	(11,272)
Total Revenues	86,480,571	89,348,282	2,867,711
OTHER FINANCING SOURCES			
Operating transfer in	219,670	237,180	17,510
Total revenues and other financing sources	86,700,241	89,585,462	2,885,221
EXPENDITURES			
Current:			
General government	4,156,311	4,033,076	123,235
Community development	264,041	260,977	3,064
Public safety	8,896,089	8,757,764	138,325
Maintenance and development	5,746,343	5,606,060	140,283
Human services	976,961	942,642	34,319
Parks, recreation and culture	1,515,682	1,462,332	53,350
Town-wide	8,060,007	7,992,507	67,500
Education	51,935,975	51,919,696	16,279
Capital improvements	822,893	821,355	1,538
Debt service	4,661,733	4,661,340	393
Total expenditures	87,036,035	86,457,749	578,286
OTHER FINANCING USES			
Operating transfers out	2,863,061	2,859,710	3,351
Total expenditures and other financing uses	89,899,096	89,317,459	581,637
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses	<u><u>\$(3,198,855)</u></u>	<u><u>\$ 268,003</u></u>	<u><u>\$ 3,466,858</u></u>

Sources: Audited financial statements.

Comparative General Fund Operating Statement – FY 2016-17 & 2017-18
Budget and Actual (Budgetary Basis)

	Fiscal Year 2016-17 (Unaudited Estimate)			Fiscal Year 2017-18
	Revised Budget	Actual w/ Encumbrances	Variance Favorable (Unfavorable)	Adopted Budget
REVENUES				
Property taxes	\$66,788,008	\$ 67,790,139	\$ 1,002,131	\$69,196,466
Intergovernmental ¹	19,433,279	19,678,293	245,014	18,028,791
Charges for services	908,226	1,311,873	403,647	872,285
Licenses and permits	644,900	800,649	155,749	696,100
Fines and penalties	43,000	21,716	(21,284)	32,000
Investment income	20,020	25,180	5,160	28,000
Other	892,636	406,983	(485,653)	452,650
Total Revenues	<u>88,730,069</u>	<u>90,034,833</u>	<u>1,304,764</u>	<u>89,306,292</u>
OTHER FINANCING SOURCES				
Operating transfer in	<u>180,890</u>	<u>98,920</u>	<u>(81,970)</u>	<u>188,540</u>
Total revenues and other financing sources	<u>88,910,959</u>	<u>90,133,753</u>	<u>1,222,794</u>	<u>\$89,494,832</u>
EXPENDITURES				
Current:				
General government	4,072,078	4,013,918	58,160	\$ 3,515,175
Community development	327,730	308,161	19,569	313,849
Public safety	9,101,609	8,923,188	178,421	8,747,120
Maintenance and development	5,936,729	5,745,525	191,204	5,593,582
Human services	991,888	938,793	53,095	957,031
Parks, recreation and culture	1,589,947	1,542,831	47,116	1,585,802
Town-wide	8,378,650	8,210,171	168,479	8,868,464
Education	53,340,873	53,318,867	22,006	52,687,845
Capital improvements	1,568,372	1,146,112	422,260	695,675
Debt service	6,797,468	6,787,842	9,626	6,530,289
Total expenditures	<u>92,105,344</u>	<u>90,935,408</u>	<u>1,169,936</u>	<u>89,494,832</u>
OTHER FINANCING USES				
Operating transfers out	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total expenditures and other financing uses	<u>92,105,344</u>	<u>90,935,408</u>	<u>1,169,936</u>	<u>89,494,832</u>
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses	<u>\$(3,194,385)</u>	<u>(801,655)</u>	<u>\$ 2,392,730</u>	<u>\$ -</u>
June 30, 2016 encumbrances liquidated		<u>2,407,466</u>		
Increase (decrease) in Uassigned Fund Balance		<u>\$ 1,605,811</u>		

¹ The State of Connecticut General Assembly has not yet adopted its bi-annual operating budget for fiscal years 2017-18 and 2018-19. The Town formulated its fiscal year 2017-18 General Fund operating budget upon the Governor's proposed budget from February 2017 and has assumed approximately \$1,650,000 less in state aid than what the Town actually received for fiscal year 2016-17. The amount of state aid the Town will ultimately receive in fiscal year 2017-18 is uncertain at this time.

Sources: Fiscal year 2016-17 unaudited estimate; fiscal year 2017-18 adopted budget.

Comparative Balance Sheets - General Fund

Fiscal Years Ended:	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
ASSETS					
Cash and cash equivalents	\$ 7,856,162	\$ 5,700,066	\$12,127,690	\$ 8,645,128	\$ 9,838,339
Investments	3,304,313	3,368,016	554,897	4,010,873	4,023,332
Receivables:					
Property taxes	1,618,936	1,754,356	1,819,045	1,736,071	1,491,096
Intergovernmental	3,423,745	680,736	4,227	122,667	28,005
Other	558,661	187,458	99,631	79,891	41,488
Due from other funds	2,105,434	3,746,953	3,359,412	8,326,930	5,417,912
Advance to other funds	-	-	-	129,500	-
TOTAL ASSETS	<u>\$18,867,251</u>	<u>\$15,437,585</u>	<u>\$17,964,902</u>	<u>\$23,051,060</u>	<u>\$20,840,172</u>
LIABILITIES					
Accounts and other payables	\$ 1,150,706	\$ 1,225,307	\$ 1,537,095	\$ 1,431,312	\$ 1,374,472
Accrued wages and benefits	392,237	326,395	438,418	525,010	672,962
Due to other funds	788,442	844,442	234,446	501,580	667,277
Deferred revenues	1,640,897	-	-	-	-
Unearned revenue	3,780,442	-	-	-	-
TOTAL LIABILITIES	<u>7,752,724</u>	<u>2,396,144</u>	<u>2,209,959</u>	<u>2,457,902</u>	<u>2,714,711</u>
DEFERRED INFLOWS OF RESOURCES					
Unavailable revenues:					
Property taxes	-	1,498,156	1,441,980	1,507,581	1,165,205
Advance property tax collections	-	109,695	1,629,621	4,800,790	-
Grants	-	29,400	-	-	-
Total deferred inflows of resources	<u>-</u>	<u>1,637,251</u>	<u>3,071,601</u>	<u>6,308,371</u>	<u>1,165,205</u>
FUND BALANCES					
Nonspendable	-	-	-	-	-
Restricted	-	-	-	129,500	-
Committed	-	-	-	-	-
Assigned	1,820,141	1,388,542	1,540,633	2,003,342	2,729,466
Unassigned	<u>9,294,386</u>	<u>10,015,648</u>	<u>11,142,709</u>	<u>12,151,945</u>	<u>14,230,790</u>
TOTAL FUND BALANCES	<u>11,114,527</u>	<u>11,404,190</u>	<u>12,683,342</u>	<u>14,284,787</u>	<u>16,960,256</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$18,867,251</u>	<u>\$15,437,585</u>	<u>\$17,964,902</u>	<u>\$23,051,060</u>	<u>\$20,840,172</u>

Source: Annual audited financial statements.

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

Fiscal Years Ended:	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
REVENUES					
Property taxes	\$57,327,038	\$58,939,088	\$62,683,962	\$64,116,182	\$66,502,928
Intergovernmental	27,838,711	25,275,405	25,613,730	25,776,430	25,120,365
Charges for service	1,925,167	1,842,617	2,051,631	2,356,912	3,095,638
Investment income	2,810	1,054	136	1,369	14,060
Other local revenues	<u>406,945</u>	<u>416,345</u>	<u>480,030</u>	<u>490,685</u>	<u>510,816</u>
TOTAL REVENUES	<u>87,500,671</u>	<u>86,474,509</u>	<u>90,829,489</u>	<u>92,741,578</u>	<u>95,243,807</u>
EXPENDITURES					
Current:					
General government	3,277,010	3,230,952	3,428,718	3,590,896	3,694,679
Community development	248,176	241,139	221,149	235,770	248,607
Public safety	11,428,754	8,169,618	7,995,555	8,525,361	8,561,323
Maintenance and development	5,272,527	5,222,913	5,431,695	5,550,883	5,408,134
Human services	934,675	974,251	936,012	962,959	938,018
Parks, recreation and culture	1,339,374	1,358,243	1,329,070	1,369,686	1,430,950
Town-wide	6,806,996	7,054,780	7,107,547	7,469,937	7,933,163
Education	52,300,137	54,365,055	56,788,058	57,008,315	56,591,613
Debt service	4,675,035	4,365,302	4,143,846	4,046,497	4,399,190
Capital outlay	<u>77,995</u>	<u>57,787</u>	<u>130,174</u>	<u>363,926</u>	<u>740,131</u>
TOTAL EXPENDITURES	<u>86,360,679</u>	<u>85,040,040</u>	<u>87,511,824</u>	<u>89,124,230</u>	<u>89,945,808</u>
Excess (deficiency) of revenues over expenditures	<u>1,139,992</u>	<u>1,434,469</u>	<u>3,317,665</u>	<u>3,617,348</u>	<u>5,297,999</u>
OTHER FINANCING SOURCES (USES)					
Sale of assets	172,501	44,830	-	-	-
Operating transfers in	329,270	528,085	222,961	167,162	237,180
Operating transfers out	<u>(1,605,301)</u>	<u>(1,717,721)</u>	<u>(2,261,474)</u>	<u>(2,183,065)</u>	<u>(2,859,710)</u>
Net other financing sources (uses)	<u>(1,103,530)</u>	<u>(1,144,806)</u>	<u>(2,038,513)</u>	<u>(2,015,903)</u>	<u>(2,622,530)</u>
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING USES	<u>36,462</u>	<u>289,663</u>	<u>1,279,152</u>	<u>1,601,445</u>	<u>2,675,469</u>
Fund Balance - Beginning of year	<u>11,078,065</u>	<u>11,114,527</u>	<u>11,404,190</u>	<u>12,683,342</u>	<u>14,284,787</u>
Fund Balance - End of year	<u>\$11,114,527</u>	<u>\$11,404,190</u>	<u>\$12,683,342</u>	<u>\$14,284,787</u>	<u>\$16,960,256</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 not in excess of ten (10) business 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 winning bidder'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, 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's will be furnished with the following:

1. Signature and No Litigation Certificates, signed by the Mayor 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 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 27, 2017. 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 winning bidders 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 winning bidders 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/ JAMES M. LUDDECKE
James M. Luddecke
Finance Officer and Treasurer

Dated: July 27, 2017

APPENDIX A - AUDITED FINANCIAL STATEMENTS

TOWN OF VERNON, CONNECTICUT

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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, 2016 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, 2016, 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, 2016, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the general fund budgetary comparison information and the pension and other post-employment benefit schedules on pages 31 to 46 and pages 119 to 146, 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 13, 2017, 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 "Cohn Reznick LLP". The signature is written in a cursive, flowing style.

Hartford, Connecticut
February 13, 2017



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, 2016

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, 2016. 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 governmental activities increased by \$3.874 million, or 4.71%; while net position of our business-type activities increased by \$563 thousand, or 3.17%.
- During the year, the Town generated tax and other revenues, totaling \$109.426 million, that was \$3.874 million more than the \$105.552 million in expenses for governmental activities.
- In the Town's business-type activities, revenues increased to \$6.009 million (an increase of \$119 thousand or 2.02%) while expenses increased by \$636 thousand (or 13.2%) resulting in an increased net position of \$563 thousand.
- Total combined cost of Town governmental and business-type activities increased by \$3.655 million from \$107.343 million to \$110.998 million.
- The General Fund reported a total fund balance this year of \$16.960 million, inclusive of unassigned fund balance in the amount of \$14.231 million.
- Revenues exceeded General Fund expenditures by \$2.675 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 98.6% and 98.9% 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, deferred outflows of resources 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 \$100.039 million to \$104.476 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, 2016 AND 2015
In Thousands

	Governmental Activities		Business-Type Activities		Total	
	2016	2015	2016	2015	2016	2015
Current and other assets	\$ 37,425	\$ 30,563	\$ 11,970	\$ 10,915	\$ 49,395	\$ 41,478
Capital assets (net)	160,442	156,319	9,805	10,295	170,247	166,614
Total assets	197,867	186,882	21,775	21,210	219,642	208,092
Deferred outflows of resources	9,321	3,636	474	269	9,795	3,905
Noncurrent liabilities						
outstanding	105,201	85,953	3,516	3,011	108,717	88,964
Other liabilities	13,013	11,902	250	335	13,263	12,237
Total liabilities	118,214	97,855	3,766	3,346	121,980	101,201
Deferred inflows of resources	2,846	10,409	135	348	2,981	10,757
Net investment in capital assets	113,237	117,079	9,805	10,295	123,042	127,374
Restricted	3,311	3,377	-	-	3,311	3,377
Unrestricted	(30,420)	(38,202)	8,543	7,490	(21,877)	(30,712)
Total Net Position	\$ 86,128	\$ 82,254	\$ 18,348	\$ 17,785	\$ 104,476	\$ 100,039

Governmental Activities

Net position of the Town's *governmental activities* increased by \$3.874 million or 4.71%, (\$82.254 million compared to \$86.128 million).

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

Governmental Activities, continued

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 (\$38.202) million to (\$30.420) million at the end of this year, an increase of \$7.782 million.

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

- 1) The positive operating results of the general fund of \$2.675 million
- 2) The increase in net position of the internal service funds applicable to governmental activities of \$589 thousand.
- 3) Capital assets activity, resulting in a net increase in net position of \$4.035 million, along with the impact of issued debt (\$12.480 million) was offset by an increase in the net pension liability of \$2.608 million and an increase in other long-term liabilities (compensated absences, retirement obligations, accrued interest, claims and net OPEB) of \$17 thousand and reduced by the impact of debt payment activity totaling \$4.515 million.

The largest portion of the Town's net position, \$113.237 million 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, \$3.311 million or 3.80%, represents resources that are subject to restrictions on how they may be used.

Business-Type Activities

In 2016, the net position of *business-type activities* increased by \$563 thousand or 3.17%, (\$18.348 million this year compared to \$17.785 million last year). Factoring into this change are increased wage and benefit costs of \$526 thousand offset with increased operating revenues of \$112 thousand in the Sewer User Fund. These and other favorable factors contributed to a \$568 thousand increase in Sewer User Fund net position exclusive of \$31 thousand of Internal Service Fund consolidated activities related to the Sewer User Fund. Center 375 rental revenues were consistent with prior year; however, operating costs were \$8 thousand higher than the prior year; therefore, the Fund experienced a \$35 thousand decrease in net position.

Although there are \$8.543 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.

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

CHANGES IN NET POSITION

The Town's total revenues were \$115.424 million. The total cost of all programs and services was \$110.998 million. Our analysis below separately considers the operations of governmental and business-type activities.

TABLE 2
CHANGES IN NET POSITION
YEARS ENDED JUNE 30, 2016 AND 2015
In Thousands

	Governmental Activities		Business-Type Activities		Total	
	2016	2015	2016	2015	2016	2015
Revenues:						
Program revenues:						
Charges for services	\$ 5,966	\$ 5,102	\$ 5,985	\$ 5,866	\$ 11,951	\$ 10,968
Operating grants and contributions	33,704	32,660			33,704	32,660
Capital grants and contributions	2,103	2,638			2,103	2,638
General revenues:						
Property taxes	66,112	64,167			66,112	64,167
Grants and contributions not restricted to specific programs	898	1,054			898	1,054
Investment income	(3)	37	10	1	7	38
Miscellaneous	635	831	14	23	649	854
Total revenues	109,415	106,489	6,009	5,890	115,424	112,379
Program Expenses:						
General government	6,397	5,674			6,397	5,674
Community development	604	548			604	548
Public safety	14,551	14,216			14,551	14,216
Maintenance and development	11,026	10,116			11,026	10,116
Human services	1,297	1,391			1,297	1,391
Park, recreation and culture	2,615	2,662			2,615	2,662
Education	67,270	66,523			67,270	66,523
Interest on long-term debt	1,792	1,403			1,792	1,403
Sewer user			5,241	4,614	5,241	4,614
Center 375 (rental)			205	196	205	196
Total program expenses	105,552	102,533	5,446	4,810	110,998	107,343
Increase (decrease) in net position before contributions to permanent funds	3,863	3,956	563	1,080	4,426	5,036
Contribution to permanent funds	11	11			11	11
Change in net position	3,874	3,967	563	1,080	4,437	5,047
Net position - July 1	82,254	78,287	17,785	16,705	100,039	94,992
Net position - June 30	\$ 86,128	\$ 82,254	\$ 18,348	\$ 17,785	\$ 104,476	\$ 100,039

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

Governmental Activities

As noted earlier, net position from governmental activities increased \$3.874 million. Since the Town began preparing a statement of net position as of June 30, 2003, this is the eleventh increase in the fourteen year period.

On the revenue side, key factors to the overall \$2.926 million increase from the prior year were as follows:

- Property tax revenues, which comprise 60.42% of the Town's governmental activities revenues, increased by \$1.945 million as a result of the increase in the adopted budget and related levy to fund increased appropriations.
- Charges for services increased by \$864 thousand, due primarily to increases of \$743 thousand in building permits, \$205 thousand in police special services, \$88 thousand in ambulance medical services, \$34 thousand in park and recreational programs, \$16 thousand in zoning citations and \$8 thousand in cafeteria food charges; offset by decreases of \$60 thousand in educational charges, \$40 thousand in town clerk recording fees, \$24 thousand in tuition receipts, \$24 thousand in zoning appeal fees and \$20 thousand in sewer connection charges.
- Operating grants and contributions increased by \$1.044 million, including increases of \$573 thousand in brownfield remediation grants, a \$226 thousand school improvements and equipment grant, \$163 thousand in community development grants, a \$152 thousand municipal grant-in-aid and \$123 thousand in cafeteria grants; offset by a reduction of \$73 thousand in public disaster assistance grants.
- Capital grants and contributions decreased by \$535 thousand due primarily to a \$1.529 million reduction in bridge reconstruction grants, a \$74 thousand decrease in street improvement grants, a \$243 thousand decrease in school security grant funding; offset by a \$1.365 million increase in school roof construction grants and a \$41 thousand grant for town building renovations.

For governmental activities, expenses increased \$3.019 million, or 2.94%, from the previous year. Of the total expenses of \$105.552 million, 63.73% are for educational services; 13.79% for public safety; 10.45% for maintenance and development; and 6.06% for general government.

Major expense factors include:

- The cost of educational services increased by \$747 thousand due primarily to increased general fund operating costs of \$49 thousand, including significant increases in special education and benefits costs offset by a significant reduction in regular education costs; in addition, special education grant costs increased by \$621 thousand and cafeteria operation costs increased \$61 thousand. These increases were offset by decreases in on-behalf retirement costs of \$465 thousand, \$29 thousand in education related grant costs and \$9 thousand in adult education costs. Increases in allocable net pension liability and internal service fund claim costs comprise the remainder of the educational service cost increase.

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

- General government costs increased by \$723 thousand, which included a general fund operating cost increase of \$104 thousand, including an increase in information technology costs of \$56 thousand, a \$227 thousand increase in medical insurance costs offset by a \$58 thousand decrease in municipal insurance costs. Increases in allocable net pension liability and internal service fund claim costs comprise the remainder of the \$723 thousand increase in general government service costs.
- Community development costs increased by \$56 thousand due primarily to increased building rehabilitation grant funded costs.
- Public safety costs increased by \$335 thousand due primarily to increases in general fund operating police service costs of \$64 thousand, firefighting operating service costs of \$15 thousand and building inspection service costs of \$12 thousand. Also, ambulance service costs increased \$50 thousand with the remainder of the increase attributable to allocable pension costs and internal service fund claim costs.
- Maintenance and development costs increased \$910 thousand due to increased general fund operating costs for maintenance of buildings, grounds and equipment, \$28 thousand, and increased costs for refuse and recycling services, \$74 thousand, offset by a \$306 thousand reduction in snow removal costs. Brownfield remediation costs and roadway maintenance costs increased by \$573 thousand and \$215 thousand, respectively. Increases in allocable net pension liability and internal service fund claim costs comprise the remainder of the \$910 thousand increase in maintenance and development service costs.
- Interest on long-term debt increased by \$389 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, 2016 AND 2015
In Thousands

	Total Cost of Services		Net Cost of Services	
	2016	2015	2016	2015
Education	\$ 67,270	\$ 66,523	\$ 32,787	\$ 33,309
Public safety	14,551	14,216	13,014	12,952
Maintenance and development	11,026	10,116	8,685	7,052
General government	6,397	5,674	4,600	4,242
Interest on long-term debt	1,792	1,403	1,434	1,045
All others	4,516	4,601	3,259	3,533
Total	\$ 105,552	\$ 102,533	\$ 63,779	\$ 62,133

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

Business-type Activities

Revenues of the Town's business-type activities (see Table 2) increased by 2.02%, or \$119 thousand (\$6.009 million in 2016 compared to \$5.890 million in 2015) and expenses increased by \$636 thousand from \$4.810 million in 2015 to \$5.446 in 2016. The factors influencing revenue results were: Increased service charges of \$119 thousand, comprising of increase in sewer use fees collections of \$15 thousand, septic fees of \$18 thousand, delinquent interest collections of \$88 thousand and a reduction in other charges of \$2 thousand; an increase in other revenue of \$5 thousand; and reduced capital contributions of \$5 thousand.

The increase in expenses of \$636 thousand is comprised of an increase in wages and benefits of \$530 thousand, due primarily to increased pension costs, repair and maintenance costs of \$18 thousand, supply and material costs of \$16 thousand, depreciation expense of \$6 thousand and general and administrative costs of \$77 thousand, offset by a reduction to utility costs of \$11 thousand.

TOWN FUNDS FINANCIAL ANALYSIS

Governmental Funds

As the Town completed the year, its governmental funds (as presented in the balance sheet - Exhibit C) reported a combined fund balance of \$27.421 million, which is an increase of \$10.829 million from last year's total. Of total fund balance, \$14.120 million is nonspendable, committed, restricted or assigned because it has been committed for construction contracts, and 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 \$2.675 million in the Town's General Fund. The unassigned fund balance, which assigned \$726 thousand for encumbrances more than the prior year, reflects an overall increase of \$2.079 million. The unassigned fund balance of the General Fund at June 30, 2016 is \$14.231 million, which represents 16.01% 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 funds are the Road Improvements Bond and the School Roof Replacements and Renovations funds. The Road Improvements Bond fund incurred \$4.081 million on roadway improvements costs during the current year resulting in a \$1.668 million fund balance at year-end. The Town issued a \$6.130 million bond in August 2015 to substantially fund a prior year-end fund balance deficit and it also issued another bond in August 2016 to fund the remainder of that deficit and fiscal year 2015/16 costs. The School Roof Replacements and Renovation Fund incurred project costs of \$1.980 million offset by state grant proceeds of \$1.365 million.

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

Changes in fund balances of Nonmajor Governmental Funds include the following: in the Special Revenue Fund, there was an increase of \$270 thousand, with gains of \$173 thousand in the Special Education Excess Cost Reserve fund, \$139 thousand in the Miscellaneous Special Revenue Fund, \$94 thousand in the Ambulance Medical Services Fund, and \$75 thousand in the Sewer Connections Fund. Fund balance decreases include \$89 thousand in the Special Education Grants Fund, \$55 thousand in the Adult Basic Education Tuition Fund, and \$35 thousand in the Vernon Cemetery Commission Fund. 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 \$43 thousand including fund balance increases of \$337 thousand increase in the Town Capital and Nonrecurring Fund and \$87 thousand in the South Street Reconstruction Fund and a decrease of \$321 thousand in the Town and School Improvement Projects Fund and \$40 thousand in the Education Capital and Nonrecurring Fund. The Permanent Trust Fund decreased by \$42 thousand due to a decrease in the fair value of investments.

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 \$533 thousand increase.

The **Sewer User Fund** is established for the operation and maintenance of the wastewater treatment plant. Quarterly bills for sewer usage and interest earned on investments generate its resources. The net increase to the Sewer User Fund net position is \$568 thousand as compared to an increase of \$1.086 million in the prior year. The fiscal year 2015/16 increase is attributable to operating revenues exceeding operating expenses by \$547 thousand. The October 1, 2015 sewer rate was not increased from the prior Oct 1st and the level of treated flow from the prior year was approximately the same resulting in a small increase in user fee collections of \$15 thousand. There was an \$18 thousand increase in septic fees and an \$88 thousand increase in delinquent interest revenue. Other revenue, non-operating revenue and capital contributions were \$13 thousand lower than prior year. Operating expenses increased \$627 thousand from the prior year primarily due to a \$500 thousand increase in the Fund's net pension liability, \$26 thousand in wages and other benefits and \$101 thousand in other operating costs. The plant is in the nineteenth year of operation since major renovations, and the facility itself is reported in the Governmental Activities.

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

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 \$35 thousand.

The **Internal Service Funds** are supported by department budgets. The **Data Processing Fund** serves both the Town and school administrations, which equally support its operating expenses. Net position increased by \$108 thousand as contributions from the General Fund increased by \$77 thousand. An increase in the Fund's net pension liability of \$124 thousand accounted for the majority of the \$90 thousand increase in operating costs. The future needs of the department require continual upgrades to the various computer systems as well as maintaining a network for sharing common software and databases.

The **Workers' Compensation Fund** provides for self-insurance of workers' compensation and is supported by contributions from the General and Sewer User Funds, as well as investment income. At fiscal year-end, revenues exceeded expenses by \$468 thousand, decreasing the prior year net position deficit from \$1.128 million to \$659 thousand. Contributions to the Fund decreased by \$196 thousand from the prior year offset by a decrease in claims incurred from \$955 thousand to \$452 thousand. The allocation of adequate contributions in the next year to meet financial demands is based on actual experience. The **Medical Self-Insurance Fund**, which became effective January 1, 2006, provides medical prescription coverage for employees and retirees. Effective July 1, 2007, dental coverage for general government employees and retirees became self-insured. The fund is supported by contributions from all covered participants and employer contributions. Contribution amounts are based upon historical experience of claims incurred and paid, and third-party administrators process the claims. Net position was \$772 thousand, an increase of \$44 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 \$3.199 million. Included in this amount is \$1.610 million of encumbrances carried forward from the previous fiscal year (net of \$72 thousand of liquidated encumbrances) of which \$1.287 million were expended and \$323 thousand re-appropriated and \$1.589 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 \$515 thousand during the year, including \$20 thousand for capital improvements; \$207 thousand for collections remitted to the state of Connecticut by the Town Clerk for the community investment and historic preservation acts; \$12 thousand for youth service part-time wages; \$171 thousand in police special services pay; and \$105 thousand for other items. Although these additional appropriations had revenue and other funding sources, they were legally appropriated from fund balance.

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

Other additional appropriations amounting to \$1.074 million were taken from fund balance position including \$262 thousand for payments of compensated absences; \$250 thousand for the acquisition of 166 Union Street buildings and parcel, \$220 thousand for the acquisition of 133 Tunnel Road parcel, \$65 thousand to fund the reconstruction of Walkers' Reservoir dam, \$40 thousand for the Town Council Chamber audio / visual improvements project; \$59 thousand for pension contributions \$42 thousand for attorney costs; \$28 thousand for an April 2016 primary, \$22 thousand for snow removal and \$86 thousand in other costs. These additional appropriations include funds for police body cameras, security cameras at Henry Park and repairs to fire apparatus.

Actual final expenditures totaled \$86.910 million and can be summarized as follows. The budgetary unexpended, unencumbered resulted in a favorable amount of \$582 thousand. Contained within this amount are favorable variances of \$123 thousand in general government spending; \$138 thousand for police and firefighting services and other public safety expenditures; \$54 thousand in refuse and recycling collection; \$61 thousand in public works maintenance; \$53 thousand for parks recreation administration and maintenance; \$17 thousand for FICA, \$18 thousand in unemployment compensation and \$11 thousand in contingency. As the fiscal year progresses, financial measures are taken to manage areas where additional costs are required, as well as projecting revenue shortfalls. One example is a hiring deferral to cover additional costs associated with the payment of compensated absences. Another is seeking out alternative revenue sources such as excess special education grants and Medicaid reimbursements to help offset the decrease in special education tuitions.

On the revenue side, final actual revenues exceeded the original budget by \$2.885 million due to favorable variances in the following categories: \$1.129 million in total tax collections including \$338 thousand in current taxes and \$518 thousand of prior years' taxes as a tax sale helped boost prior years' tax collections; intergovernmental revenues were \$162 thousand above estimates including \$30 thousand for Medicaid reimbursements and \$361 thousand from excess special education and state agency placement grants. Charges for services were above estimates by \$529 thousand due in most part to the farmland preservation surcharge, \$126 thousand, police special services, \$340 thousand, and MERS receipts, \$61 thousand, which in turn are appropriated to cover respective costs. Education tuition receipts were below projections by \$49 thousand. Licenses and permits were above projections by \$992 thousand due primarily to a favorable building permits variance of \$983 thousand. Fines and penalties were \$73 thousand above projections including a zoning citations favorable variance of \$78 thousand. The decrease in interest rates produced a shortfall of \$6 thousand in investment income. Other financing sources were above original estimates by \$18 thousand and other revenue, which includes items such as education, insurance and gasoline reimbursements, were below estimates by \$11 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 \$5.895 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, 2016, the Town had \$170.247 million invested in a broad range of capital assets, net of depreciation, including land, buildings, park facilities, vehicles and equipment, roads, bridges, storm water drainage and sewer lines (see Table 4). This amount represents a net increase (including additions and deductions) of \$3.634 million, or 2.18%, more than last year.

TABLE 4
CAPITAL ASSETS, NET
JUNE 30, 2016 AND 2015
In Thousands

	Governmental Activities		Business-Type Activities		Total	
	2016	2015	2016	2015	2016	2015
Land	\$ 8,667	\$ 8,375	\$ 1,268	\$ 1,268	\$ 9,935	\$ 9,643
Construction in progress	14,550	10,290			14,550	10,290
Intangible - computer software			29	44	29	44
Buildings and system	77,235	79,340	1,341	1,402	78,576	80,742
Land improvements	1,939	2,102	26	28	1,965	2,130
Machinery and Equipment	9,548	9,219	1,492	1,691	11,040	10,910
Infrastructure	48,503	46,992	5,649	5,862	54,152	52,854
Total	\$ 160,442	\$ 156,318	\$ 9,805	\$ 10,295	\$ 170,247	\$ 166,613

Additions to total capital assets for the 2015-16 year were \$9.964 million, net of construction-in-progress reductions. Deductions to capital assets include \$6.319 million in depreciation expense, which considers a net loss of \$12 thousand in the disposal of depreciable capital assets. Construction-in-progress of \$14.550 million is for the following (in thousands):

Road and bridge reconstruction projects	\$ 11,152
Animal control facility expansion	105
School additions and renovations	2,779
Park improvements	58
Communication center renovations	3
Streetlight acquisition	319
Citizens Block Building Renovations	41
Town office improvements	93
Total construction in progress	\$ 14,550

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 year end, the Town had \$46.076 million in bonds, notes, and lease purchase obligations outstanding versus \$38.017 million last year, an increase of \$8.059 million or 21.20% - as shown in Table 5.

TABLE 5
LONG-TERM OBLIGATIONS
JUNE 30, 2016 AND 2015
In Thousands

	Governmental Activities		Business-Type Activities		Total	
	2016	2015	2016	2015	2016	2015
General obligation bonds (backed by the Town)	\$ 44,110	\$ 34,205	\$ -	\$ -	\$ 44,110	\$ 34,205
Notes payable	826	2,454	-	-	826	2,454
Lease purchases	1,140	1,358	-	-	1,140	1,358
Total	\$ 46,076	\$ 38,017	\$ -	\$ -	\$ 46,076	\$ 38,017

There was debt issued during the fiscal year of \$12.480 million (inclusive of the \$6.350 million August 2016 bond issue noted below), while long-term debt principal payments of \$4.421 million were made. In August 2016, the Town issued general obligation bonds and bond anticipation notes of \$6.350 million and \$2.200 million, respectively, to fund road reconstruction and improvement projects that commenced in fiscal year 2013/14.

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

The State limits the amount of general obligation debt that cities can issue, utilizing a formula determined under State Statutes based on type of debt and tax base. The Town's outstanding general obligation debt is significantly below this \$464.8 million state-imposed limit.

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

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The Town's elected and appointed officials considered many factors when setting the fiscal year 2016-2017 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 5.9%, .7% more than the prior year-end. This compares with the State's unemployment rate of 5.8% and the national rate of 4.9%.

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 .73% for fiscal year 2016 compared with the average U.S. town rate of 1.00%.

These indicators were taken into account when adopting the General Fund budget for fiscal year-end 2017. Total appropriations in the General Fund budget are \$88.911 million, an increase of \$2.211 million over the original 2016 budget. Property taxes, total \$66.788 million, a revenue increase of \$1.414 million from 2016 levels. In the next fiscal year, the estimated aid from the State of Connecticut is expected to increase by \$371 thousand to \$19.433 million, which represents 21.85% 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, \$547 thousand, public safety, \$171 thousand, community development, \$20 thousand, maintenance and development, \$23 thousand, parks and recreation, \$137 thousand, debt service, \$77 thousand and pension contributions \$398 thousand constitute the major increases in the 2016-17 budget.

There was little in the way of new programs or services in the General Fund, but rather a continued pursuit to deliver current town and school services in a cost effective manner. Examples include a collaborative risk management program with the town and school system that is helping to stabilize and reduce general liability insurances; along with combining competitive bidding for health insurance, reducing premiums for 2016-17; and redesigning health plans for current and future budgetary relief. This includes carving out areas for self-insurance. Also, the continued transition from a defined benefit to a defined contribution retirement plan for new employees has been broadened to several bargaining groups, including the school system, focusing on budget relief in the long-term. The Town has recently purchased all of the street lights, and the projection of net budgetary savings over a twenty-year period is \$3.4 million. Another capital investment that is near completion is the creation of the Town's own telephone system, which will generate savings for both the general government and school system. This venture is made possible by the commitment to advancing our technology, most notably the completion of a town-wide connectivity infrastructure, for all town entities, including proprietary departments and the Rockville Public Library. That project is expected to improve departmental operations and provide internal and public access to information. In a continued effort to lower energy costs, the Town has entered into an agreement to buy solar credits, which in turn will reduce electricity costs by fifteen percent. That program commences in March, 2017. The \$27 million road improvement initiative, approved by voters in January, 2014, began at the end of fiscal year 2014, and the third and fourth year of construction costs, and the associated debt service for bonding those outlays, will be in the fiscal year 2018 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 2015-16 through prudent, conservative fiscal management without a serious interruption of services. The 2016-17 Town budget experienced an overall 2.55% increase in appropriations with a blended increase of 1.02 mils in the tax rate from 36.91 to 37.93.

With an understanding of surrounding economic conditions, and considering the factor of a slight increase in the grand list, the most immediate obstacle faced by the Town is the budgetary instability occurring at the State level. The Town anticipates \$19.4 million of grants from the State in fiscal year 2016/17 or approximately 22% of the General Fund budget. This is coupled with a cap on the motor vehicle tax, and the ability of the State to impose spending caps on municipalities. Vernon will continue to address the difficult budgetary and economic times through sound management, well-managed fund balances and an active attention to its economic development program.

Concerning the Town's business-type activities, much attention has been given in the past and will continue in the future to preserve a favorable unrestricted net position. As in all areas, most especially the waste treatment facility, the volatile rates of energy resources is carefully examined, and the purchasing of solar credits is one practice the Town will employ to offset the impact of energy costs.

CONTACTING THE TOWN'S FINANCIAL MANAGEMENT

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

Basic Financial Statements

TOWN OF VERNON, CONNECTICUT

STATEMENT OF NET POSITION
JUNE 30, 2016

	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL
<u>ASSETS</u>			
Current assets:			
Cash	\$ 19,776,973	\$ 5,807,789	\$ 25,584,762
Investments	10,219,455	3,388,963	13,608,418
Receivables (net):			
Property taxes	786,605		786,605
Intergovernmental	2,738,240		2,738,240
Other	596,651	2,344,473	2,941,124
Internal balances	(429,408)	429,408	-
Other assets	27,849		27,849
Total current assets	33,716,365	11,970,633	45,686,998
Noncurrent assets:			
Restricted assets (temporarily):			
Cash	556,939		556,939
Restricted assets (permanently):			
Cash	192,623		192,623
Investments	1,526,237		1,526,237
Total restricted assets	2,275,799	-	2,275,799
Receivables (net):			
Property taxes	801,421		801,421
Loans	587,074		587,074
Total receivables (net)	1,388,495	-	1,388,495
Other noncurrent asset:			
Net pension asset	44,589		44,589
Capital assets (net of accumulated depreciation):			
Land	8,666,728	1,267,840	9,934,568
Construction in progress	14,550,371		14,550,371
Intangible assets (net of accumulated amortization)		29,260	29,260
Buildings and system	77,235,371	1,340,901	78,576,272
Land improvements	1,938,794	26,257	1,965,051
Machinery and equipment	9,547,745	1,491,997	11,039,742
Infrastructure	48,502,580	5,648,398	54,150,978
Total capital assets (net of accumulated depreciation)	160,441,589	9,804,653	170,246,242
Total noncurrent assets	164,150,472	9,804,653	173,955,125
TOTAL ASSETS	197,866,837	21,775,286	219,642,123
<u>DEFERRED OUTFLOWS OF RESOURCES</u>			
Pension related	9,320,815	473,592	9,794,407

(Continued)

TOWN OF VERNON, CONNECTICUT

**STATEMENT OF NET POSITION
JUNE 30, 2016**

	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL
<u>LIABILITIES</u>			
Current liabilities:			
Accounts payable	\$ 4,925,029	\$ 158,986	\$ 5,084,015
Accrued payroll and related liabilities	696,721		696,721
Unearned revenue	999,028		999,028
Accrued interest payable	531,308		531,308
Bond and notes payable	3,976,194		3,976,194
Capital lease payable	221,232		221,232
Compensated absences	1,035,442	90,575	1,126,017
Retirement obligations	332,244		332,244
Claims payable and other	287,542		287,542
Heart and hypertension	8,200		8,200
Total current liabilities	13,012,940	249,561	13,262,501
Noncurrent liabilities:			
Bonds and notes payable and related liabilities	40,960,000		40,960,000
Capital lease payable	918,516		918,516
Compensated absences	2,844,812	258,855	3,103,667
Retirement obligations	1,985,913		1,985,913
Claims payable and other	1,029,105		1,029,105
Heart and hypertension	316,047		316,047
Net pension liability	54,752,836	3,209,631	57,962,467
Net OPEB obligation	2,393,870	47,121	2,440,991
Total noncurrent liabilities	105,201,099	3,515,607	108,716,706
TOTAL LIABILITIES	118,214,039	3,765,168	121,979,207
<u>DEFERRED INFLOWS OF RESOURCES</u>			
Deferred charge on refunding	1,128,744		1,128,744
Pension related	1,717,057	135,342	1,852,399
TOTAL DEFERRED INFLOWS OF RESOURCES	2,845,801	135,342	2,981,143
<u>NET POSITION</u>			
Net investment in capital assets	113,236,903	9,804,653	123,041,556
Restricted for:			
Endowments:			
Expendable	557,664		557,664
Nonexpendable	1,718,860		1,718,860
Grant programs	374,621		374,621
Sewer assessment	84		84
Cemeteries	94,237		94,237
Housing and community development	113,984		113,984
Education programs	434,575		434,575
Adult education	17,298		17,298
Unrestricted	(30,420,414)	8,543,715	(21,876,699)
TOTAL NET POSITION	\$ 86,127,812	\$ 18,348,368	\$ 104,476,180

(Concluded)

See Notes to Basic Financial Statements.

TOWN OF VERNON, CONNECTICUT

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2016

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	\$ 6,397,451	\$ 1,775,305	\$ 7,101	\$ 14,696	\$ (4,600,349)	\$	\$ (4,600,349)
Community development	603,740	11,472	188,919		(403,349)		(403,349)
Public safety	14,550,637	1,496,729	40,092		(13,013,816)		(13,013,816)
Maintenance and development	11,025,727	525,845	1,238,724	576,302	(8,684,856)		(8,684,856)
Human services	1,296,978				(1,296,978)		(1,296,978)
Parks, recreation and culture	2,614,666	899,878	156,236		(1,558,552)		(1,558,552)
Education	67,270,471	1,256,755	31,714,808	1,512,226	(32,786,682)		(32,786,682)
Interest on long-term debt	1,792,161		357,752		(1,434,409)		(1,434,409)
Total governmental activities	105,551,831	5,965,984	33,703,632	2,103,224	(63,778,991)	-	(63,778,991)
Business-type activities:							
Sewer user	5,240,935	5,818,367		360		577,792	577,792
Center 375 (building rental)	204,593	166,831				(37,762)	(37,762)
Total business-type activities	5,445,528	5,985,198	-	360	-	540,030	540,030
Totals	\$ 110,997,359	\$ 11,951,182	\$ 33,703,632	\$ 2,103,584	\$ (63,778,991)	\$ 540,030	\$ (63,238,961)
General revenues:							
Property taxes					\$ 66,111,585	\$	\$ 66,111,585
Grants and contributions not restricted to specific programs					898,432		898,432
Investment income					(3,363)	9,800	6,437
Miscellaneous					635,159	13,799	648,958
Contributions to permanent funds					10,725		10,725
Total general revenues and contributions					67,652,538	23,599	67,676,137
Change in Net Position					3,873,547	563,629	4,437,176
Net Position at July 1, 2015					82,254,265	17,784,739	100,039,004
Net Position at June 30, 2016					\$ 86,127,812	\$ 18,348,368	\$ 104,476,180

See Notes to Basic Financial Statements.

TOWN OF VERNON, CONNECTICUT

**BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2016**

	General	Road Improvements Bond	School Roof Replacements and Renovations	Nonmajor Governmental Funds	Total Governmental Funds
ASSETS					
Cash	\$ 9,838,339	\$	\$ 1,049,262	\$ 8,011,222	\$ 18,898,823
Investments	4,023,332	3,894,543		3,331,156	11,249,031
Receivables (net):					
Taxes	1,491,096				1,491,096
Intergovernmental	28,005		1,364,925	1,345,310	2,738,240
Other	41,488			442,457	483,945
Loans				587,074	587,074
Due from other funds	5,417,912			595,549	6,013,461
Inventory				21,612	21,612
Total assets	\$ 20,840,172	\$ 3,894,543	2,414,187	\$ 14,334,380	\$ 41,483,282
LIABILITIES					
Accounts payable	\$ 1,374,472	\$ 486,253	\$ 1,859,423	\$ 1,178,578	\$ 4,898,726
Accrued wages and benefits	672,962			23,759	696,721
Unearned revenue				999,028	999,028
Due to other funds	667,277	1,740,244		2,740,196	5,147,717
Total liabilities	2,714,711	2,226,497	1,859,423	4,941,561	11,742,192
DEFERRED INFLOWS OF RESOURCES					
Unavailable revenues:					
Property taxes	1,165,205				1,165,205
Grants				177,837	177,837
Loans				587,074	587,074
Sewer assessments and user charges				2,618	2,618
Ambulance services				386,975	386,975
Total deferred inflows of resources	1,165,205	-	-	1,154,504	2,319,709
FUND BALANCES					
Nonspendable				1,740,472	1,740,472
Restricted				1,570,851	1,570,851
Committed		1,668,046	554,764	5,676,803	7,899,613
Assigned	2,729,466			180,000	2,909,466
Unassigned	14,230,790			(929,811)	13,300,979
Total fund balances	16,960,256	1,668,046	554,764	8,238,315	27,421,381
Total liabilities, deferred inflows of resources and fund balances	\$ 20,840,172	\$ 3,894,543	2,414,187	\$ 14,334,380	\$ 41,483,282

(Continued)

TOWN OF VERNON, CONNECTICUT
RECONCILIATION OF FUND BALANCE
TO NET POSITION OF GOVERNMENTAL ACTIVITIES
JUNE 30, 2016

AMOUNTS REPORTED FOR GOVERNMENTAL ACTIVITIES IN THE STATEMENT OF NET POSITION (EXHIBIT A) ARE DIFFERENT FROM THE GOVERNMENTAL FUND BALANCE SHEET DUE TO:

TOTAL FUND BALANCE (EXHIBIT C, PAGE 1)	\$	27,421,381
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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	156,318,529
Less Internal service fund capital assets	(1,163,640)
Current capital asset additions (net of construction in progress)	9,859,281
Less Internal service fund capital assets additions	(229,480)
Depreciation expense	(5,724,208)
Less Internal service fund capital assets depreciation	140,918
Disposal and sale of capital assets	(12,013)
Less Internal service fund disposal and sale of capital assets	387

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

Property tax and sewer assessment interest and lien accrual	671,930
Allowance for doubtful accounts	(575,000)
Net pension asset	44,589
Deferred outflow related to pensions	9,320,815
Less Internal service fund deferred outflows related to pensions	(117,988)

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	2,319,709
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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	237,763
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SOME LIABILITIES AND DEFERRED INFLOWS, 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	(44,110,000)
Deferred charge	(1,128,744)
State of Connecticut clean water notes	(826,194)
Capital leases	(1,139,748)
Compensated absences	(3,880,254)
Less Internal service fund compensated absences	64,196
Net pension liability	(54,752,836)
Less Internal service fund net pension liability	639,340
Net OPEB obligation	(2,393,870)
Accrued interest payable	(531,308)
Retirement obligations	(2,318,157)
Heart and hypertension	(324,247)
Deferred inflows related to pensions	(1,717,057)
Less Internal service fund deferred inflows related to pensions	33,718

NET POSITION OF GOVERNMENTAL ACTIVITIES	\$	<u>86,127,812</u>
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(Concluded)

See Notes to Basic Financial Statements.

TOWN OF VERNON, CONNECTICUT

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2016

	General	Road Improvements Bond	School Roof Replacements and Renovations	Nonmajor Governmental Funds	Total Governmental Funds
Revenues:					
Property taxes	\$ 66,502,928	\$	\$	\$	\$ 66,502,928
Intergovernmental	25,120,365		1,364,925	10,013,675	36,498,965
Assessments				22,472	22,472
Charges for services	3,095,638			2,736,924	5,832,562
Gifts and contributions				553,044	553,044
Income on investments	14,060	8,711		50,327	73,098
Net change in fair value of investments				(76,461)	(76,461)
Other	510,816			467,797	978,613
Total revenues	95,243,807	8,711	1,364,925	13,767,778	110,385,221
Expenditures:					
Current:					
General government	3,694,679			6,287	3,700,966
Community development	248,607			219,516	468,123
Public safety	8,561,323			1,177,077	9,738,400
Maintenance and development	5,408,134			1,324,386	6,732,520
Human services	938,018			99,468	1,037,486
Parks, recreation and culture	1,430,950			825,917	2,256,867
Townwide	7,933,163				7,933,163
Education	56,591,613			8,669,115	65,260,728
Debt service	4,399,190	87,050		1,662,040	6,148,280
Capital outlay	740,131	3,994,166	1,980,161	2,134,583	8,849,041
Total expenditures	89,945,808	4,081,216	1,980,161	16,118,389	112,125,574
Excess (Deficiency) of Revenues over Expenditures	5,297,999	(4,072,505)	(615,236)	(2,350,611)	(1,740,353)
Other Financing Sources (Uses):					
Bond proceeds		6,130,000			6,130,000
Bond anticipation notes		6,350,000			6,350,000
Short-term note premium		89,183			89,183
Transfers in	237,180			2,859,710	3,096,890
Transfers out	(2,859,710)			(237,180)	(3,096,890)
Total other financing sources (uses)	(2,622,530)	12,569,183	-	2,622,530	12,569,183
Net Change in Fund Balances	2,675,469	8,496,678	(615,236)	271,919	10,828,830
Fund Balances at July 1, 2015	14,284,787	(6,828,632)	1,170,000	7,966,396	16,592,551
Fund Balances at June 30, 2016	\$ 16,960,256	\$ 1,668,046	\$ 554,764	\$ 8,238,315	\$ 27,421,381

See Notes to Basic Financial Statements.

TOWN OF VERNON, CONNECTICUT

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES OF GOVERNMENTAL FUNDS TO STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2016**

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) \$ 10,828,830

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)	9,629,801
Depreciation expense (net of internal service fund activity)	<u>(5,583,290)</u>

Total	<u>4,046,511</u>
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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 (net of internal service activity). (11,626)

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	(940,268)
Change in property tax and sewer assessment interest and lien revenue	<u>(48,967)</u>

Total	<u>(989,235)</u>
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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:

Debt issued or incurred:	
General obligation bonds and notes payable	(6,130,000)
Bond anticipation notes	(6,350,000)
Principal repayments:	
General obligation bonds and notes payable	4,202,828
Deferred charges	94,064
Capital lease payable	<u>217,725</u>

Total	<u>(7,965,383)</u>
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(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, 2016**

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 (net of internal service activity)	\$ 8,864
Retirement obligations	36,980
Heart and hypertension	23,291
Pension expense (net of internal service fund activity)	(2,608,169)
Net OPEB obligation	(55,672)
Accrued interest payable	<u>(29,956)</u>

Total	<u>(2,624,662)</u>
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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

589,112

CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES (EXHIBIT B)

\$ 3,873,547

(Concluded)

TOWN OF VERNON, CONNECTICUT

STATEMENT OF NET POSITION - PROPRIETARY FUNDS
JUNE 30, 2016

	Business-Type Activities			Governmental and Business-type Activities
	Sewer User	Nonmajor Center 375	Total	Internal Service Funds
Assets:				
Current assets:				
Cash	\$ 5,743,009	\$ 64,780	\$ 5,807,789	\$ 1,627,712
Investments	2,344,937	1,044,026	3,388,963	496,661
Receivables (net)	2,344,473		2,344,473	26,991
Due from other funds	8,254	27	8,281	50,000
Prepaid expense			-	6,237
Total current assets	10,440,673	1,108,833	11,549,506	2,207,601
Capital assets (net):				
Land and land improvements	838,180	647,531	1,485,711	
Buildings and plant	4,494,290	1,970,271	6,464,561	14,491
Machinery and equipment	8,772,284	35,047	8,807,331	816,831
Infrastructure	11,342,467		11,342,467	918,345
Intangibles - computer software	85,800		85,800	387,279
Accumulated depreciation	(16,855,356)	(1,525,861)	(18,381,217)	(885,131)
Capital assets (net)	8,677,665	1,126,988	9,804,653	1,251,815
Total assets	19,118,338	2,235,821	21,354,159	3,459,416
Deferred Outflows of Resources:				
Pension related	473,592		473,592	117,988
Liabilities:				
Current liabilities:				
Accounts and other payables	152,301	6,685	158,986	26,303
Claims payable			-	287,542
Due to other funds	31,200	75,848	107,048	731,262
Accrued compensated absences	90,575		90,575	49,758
Total current liabilities	274,076	82,533	356,609	1,094,865
Noncurrent liabilities:				
Claims payable			-	1,029,105
Accrued compensated absences	258,855		258,855	14,438
Net pension liability	3,209,631		3,209,631	639,340
Net OPEB obligation	47,121		47,121	
Total noncurrent liabilities	3,515,607	-	3,515,607	1,682,883
Total liabilities	3,789,683	82,533	3,872,216	2,777,748
Deferred Inflows of Resources:				
Pension related	135,342		135,342	33,718
Net Position:				
Net investment in capital assets	8,677,665	1,126,988	9,804,653	1,251,815
Unrestricted	6,989,240	1,026,300	8,015,540	(485,877)
Total Net Position	\$ 15,666,905	\$ 2,153,288	17,820,193	\$ 765,938
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds			528,175	
Net position of business-type activities (Exhibit A)			<u>\$ 18,348,368</u>	

See Notes to Basic Financial Statements.

TOWN OF VERNON, CONNECTICUT

**STATEMENT OF REVENUES, EXPENSES AND CHANGES
IN FUND NET POSITION - PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2016**

	<u>Business-Type Activities</u>			<u>Governmental and Business-type Activities</u>
	<u>Sewer User</u>	<u>Nonmajor Center 375</u>	<u>Total</u>	<u>Internal Service Funds</u>
Operating Revenues:				
Intergovernmental	\$	\$	\$ -	\$ 6,000
Charges for services	5,408,411	166,831	5,575,242	2,956,354
Other:				
Septic fees	192,987		192,987	
Delinquent interest	176,755		176,755	
Miscellaneous	9,480		9,480	27,769
Total operating revenues	5,787,633	166,831	5,954,464	2,990,123
Operating Expenses:				
Wages and benefits	2,137,271	3,606	2,140,877	1,021,011
Repairs, maintenance and rentals	228,766	21,968	250,734	391,059
Utilities	1,444,210	54,363	1,498,573	13,843
Supplies and materials	477,950	22,138	500,088	12,022
General and administrative	400,017	60,163	460,180	161,445
Claims incurred			-	661,328
Depreciation	552,721	42,355	595,076	140,918
Total operating expenses	5,240,935	204,593	5,445,528	2,401,626
Operating Income (Loss)	546,698	(37,762)	508,936	588,497
Nonoperating Revenues (Expenses):				
Investment income	6,781	3,019	9,800	2,344
Insurance and other reimbursements	13,799		13,799	
Loss on disposal of assets			-	(387)
Net nonoperating revenues (expenses)	20,580	3,019	23,599	1,957
Income (loss) before capital contribution	567,278	(34,743)	532,535	590,454
Capital contribution	360		360	29,392
Change in Net Position	567,638	(34,743)	532,895	619,846
Total Net Position at July 1, 2015	15,099,267	2,188,031		146,092
Total Net Position at June 30, 2016	\$ 15,666,905	\$ 2,153,288		\$ 765,938
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds			30,734	
Net change in net position of business-type activities (Exhibit B)			\$ 563,629	

See Notes to Basic Financial Statements.

TOWN OF VERNON, CONNECTICUT
STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2016

	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	\$ 4,639,525	\$ 166,831	\$ 4,806,356	\$ 2,912,311
Other operating revenues collected	212,792		212,792	22,587
Cash payments for employee wages and benefits	(2,021,758)		(2,021,758)	(917,958)
Cash payments for claims			-	(733,637)
Cash payments for goods and services	(2,683,951)	(94,655)	(2,778,606)	(538,583)
Cash payments for other administrative expenses			-	(86,984)
Cash receipts for interfund services and advances	7,733		7,733	751,652
Cash payments for interfund services and loans			-	(1,000,000)
Net cash provided by (used in) operating activities	154,341	72,176	226,517	409,388
Cash Flows from Capital and Related Financing Activities:				
Purchase of capital assets	(66,402)	(38,348)	(104,750)	(200,088)
Cash Flows from Investing Activities:				
Investment income	6,781	3,019	9,800	2,344
Cash Flows from Noncapital Financing Activities:				
Insurance and other reimbursements	5,659		5,659	
Net Increase (Decrease) in Cash and Cash Equivalents	100,379	36,847	137,226	211,644
Cash and Cash Equivalents at July 1, 2015	7,987,567	1,071,959	9,059,526	1,912,729
Cash and Cash Equivalents at June 30, 2016	8,087,946	1,108,806	9,196,752	2,124,373
Cash Equivalents Reported as Investments	(2,344,937)	(1,044,026)	(3,388,963)	(496,661)
Cash, June 30, 2016	\$ 5,743,009	\$ 64,780	\$ 5,807,789	\$ 1,627,712

(Continued)

TOWN OF VERNON, CONNECTICUTSTATEMENT OF CASH FLOWS - PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2016

	<u>Business-Type Activities</u>			<u>Governmental and Business-type Activities</u>
	<u>Sewer User</u>	<u>Nonmajor Center 375</u>	<u>Total</u>	<u>Internal Service Funds</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used in) Operating Activities:				
Operating income (loss)	\$ 546,698	\$ (37,762)	\$ 508,936	\$ 588,497
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:				
Add:				
Depreciation expense	552,721	42,355	595,076	140,918
Decrease in due from other funds	7,533		7,533	401,652
Increase in accounts / claims payable			-	4,929
Increase in due to other funds		75,537	75,537	8,060
Increase in accrued compensated absences	6,483		6,483	20,669
Increase in OPEB obligation	4,727		4,727	
Increase in net pension liability	499,503		499,503	124,443
Deduct:				
Increase in accounts receivable	(937,528)		(937,528)	(5,225)
Increase in prepaid expense			-	(3,812)
Increase in deferred outflows	(204,840)		(204,840)	(66,928)
Decrease in deferred inflows	(212,745)		(212,745)	(32,415)
Decrease in accounts / claims payable	(83,474)	(7,954)	(91,428)	(72,669)
Decrease in due to other funds	(24,737)		(24,737)	(698,731)
Net adjustments to operating income (loss)	(392,357)	109,938	(282,419)	(179,109)
Net Cash Provided by (Used in) Operating Activities	\$ 154,341	\$ 72,176	\$ 226,517	\$ 409,388

Schedule of noncash capital and related financing activities

Nonoperating accounts receivable of \$10,621 were received during the fiscal year as well as \$360 of contributed capital assets in the Sewer User Fund. Also, \$8,140 of nonoperating revenue is due from other funds at fiscal year end.

\$553 of Data Processing Internal Service capital assets, gross of accumulated depreciation of \$166, were disposed of during the fiscal year and \$29,392 of capital assets were contributed by the Town to the Data Processing Internal Service Fund.

(Concluded)

TOWN OF VERNON, CONNECTICUTSTATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
DECEMBER 31, 2015 AND JUNE 30, 2016

	Pension Trust Funds December 31, 2015	Other Post- Employment Benefit Trust Fund June 30, 2016	Private- Purpose Trust Fund June 30, 2016	Agency Funds June 30, 2016				
Assets:								
Cash	\$	\$	155,924	\$	250,556	\$	690,478	
Investments, at fair value (pooled):								
Certificates of deposit			102,368					
Pooled fixed income		624,481						
Mutual funds:								
Common stock	21,651,993							
International common stock/ Exchange Traded Fund ("ETF")	6,750,248							
Corporate bond/ETF	13,307,566		117,549					
Commodities/ETF	20,510							
Real estate/ETF	98,706							
Money market	72,395							
Common stock	504,184							
International common stock	20,542							
Corporate bonds	103,636							
U.S. Government notes	65,394							
Guaranteed investment account	16,499,160							
Total investments	59,094,334	624,481	219,917	-				
Accounts receivable			33,548					
Due from other funds		9,467		4,066				
Total assets	59,094,334	789,872	504,021	694,544				
Liabilities:								
Accounts and other payables	26,895	6,485		693,542				
Due to other funds		98,246		1,002				
Unearned revenue		660						
Total liabilities	26,895	105,391	-	694,544				
Net Position:								
Restricted for pension and OPEB benefits and other purposes	\$	59,067,439	\$	684,481	\$	504,021	\$	-

See Notes to Basic Financial Statements.

TOWN OF VERNON, CONNECTICUT

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
FOR THE YEARS ENDED DECEMBER 31, 2015 AND JUNE 30, 2016

	Pension Trust Funds December 31, 2015	Other Post- Employment Benefit Trust Fund June 30, 2016	Private- Purpose Trust Fund June 30, 2016
Additions:			
Contributions:			
Employer	\$ 4,062,749	\$ 642,059	\$
Employee	1,403,018		
Retirees		771,218	
State		118,455	
Private			5,187
Other		35,494	
Total contributions	5,465,767	1,567,226	5,187
Total investment income	720,197	1,349	754
Less investment expenses	259,242		
Net investment income (loss)	460,955	1,349	754
Total additions	5,926,722	1,568,575	5,941
Deductions:			
Benefit payments/annuity purchases	5,561,889	1,347,226	
Refund of contributions	225,532		
Administrative expenses	144,869		
Awards			42,980
Total deductions	5,932,290	1,347,226	42,980
Change in Net Position	(5,568)	221,349	(37,039)
Net Position at January 1 and July 1, 2015	59,073,007	463,132	541,060
Net Position at December 31, 2015 and June 30, 2016	\$ 59,067,439	\$ 684,481	\$ 504,021

See Notes to Basic Financial Statements.

TOWN OF VERNON, CONNECTICUT**NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2016**

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 non-fiduciary 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.

The School Roof Replacements and Renovations Fund, a capital projects fund, accounts for the financial activity to replace roofs at three Vernon schools, as authorized by Town Council.

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 inter-fund 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 non-operating 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 non-operating revenues and expenses.

Pensions - For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions and pension expense, information about the fiduciary net position and additions to/deductions from fiduciary net position of the Town of Vernon Pension Plans and the Connecticut State Teachers' Retirement System (TRS) have been determined on the same basis as they are reported by the Town of Vernon Pension Plans and TRS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with benefit terms.

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.

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

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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 inter-fund loans) or "advances to/from other funds" (i.e., the noncurrent portion of inter-fund 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 uncollectible accounts.

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 uncollectible accounts. Allowance percentages range from 6 to 75% 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 \$300 for the Town and \$1,000 for the Board of Education and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at 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	15-20
Buildings	45
Building improvements	10-30
Machinery and equipment	5-25
Computer software	5-10
Computer equipment	5-10
Vehicles	4-25
Infrastructure	15-50

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 reports deferred outflows of resources related to pensions for differences between expected and actual experience, the net difference between projected and actual earnings on pension plan investments and changes in assumptions. The deferred outflow for the net difference between projected and actual earnings on pension plan investments will be amortized over 5 years and the difference between expected and actual experience and changes in assumptions will be amortized over the average remaining service life of all plan members.

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 deferred charge on refunding and the difference between expected and actual experience and the return on investments related to pensions 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. The difference between the expected and actual experience will be amortized over the average remaining service life of all plan members and the net difference between projected and actual earnings on pension plan investments will be amortized over 5 years.

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, 2016 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 non-spendable 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 \$1,589,416 were authorized during the fiscal year along with re-appropriations of \$1,609,439. The legal level of control, the level at which expenditures may not legally exceed appropriations, is at the department level.

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

TOWN OF VERNON, CONNECTICUT
NOTES TO 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 \$23,390 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 projects:

Project	Project Authorization	Expended To Date	Remaining Authorization
General Government			
ADA Building and Grounds Improvements	\$ 64,519	\$ -	\$ 64,519
Town Hall Renovations	1,353,402	131,425	1,221,977
Planning and Community Development:			
Citizens Block Building Renovations	400,000	41,495	358,505
Public Safety			
Animal Control Shelter Renovations	123,100	104,633	18,467
Fox Hill Tower Communication Center Renovations	225,000	3,400	221,600
Firehouse Building Renovations	66,018	37,538	28,480
Police Station Parking Lot Paving	151,598	-	151,598
Streelight Acquisition	912,462	319,302	593,160
Maintenance and Development			
Road Reconstuction	30,907,750	11,100,447	19,807,303
Storm Drainage	66,000	-	66,000
Bridges	6,501,512	2,877,271	3,624,241
Sidewalk Reconstruction	185,000	23,950	161,050
Land Improvements	84,367	14,010	70,357
Parks and Recreation			
Valley Falls Park Dam Design and Reconstruction	844,500	20,258	824,242
Walkers Reservoir Dam Design and Reconstructic	115,000	-	115,000
ADA Building and Grounds Improvements*	48,465	47,597	868
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	18,331	1,669
Valley Falls Barn Improvements	25,000	-	25,000
Fitness Trail	45,000	19,232	25,768

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			
Central Offices Natural Gas Burner*	\$ 50,000	\$ 49,830	\$ 170
School Security Enhancements	651,694	595,937	55,757
Safe Routes to Schools	541,470	-	541,470
VCMS Parking Lot Paving *	332,000	320,661	11,339
School Roof Replacements	3,761,100	1,980,160	1,780,940
VCMS Cafeteria Security Gates*	25,000	15,092	9,908
Center Road School Media Room Air Conditioning	10,000	9,820	180
RHS Athletic Area Ventilation Improvements	15,000	11,469	3,531
RHS Remediation	20,000	6,773	13,227
Alliance 20 School Improvements and Equipment	1,225,000	225,782	999,218
RHS Erosion and Sediment Control Improvements	100,000	400	99,600
Total	<u>\$ 48,904,457</u>	<u>\$ 17,992,672</u>	<u>\$ 30,911,785</u>

* Project completed during the fiscal year.

D. Deficit Equity Balances

The following funds had a deficit equity balance:

Nonmajor Funds:

Special Revenue Funds:

Cafeteria Fund	\$ 40,239
Public Safety Complex Grant-in-Aid Fund	\$ 860,500

Capital Projects Funds:

West Main Street Bridge Reconstruction	\$ 7,460
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Internal Service Fund:

Workers' Compensation Fund	\$ 659,387
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The deficit in the Cafeteria Fund will be funded by future increases in food sale prices, other revenue and reducing operating costs. The deficit in the Public Safety Complex Grant-in-Aid Fund will be eliminated through future charges for services. The deficit in the West Main Street Bridge Reconstruction Fund will be funded with available current resources from other funds. The deficit in the 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. At year end, \$29,962,852 of the Town's bank balance of \$30,605,319 (including certificates of deposit and money market accounts) was exposed to custodial credit risk as follows:

Uninsured and uncollateralized	\$ 26,916,567
Uninsured and collateral held by the pledging bank's Trust department, not in the Town's name	<u>3,046,285</u>
Total amount subject to custodial credit risk	<u>\$ 29,962,852</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.

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
Mutual Funds:					
Common Stock	\$21,899,098	\$21,899,098	\$	\$	\$
International Common Stock/ Exchange Traded Funds ("ETF")	6,982,405	6,982,405			
Corporate Bond/ETF	13,528,784			2,750,672	10,778,112
Commodities/ETF	56,505	56,505			
Real Estate/ETF	221,891	221,891			
Hedge Funds	1,692	1,692			
Money Market	134,761		134,761		
Certificates of Deposit	134,363		130,528	3,835	
Pooled Fixed Income	14,208,062		14,208,062		
Common Stock	985,871	985,871			
International Common Stock	37,900	37,900			
Corporate Bonds	219,367			33,664	185,703
U.S. Government Notes	163,528			163,528	
Guaranteed Investment Account	<u>16,499,160</u>			<u>16,499,160</u>	
TOTAL	<u>\$75,073,387</u>	<u>\$30,185,362</u>	<u>\$14,473,351</u>	<u>\$19,450,859</u>	<u>\$10,963,815</u>

Fair Value of Investments

The Town measures and records its investments using fair value measurement guidelines established by generally accepted accounting principles. These guidelines recognize a three-tiered fair value hierarchy, as follows:

- Level 1: Quoted prices for identical investments in active markets;
- Level 2: Observable inputs other than quoted market prices; and
- Level 3: Unobservable inputs.

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

III. DETAILED NOTES (CONTINUED)

The Town had the following recurring fair value measurements.

	Amount	Quoted Market Prices in Active Markets Level 1	Significant Observable Inputs Level 2	Significant Unobservable Inputs Level 3
Investments by fair value level				
<u>Mutual Funds:</u>				
Common Stock	\$ 510,206	\$ 510,206	\$	\$
International Common Stock/Exchange Traded Funds ("ETF")	483,561	483,561		
Corporate Bond/ETF	297,718	297,718		
Commodities/ETF	56,505	56,505		
Real Estate/ETF	221,891	221,891		
Hedge Funds	1,692	1,692		
Money Market	134,761	134,761		
Common Stock	985,871	985,871		
International Common Stock	37,900	37,900		
Corporate Bonds	219,367		219,367	
U.S. Government Notes	163,528		163,528	
Total investments by fair value level	3,113,000	\$ 2,730,105	\$ 382,895	\$ -
<u>Investment measured at the net asset value (NAV)</u>				
Common Stock Funds	21,388,892			
International Common Stock Funds	6,498,844			
Corporate Bond funds	13,231,066			
Total investments measured at NAV	41,118,802			
<u>Other Investments</u>				
Certificates of deposit	134,363			
Pooled fixed income	14,208,062			
Guaranteed investment account	16,499,160			
Total other investments	30,841,585			
Total Investments	\$ 75,073,387			

Securities classified in Level 1 are valued using prices quoted in active markets for those securities.

Securities classified in Level 2 are valued using quoted prices for identical securities in markets that are not active.

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

III. DETAILED NOTES (CONTINUED)

Investments measured at NAV

The valuation method for investments measured at the net asset value (NAV) per share (or its equivalent) is presented in the following table.

Investments measured at the NAV

Investment Description	Fair Value	Unfunded Commitments	Redemption Frequency (if eligible)	Redemption Period Notice
Common Stock Funds	\$ 21,388,892	\$ -	Daily	Daily
International Common Stock Funds	6,498,844	-	Daily	Daily
Corporate Bond Funds	<u>13,231,066</u>	-	Daily	Daily
Total investments measured at NAV	<u>\$ 41,118,802</u>			

1. *Common Stock Funds.* This type includes investments in 8 private equity funds that invest in index (1), large cap (3), mid cap (2) and small cap (2) equities. The fund invests in primarily domestic equities. Management of each fund has the ability to shift investments from value to growth strategies and from small to mid to large capitalization stocks. The fair values of the investments in this type have been determined using the NAV per share of the investment.
2. *International Common Stock Funds.* This type includes investments in 3 funds, 2 blended funds and one growth fund. The fair values of the investments in this type have been determined using the NAV per share of the investment.
3. *Corporate Bond Funds.* This type includes investments in 3 funds that are mostly comprised of domestic fixed income securities. One of the funds is a high yield bond fund. The fair values of the investments in this type have been determined using the NAV per share of the investment.

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		Corporate Bonds	Guaranteed Investment Account
		Money Market	Corporate Bond/ETF		
AAA	\$14,208,062	\$	\$2,485,735	\$ 30,275	\$16,499,160
AA			948,292	25,410	
A			1,851,352	92,275	
B			378,708		
BB			2,418,412		
BBB			2,599,516	71,407	
CCC			305,640		
Unrated		134,761	2,541,129		
TOTAL	\$14,208,062	\$ 134,761	\$13,528,784	\$ 219,367	\$16,499,160

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
Common Stock	\$ 985,871	\$ 500,000	\$ 485,871
International Common Stock	37,900		37,900
Corporate Bonds	219,367		219,367
U.S. Government Notes	163,528		163,528
TOTAL	\$ 1,406,666	\$ 500,000	\$ 906,666

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

	PROPERTY TAXES		
	INTEREST AND		
	TAXES	LIEN FEES	TOTAL
Current portion	<u>\$ 656,082</u>	<u>\$ 130,523</u>	<u>\$ 786,605</u>
Long-term portion	<u>\$ 835,014</u>	<u>\$ 541,407</u>	<u>\$ 1,376,421</u>
Less allowance for uncollectibles ...	<u>(225,000)</u>	<u>(350,000)</u>	<u>(575,000)</u>
Net long-term portion	<u>\$ 610,014</u>	<u>\$ 191,407</u>	<u>\$ 801,421</u>
	SEWER MEDICAL		
	USER SERVICES		
Receivable amount	<u>\$2,499,736</u>	<u>\$1,547,900</u>	
Less allowance for uncollectibles ...	<u>(155,263)</u>	<u>(1,160,925)</u>	
Net receivable	<u>\$2,344,473</u>	<u>\$ 386,975</u>	

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 governmental activities was as follows:

	Balance July 1, 2015	Increases	Decreases	Balance June 30, 2016
Capital assets, not being depreciated:				
Land	\$ 8,375,406	\$ 291,322	\$	\$ 8,666,728
Construction in progress	10,289,623	7,524,490	3,263,742	14,550,371
Total capital assets, not being depreciated	18,665,029	7,815,812	3,263,742	23,217,099
Capital assets, being depreciated:				
Land improvements	6,522,610	29,701		6,552,311
Buildings and improvements	111,641,295	102,271		111,743,566
Machinery and equipment	43,097,617	1,885,438	573,525	44,409,530
Intangibles - computer software	387,279			387,279
Infrastructure	76,557,335	3,289,801	45,400	79,801,736
Total capital assets, being depreciated	238,206,136	5,307,211	618,925	242,894,422
Total capital assets	256,871,165	13,123,023	3,882,667	266,111,521
Less accumulated depreciation for:				
Land improvements	4,420,202	193,315		4,613,517
Buildings and improvements	32,301,184	2,207,011		34,508,195
Machinery and equipment	33,878,524	1,544,607	561,346	34,861,785
Intangibles - computer software	387,279			387,279
Infrastructure	29,565,447	1,779,275	45,566	31,299,156
Total accumulated depreciation and amortization	100,552,636	5,724,208	606,912	105,669,932
Total capital assets, being depreciated, net	137,653,500	(416,997)	12,013	137,224,490
Governmental activities capital assets, net	\$ 156,318,529	\$ 7,398,815	\$ 3,275,755	\$ 160,441,589

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

III. DETAILED NOTES (CONTINUED)

Capital asset activity for business-type activities was as follows:

	Balance July 1, 2015	Increases	Decreases	Balance June 30, 2016
Capital assets, not being depreciated:				
Land	\$ 1,267,840	\$	\$	\$ 1,267,840
Capital assets, being depreciated:				
Buildings and system	6,387,446	77,115		6,464,561
Improvements other than building	216,051	1,820		217,871
Machinery and equipment	8,781,157	26,175		8,807,332
Intangibles - computer software	85,800			85,800
Infrastructure	11,342,466			11,342,466
Total capital assets, being depreciated	26,812,920	105,110	-	26,918,030
Total capital assets	28,080,760	105,110	-	28,185,870
Less accumulated depreciation:				
Buildings and system	4,985,274	138,386		5,123,660
Improvements other than building	188,118	3,496		191,614
Machinery and equipment	7,090,277	225,058		7,315,335
Intangibles - computer software	42,180	14,360		56,540
Infrastructure	5,480,292	213,776		5,694,068
Total accumulated depreciation and amortization	17,786,141	595,076	-	18,381,217
Total capital assets, being depreciated, net	9,026,779	(489,966)	-	8,536,813
Business-type activities capital assets, net	\$ 10,294,619	\$ (489,966)	\$ -	\$ 9,804,653

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	\$ 163,290
Community development	394
Public safety	591,705
Maintenance and development	2,660,153
Human services	602
Parks and recreation	258,267
Education	<u>2,049,797</u>
Total Depreciation Expense - governmental activities	<u>\$ 5,724,208</u>
Business-type activities:	
Sewer use	\$ 552,721
Rental of building	<u>42,355</u>
Total Depreciation Expense - business-type activities	<u>\$ 595,076</u>

Construction Commitments

At year end, the Town had \$1,783,438 of construction commitments.

D. Interfund Receivables, Payables and Transfers

Interfund transfers:

	<u>Transfers In</u>		
	<u>General Fund</u>	<u>Nonmajor Governmental</u>	<u>Total Out</u>
Transfers Out:			
General Fund	\$	\$2,859,710	\$2,859,710
Nonmajor Governmental	<u>237,180</u>		<u>237,180</u>
Total Transfers In	<u>\$ 237,180</u>	<u>\$2,859,710</u>	<u>\$3,096,890</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)

Due to and from other funds were as follows:

	DUE FROM OTHER FUNDS	DUE TO OTHER FUNDS
General Fund	\$ 5,417,912	\$ 667,277
Major Funds:		
Road Improvements Bond	<u> </u>	<u>1,740,244</u>
Nonmajor Funds:		
Debt Service Fund		1,994
Special Revenue Funds:		
Cafeteria	549	131,537
Town Clerk Special	82	219
Dog License Fund	3,059	412
Ambulance Medical Services		9,068
Public Safety Complex Grant-In-Aid		860,500
Vernon Cemetery Commission		49,968
Sewer Assessment	470	27,102
Sewer Connections		7,475
Adult Basic Education Tuition	2,083	50,952
Special Education Grants	4,164	63,042
Special Education Excess Cost Reserve	90,000	
CDBG Small Cities		17,312
Parks and Recreation Programs		26,965
Brownfield Mills Remediation Projects		423,739
Miscellaneous Grants		14,984
Miscellaneous Special Revenue	17,500	1,855
Capital Projects Funds:		
Town Capital and Nonrecurring	377,642	10,715
Education Capital and Nonrecurring	100,000	
River Street Bridge Renovations		6,951
Spring Street Bridge Renovations		5,827
Citizens Block Renovations		5,500
West Main Street Bridge Reconstruction		972,714
Phoenix Street Bridge Renovations	<u> </u>	<u>51,365</u>
Total Nonmajor Funds	<u>595,549</u>	<u>2,740,196</u>
Fiduciary Funds:		
Other Post-Employment Benefit Trust	9,467	98,246
Student Activity	4,000	
Miscellaneous Activity	<u>66</u>	<u>1,002</u>
Total Fiduciary Funds	<u>13,533</u>	<u>99,248</u>

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	\$ 8,254	\$ 31,200
Center 375	<u>27</u>	<u>75,848</u>
Total Enterprise Funds	<u>8,281</u>	<u>107,048</u>
Internal Service Funds:		
Workers' Compensation Fund	50,000	200,880
Medical Self-Insurance		10,320
Data Processing Fund	<u> </u>	<u>520,062</u>
Total Internal Service Funds	<u>50,000</u>	<u>731,262</u>
Total	<u>\$ 6,085,275</u>	<u>\$ 6,085,275</u>

Interfund balances are the result of interfund transfers, reimbursements or loans outstanding at year end.

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 were as follows:

	Balance July 1, 2015	Additions	Reductions	Balance June 30, 2016	Due Within One Year
Governmental activities:					
Bonds:					
General purpose	\$ 11,488,500	\$ 12,480,000	\$ 915,500	\$ 23,053,000	\$ 1,349,000
Schools	22,084,500		1,604,500	20,480,000	1,747,000
Sewers	632,000		55,000	577,000	54,000
Total bonds	34,205,000	12,480,000	2,575,000	44,110,000	3,150,000
Notes:					
State of Connecticut					
Clean Water Fund	2,454,022		1,627,828	826,194	826,194
Total bonds and notes	36,659,022	12,480,000	4,202,828	44,936,194	3,976,194
Lease purchases:					
Fire Trucks	1,050,605		142,690	907,915	145,087
Asphalt Box Reclaimer	306,868		75,035	231,833	76,145
Total lease purchases	1,357,473	-	217,725	1,139,748	221,232
Compensated absences:					
Town	2,797,095	327,327	374,138	2,750,284	654,373
Board of Education	1,027,827	136,125	98,179	1,065,773	331,311
Internal Service Fund	43,527	20,670		64,197	49,758
Total compensated absences	3,868,449	484,122	472,317	3,880,254	1,035,442

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

III. DETAILED NOTES (CONTINUED)

	Balance July 1, 2015	Additions	Reductions	Balance June 30, 2016	Due Within One Year
Retirement obligations:					
Net pension liability	\$ 43,896,668	\$ 16,438,279	\$ 5,582,111	\$ 54,752,836	\$ -
Town:					
Net OPEB obligation*	1,129,297	373,084	279,652	1,222,729	-
Board of Education:					
Net OPEB obligation	1,208,901	304,647	342,407	1,171,141	
Estimated retirement pay	1,869,658	226,175	270,469	1,825,364	120,000
Early retirement pay	475,805	277,514	265,849	487,470	209,921
Healthcare termination	9,674		4,351	5,323	2,323
Total Board of Education retirement obligations	3,564,038	808,336	883,076	3,489,298	332,244
Total retirement obligations	48,590,003	17,619,699	6,744,839	59,464,863	332,244
Risk management:					
Claims payable	1,388,956	661,328	733,637	1,316,647	287,542
Heart and Hypertension	347,538		23,291	324,247	8,200
Total Risk Management	1,736,494	661,328	756,928	1,640,894	295,742
Total Governmental Activities Long-Term Liabilities	\$ 92,211,441	\$ 31,245,149	\$ 12,394,637	\$ 111,061,953	\$ 5,860,854
Business-Type Activities:					
Compensated absences	\$ 342,947	\$ 6,483	\$	\$ 349,430	\$ 90,575
Net pension liability	2,710,128	732,835	233,332	3,209,631	-
Net OPEB Liability	42,394	24,727	20,000	47,121	-
Total Business-Type Activities Long-term Liabilities	\$ 3,095,469	\$ 764,045	\$ 253,332	\$ 3,606,182	\$ 90,575

* \$42,394 of the net OPEB obligation is recorded in the Sewer User Fund at 7/1/15 and \$47,121 at 6/30/16.

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, 2016
Bonded Debt					
General Purpose Bonds:					
Public Improvements (defeased)	02/01/09	02/01/24	2.50 - 4.50%	\$ 720,000	\$ -
Public Improvements	04/12/11	04/01/25	2.00 - 3.75%	2,155,000	1,470,000
Public Improvements (refunding)	04/11/12	08/01/27	2.00 - 4.50%	11,724,000	9,103,000
Public Improvements	08/05/15	08/01/30	2.00 - 3.125%	6,130,000	6,130,000
Public Improvements	08/04/16	08/01/31	2.00 - 4.00%	6,350,000	6,350,000
Total General Purpose Bonds					23,053,000
School Bonds:					
School Renovations (defeased)	02/14/08	02/01/28	3.50 - 5.50%	10,155,000	-
School Renovations	04/12/11	04/01/25	2.00 - 3.75%	1,600,000	1,080,000
School Renovations (refunding)	04/11/12	08/01/27	2.00 - 4.50%	22,168,000	19,400,000
Total School Bonds					20,480,000
Sewer Bonds:					
Sewer System Improvements (refunding)	04/11/12	08/01/27	2.00 - 4.50%	793,000	577,000
Total Bonded Debt					\$44,110,000
Notes Payable					
State of Connecticut:					
Clean Water Fund 200-C	12/31/97	12/31/16	2.0%	27,635,550	\$ 826,194
Lease Purchases					
Fire Trucks	8/22/2012	1/10/2022	1.68%	1,479,761	\$ 907,915
Asphalt Box Reclaimer	8/22/2012	1/10/2019	1.48%	530,239	231,833
Total Lease Purchases					\$ 1,139,748

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	Principal						
Ending June 30	General Purpose	School	Sewer	Total	Notes Payable	Lease Purchase	Total All Debt
2017	\$1,349,000	\$1,747,000	\$ 54,000	\$3,150,000	\$ 826,194	\$221,232	\$ 4,197,426
2018	1,778,000	1,883,000	54,000	3,715,000		224,797	3,939,797
2019	1,798,000	2,024,000	53,000	3,875,000		228,419	4,103,419
2020	1,793,000	2,019,000	53,000	3,865,000		152,523	4,017,523
2021	1,794,000	2,028,000	53,000	3,875,000		155,086	4,030,086
2022	1,793,000	2,035,000	52,000	3,880,000		157,691	4,037,691
2023	1,817,000	2,111,000	52,000	3,980,000			3,980,000
2024	1,816,000	2,107,000	52,000	3,975,000			3,975,000
2025	1,751,000	1,227,000	52,000	3,030,000			3,030,000
2026	1,747,000	1,222,000	51,000	3,020,000			3,020,000
2027	1,594,000	1,105,000	51,000	2,750,000			2,750,000
2028	1,138,000	972,000		2,110,000			2,110,000
2029	835,000			835,000			835,000
2030	835,000			835,000			835,000
2031	815,000			815,000			815,000
2032	400,000			400,000			400,000
Total	<u>\$23,053,000</u>	<u>\$20,480,000</u>	<u>\$ 577,000</u>	<u>\$44,110,000</u>	<u>\$ 826,194</u>	<u>\$1,139,748</u>	<u>\$46,075,942</u>

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

Fiscal Year	Interest						
Ending June 30	General Purpose	School	Sewer	Total	Notes Payable	Lease Purchase	Total All Debt
2017	\$ 598,685	\$ 716,833	\$ 20,280	\$1,335,798	\$ 4,826	\$ 18,684	\$1,359,308
2018	644,229	663,192	18,660	1,326,081		15,120	1,341,201
2019	592,846	609,648	17,188	1,219,682		11,498	1,231,180
2020	539,039	539,460	15,332	1,093,831		7,817	1,101,648
2021	479,191	454,823	13,080	947,094		5,254	952,348
2022	415,740	371,964	10,915	798,619		2,649	801,268
2023	351,461	287,175	8,770	647,406			647,406
2024	288,836	203,355	6,690	498,881			498,881
2025	230,756	137,215	4,610	372,581			372,581
2026	175,998	88,640	2,550	267,188			267,188
2027	124,025	45,735	765	170,525			170,525
2028	87,295	14,580		101,875			101,875
2029	61,950			61,950			61,950
2030	41,150			41,150			41,150
2031	19,875			19,875			19,875
2032	4,500			4,500			4,500
Total	<u>\$4,655,576</u>	<u>\$4,132,620</u>	<u>\$ 118,840</u>	<u>\$8,907,036</u>	<u>\$ 4,826</u>	<u>\$ 61,022</u>	<u>\$8,972,884</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 fiscal year is \$4,351. A liability of \$5,323, presented in government-wide financial statements, for this benefit is calculated based upon the discounted present value of future unadjusted premiums and includes a healthcare cost trend of 9.91% and an investment yield of .44%.

In addition to healthcare termination benefits, cash payments are available to school administrator early retirees. Also, there are 2 former school administrators receiving this benefit. The cost to the Town for the fiscal year is \$30,849. An early retirement liability of \$75,827, presented in government-wide financial statements, for this benefit is calculated based upon the discounted present value of expected future benefits and an .44% yield of investments that are expected to be used to finance such benefit payments.

School Teachers

The Town also offers an early retirement incentive plan for certified teachers in the form of cash payments. Benefit provisions, included in the school teachers' bargaining agreement with the Vernon Board of Education, require Town Council approval.

There are 48 former teachers receiving this benefit. The cost to the Town for the fiscal year is \$235,000. An early retirement liability of \$411,643, presented in government-wide financial statements, for this benefit is calculated based upon the discounted present value of expected future benefits and an .44% yield of investments that are expected to be used to finance such benefit payments.

3. Estimated Retirement Pay

Upon retirement, members of the School Administrators, Teachers, Librarians, Nurses and Supervisors bargaining units are eligible to receive up to 3 days of compensation for each year of service. Based upon historical evidence, approximately 75% of members of these bargaining units will become eligible for retirement pay. It is estimated that retirement pay liability at year end totaled \$1,825,364. Paid benefits for the current fiscal year were \$270,469.

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

III. DETAILED NOTES (CONTINUED)

4. Capital Leases

Capital leases are for three fire trucks, a recycling truck, an excavator and a parks tractor. The present value of future minimum lease payments amounts to \$1,139,748.

The amount of assets capitalized under capital leases totaled \$1,972,354 and accumulated depreciation totaled \$836,528. The amount included in depreciation expense for these assets was \$230,913.

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:

YEAR ENDING <u>JUNE 30,</u>	
2017	\$ 239,917
2018	239,917
2019	239,917
Thereafter	481,019
Less amount representing interest	<u>(61,022)</u>
Present value of minimum lease payments	<u>\$ 1,139,748</u>

5. Heart and Hypertension Claims

Heart and hypertension outstanding claims, including an estimated \$144,637 of Incurred, But Not Reported claims, totaled \$324,247 at fiscal year end. There are three heart and hypertension claims outstanding at year end. Medical claims of \$23,291 of claim payments were made during the fiscal year.

6. 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.....	\$ 149,412,431	\$ 40,187,000	\$ 109,225,431
Schools.....	298,824,863	58,492,000	240,332,863
Sewers	249,020,719	4,266,471	244,754,248
Urban renewal	215,817,956	-	215,817,956
Pension deficit	199,216,575	-	199,216,575

The total overall statutory debt limit for the Town is equal to seven times annual receipts from taxation, \$464,838,675.

The indebtedness reflected above includes bonds outstanding in addition to the amount of bonds authorized and unissued.

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

III. DETAILED NOTES (CONTINUED)

7. 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, 2016. 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.

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, 2016. This authorization is not expected to be utilized as these projects have been completed with other funding sources.

On January 28, 2014, a referendum was held that appropriated \$27,637,000 for Road Reconstruction and Improvements. Of the \$27,637,000 authorization, \$12,480,000 of bonds has been issued. The remaining unissued Road Reconstruction and Improvements authorization is, therefore, \$15,157,000.

8. Overlapping Debt

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

9. 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 year end, the amount of defeased debt outstanding amounted to \$23,100,000 (net of \$7,500,000 called debt).

F. Restricted Net Position

The amount of restricted net position, which was restricted by enabling legislation, totaled \$84.

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

III. DETAILED NOTES (CONTINUED)

G. Fund Balance Classifications

Fund balance components were for the following purposes:

Fund Balance Component	General Fund	Major Funds		Nonmajor Funds	Total
		Road Improvements Bond	School Roof Replacements		
Nonspendable:					
Permanent fund principal cemetery	\$	\$	\$	\$1,718,860	\$1,718,860
Cafeteria inventory				21,612	21,612
Total nonspendable	-	-	-	1,740,472	1,740,472
Restricted:					
Donor-purpose restrictions				557,664	557,664
Grant programs				374,621	374,621
Sewer assessment				84	84
Cemeteries				94,237	94,237
Housing and community development				113,984	113,984
Education grants				412,963	412,963
Adult education				17,298	17,298
Total restricted	-	-	-	1,570,851	1,570,851
Committed:					
Sewer repairs and maintenance				1,840,580	1,840,580
Insurance and medical				477,013	477,013
Community development				249,535	249,535
Police				50,508	50,508
Ambulance				197,278	197,278
Animal control				47,654	47,654
Human services				64,281	64,281
Maintenance for water runoff				51,726	51,726
Parks and recreation programs				288,946	288,946
Sidewalk development				2,701	2,701
Approved capital outlay projects		1,668,046	554,764	2,406,581	4,629,391
Total committed	-	1,668,046	554,764	5,676,803	7,899,613

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

III. DETAILED NOTES (CONTINUED)

Fund Balance Component	General Fund	Major Funds		Nonmajor Funds	Total
		Road Improvements Bond	School Roof Replacements		
Assigned:					
General government:					
Administration and Finance	\$187,590	\$	\$	\$	\$187,590
Data processing	150,807				150,807
Pension	13,985				13,985
Insurances	39,723				39,723
Community development:					
Planning	12,370				12,370
Public safety:					
Police	123,500				123,500
Fire	95,302				95,302
Ambulance	56,900				56,900
Maintenance and development:					
Bldings, streets, grounds	126,797				126,797
Refuse and recycling	68,895				68,895
Human services:					
Social services	30				30
Senior services	64				64
Health services	4,530				4,530
Parks and recreation:					
Parks supervision and maintenance	22,043				22,043
Public celebration	9,339				9,339
Education	1,223,608				1,223,608
Compensated absences	322,000				322,000
Debt payments	262,150			180,000	442,150
Miscellaneous	9,833				9,833
Total assigned	2,729,466	-	-	180,000	2,909,466
Unassigned	14,230,790	-	-	(929,811)	13,300,979
Total	\$16,960,256	\$1,668,046	\$554,764	\$8,238,315	\$27,421,381

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 probable that a liability has been incurred at the date of the financial statements and the amount of the possible loss can be reasonably estimated. The amount of claim accrual is based on the ultimate costs of settling the claim, which include past experience data, inflation and other future economic and societal factors and incremental claim adjustment expenses, net of estimated subrogation recoveries.

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

	<u>Fiscal Year Ended June 30,</u>	
	<u>2016</u>	<u>2015</u>
Claims payable, July 1	\$ 1,375,645	\$ 893,391
Incurred claims, current year	790,526	657,674
Claims adjustments, prior years	(338,234)	297,184
Claims incurred for the fiscal year	452,292	954,858
Claims paid, current and prior years	515,117	472,604
Claims payable, June 30	\$ 1,312,820	\$ 1,375,645

Based on historical payment data, approximately 21.6% of claims payable will be paid during the following fiscal year. Thus, \$283,715 of claims payable is considered as a current liability and the remaining \$1,029,105 is considered as a long-term liability. Claims payable includes \$95,738 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, Vernon Cemetery Fund (Special Revenue Fund), the Sewer User Fund (Enterprise Fund) and the Data Processing Fund (Internal Service Fund). Contribution amounts are based upon historical experience of claims incurred and paid.

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

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

	<u>Fiscal Year Ended June 30,</u>	
	<u>2016</u>	<u>2015</u>
Claims payable, July 1	\$ <u>13,311</u>	\$ <u>42,265</u>
Incurred claims, current year	<u>209,036</u>	<u>454,509</u>
Claims paid, current and prior years	<u>218,520</u>	<u>483,463</u>
Claims payable, June 30	\$ <u><u>3,827</u></u>	\$ <u><u>13,311</u></u>

The entire portion of claims payable is considered payable in the following 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 \$826,194 due on the CWF loan, the Towns of Ellington, Manchester, South Windsor and Tolland are obligated to provide payments totaling \$177,837 to the Town of Vernon in installments through December 31, 2016. The Town of Vernon is responsible for debt service payments on the loan.

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 liaison.

b. *Participant Membership*

Participant membership at January 1, 2016 was as follows:

	<u>Police</u>	<u>Town</u>	<u>LOSAP</u>
Retirees, disabled and beneficiaries currently receiving benefits	52	206	15
Terminated employees entitled to benefits, but not yet receiving them	1	222	40
Active employees:			
Vested, partially vested and non-vested	49	349	118
Total participant membership	<u>102</u>	<u>777</u>	<u>173</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 non-bargaining Town Hall employees, Education Librarian and Education Secretarial and Maintenance employees is age 62 and 10 years of service or age 60 and 32 years of service. Professionals, Waste Treatment Plant (WTP) Supervisors, P.W. Clerical, Education Supervisors and Education School Nurse union employees attain normal retirement age at age 62 and 10 years of service. The normal retirement date for all other participants is attained at age 65 and 10 years of service.

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

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 non-vested participant, there shall be payable to the beneficiary, a death benefit equal to the participant's contributions plus interest. A preretirement spousal death benefit is payable to vested participants who have been married five full years prior to death. The preretirement spousal death benefit is determined as for early retirement, based on earnings and credited service to the date of participant death. For volunteer firefighter department members, a preretirement spousal death benefit is payable to a member's surviving spouse in case of Death in the Line of Duty and is equal to the benefit the member would have received if the member had reached his normal retirement date and had elected to receive a 50% Joint and Survivor Annuity.

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, 2016, the average active member contribution rate was 8.50% of annual base compensation, and the Town's average contribution rate was 34.53% 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 nonunion members are required to contribute 7.0% of their earnings (pre-tax). The Professional, P.W. and Parks union, Public Works Clerical, and the Water Pollution Control Supervisors are required to contribute 7.5% of their earnings (pre-tax). Police Civilian Support union members are required to contribute 7.9% of their earnings (pre-tax). Members of the Education Nurses unions are required to contribute 6.5% of earnings (pre-tax). All other participants are required to contribute 4% of their earnings (post-tax). Such contributions are credited with interest at a rate of 6% per annum.

For the current fiscal year, the average active member contribution rate was 6.98% of annual base compensation, and the Town's average contribution rate was 16.12% 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, 2015:

<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, 2015, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was as follows:

Police Plan	.20%
Town Plan	.20%
LOSAP Plan	-4.87%

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, 2016, were as follows:

	<u>Police</u>	<u>Town</u>	<u>LOSAP</u>
Total pension liability	\$ 41,058,435	\$ 74,529,518	\$ 1,397,364
Plan fiduciary net position	<u>(19,263,107)</u>	<u>(38,362,379)</u>	<u>(1,441,953)</u>
Net pension liability (asset)	<u>\$ 21,795,328</u>	<u>\$ 36,167,139</u>	<u>\$ (44,589)</u>
Plan fiduciary net position as a percentage of the total pension liability	<u>46.92%</u>	<u>51.47%</u>	<u>103.19%</u>

7. Actuarial Assumptions

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

	<u>Police</u>	<u>Town</u>	<u>LOSAP</u>
Actuarial cost method	Entry age	Entry age	Entry age
Asset valuation method (1)	Fair value	Fair value	Fair 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	7.00%	7.00%	6.50%
Mortality rates	RP-2014 Blue Collar Mortality table With Scale MP-2014	RP-2014 Blue Collar Mortality table With Scale MP-2014	RP-2000 Morality table Projected 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 (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	8.25%	8.25%	8.50%
Mid Cap Equity	8.75%	8.75%	9.00%
Small Cap Equity	9.00%	9.00%	9.25%
International Equity	8.00%	8.00%	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 7.0% 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. Changes in the Net Pension Liability

The Town's net pension liability was measured at December 31, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of January 1, 2015. The changes in net pension liability for each plan for the fiscal year were as follows:

	Increase (Decrease)		
Police Plan	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balance at January 1, 2015	\$ 38,524,318	\$ 19,600,137	\$ 18,924,181
Service cost	767,633		767,633
Interest	2,711,068		2,711,068
Differences between expected and actual experience	(304,928)		(304,928)
Changes in assumptions	1,833,919		1,833,919
Contributions - employer		1,639,455	(1,639,455)
Contributions - member		370,334	(370,334)
Net investment income		176,500	(176,500)
Benefit payments, including refunds of member contributions	(2,473,575)	(2,473,575)	-
Administrative expenses		(49,744)	49,744
Net change	2,534,117	(337,030)	2,871,147
Balance at December 31, 2015	\$ 41,058,435	\$ 19,263,107	\$ 21,795,328

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

IV. OTHER INFORMATION (CONTINUED)

Town Plan	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balance at January 1, 2015	\$ 65,646,673	\$ 37,964,058	\$ 27,682,615
Service cost	1,464,780		1,464,780
Interest	4,604,469		4,604,469
Differences between expected and actual experience	135,086		135,086
Changes in assumptions	5,959,086		5,959,086
Contributions - employer		2,383,370	(2,383,370)
Contributions - member		1,032,684	(1,032,684)
Net investment income		339,223	(339,223)
Benefit payments, including refunds of member contributions	(3,280,576)	(3,280,576)	-
Administrative expenses		(76,380)	76,380
Net change	8,882,845	398,321	8,484,524
Balance at December 31, 2015	\$ 74,529,518	\$ 38,362,379	\$ 36,167,139

LOSAP	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (Asset) (a) - (b)
Balance at January 1, 2015	\$ 1,333,889	\$ 1,508,812	\$ (174,923)
Service cost	24,830		24,830
Interest	85,622		85,622
Differences between expected and actual experience	(13,707)		(13,707)
Contributions - employer		39,924	(39,924)
Net investment income (loss)		(54,768)	54,768
Benefit payments, including refunds of member contributions	(33,270)	(33,270)	-
Administrative expenses		(18,745)	18,745
Net change	63,475	(66,859)	130,334
Balance at December 31, 2015	\$ 1,397,364	\$ 1,441,953	\$ (44,589)

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

IV. OTHER INFORMATION (CONTINUED)

10. Sensitivity of the Net Pension Liability to Changes in the Discount Rate

The following presents the net pension liability, calculated using the discount rate of 7.00% 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 (6.00%) or 1-percentage-point higher (8.00%) than the current rate:

Police

	1% Decrease (6.00%)	Current Discount (7.00%)	1% Increase (8.00%)
Net pension liability (asset)	\$ 26,941,209	\$ 21,795,328	\$ 17,527,765

Town

	1% Decrease (6.00%)	Current Discount (7.00%)	1% Increase (8.00%)
Net pension liability (asset)	\$ 29,308,004	\$ 36,167,139	\$ 44,300,913

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 (asset) 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)	\$ 156,173	\$ (44,589)	\$ (235,142)

11. Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

The Town recognized pension expense of \$3,899,691. The Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

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

IV. OTHER INFORMATION (CONTINUED)

Description of Outflows/Inflows	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 134,998	\$ 1,852,399
Changes in assumptions	7,828,944	
Net difference between projected and actual earnings on pension plan investments	<u>1,830,465</u>	
Total	<u>\$ 9,794,407</u>	<u>\$ 1,852,399</u>
Net amount of deferred inflows and outflows excluding Town contributions subsequent to measurement date		<u>\$ (7,942,008)</u>

Differences between expected and actual experience and changes in assumptions are amortized over 3.28 - 5.05 years. Actual investment earnings below (or above) projected earnings are amortized over 5 years.

Amounts reported as deferred outflows (inflows) of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ending December 31,</u>	
2016	\$ (2,509,893)
2017	(2,501,732)
2018	(1,868,696)
2019	(1,035,186)
2020	(3,649)
Thereafter	<u>(22,852)</u>
Total	<u>\$ (7,942,008)</u>

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

IV. OTHER INFORMATION (CONTINUED)

12. Plan Statements

**Statement of Fiduciary Fund Net Position
Pension Trust Funds
December 31, 2015**

	Police Pension	Town Pension	Volunteer Firefighters Length of Service Award Program (LOSAP)	Total
Assets:				
Investments, at fair value:				
Mutual funds:				
Common stock	\$ 7,563,267	\$ 13,825,625	\$ 263,101	\$ 21,651,993
International common stock/ Exchange Traded Fund ("ETF")	2,123,802	4,375,042	251,404	6,750,248
Corporate bond/ETF	3,776,521	9,454,545	76,500	13,307,566
Commodities/ETF			20,510	20,510
Real estate/ETF			98,706	98,706
Money market	7,110	27,309	37,976	72,395
Common stock			504,184	504,184
International common stock			20,542	20,542
Corporate bonds			103,636	103,636
Government agency bonds			65,394	65,394
Guaranteed investment account	5,807,032	10,692,128		16,499,160
Total assets	19,277,732	38,374,649	1,441,953	59,094,334
Liability:				
Accounts and other payables	14,625	12,270		26,895
Net Position:				
Restricted for pension benefits	\$ 19,263,107	\$ 38,362,379	\$ 1,441,953	\$ 59,067,439

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, 2015**

	Police Pension	Town Pension	Volunteer Firefighters Length of Service Award Program (LOSAP)	Total
Additions:				
Contributions:				
Employer	\$ 1,639,455	\$2,383,370	\$ 39,924	\$ 4,062,749
Employee	370,334	1,032,684		1,403,018
Total contributions	2,009,789	3,416,054	39,924	5,465,767
Net investment income	264,899	510,066	(54,768)	720,197
Less investment expenses	88,399	170,843		259,242
Net investment income (loss)	176,500	339,223	(54,768)	460,955
Net additions	2,186,289	3,755,277	(14,844)	5,926,722
Deductions:				
Benefit payments/annuity purchases	2,401,930	3,126,689	33,270	5,561,889
Refund of contributions	71,645	153,887		225,532
Administrative expenses	49,744	76,380	18,745	144,869
Total deductions	2,523,319	3,356,956	52,015	5,932,290
Change in net position	(337,030)	398,321	(66,859)	(5,568)
Net Position - January 1, 2015	19,600,137	37,964,058	1,508,812	59,073,007
Net Position - December 31, 2015	\$ 19,263,107	\$ 38,362,379	\$ 1,441,953	\$ 59,067,439

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

IV. OTHER INFORMATION (CONTINUED)

D. Connecticut State Teachers' Retirement System

1. Plan Description

Teachers, principals, superintendents, or supervisors engaged in service of public schools are provided with pensions through the Connecticut State Teachers' Retirement System (TRS) - a cost sharing multiple-employer defined benefit pension plan administered by the Teachers' Retirement Board (TRB). Chapter 167a of the State Statutes grants authority to establish and amend the benefit terms to the TRB. TRS issues a publicly available financial report that can be obtained at www.ct.gov.

2. Benefit Provisions

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

Normal Retirement: Retirement benefits for the employees are calculated as 2% of the average annual salary times the years of credited service (maximum benefit is 75% of average annual salary during the 3 years of highest salary).

Early Retirement: Employees are eligible after 25 years of credited service including 20 years of Connecticut service, or age 55 with 20 years of credited service including 15 years of Connecticut service. Benefit amounts are reduced by 6% per year for the first 5 years preceding normal retirement age and 4% per year for the next 5 years preceding the normal retirement age. Effective July 1, 1999, the reduction for individuals with 30 or more years of service is 3% per year by which retirement precedes normal retirement date.

Disability Retirement: Employees are eligible for service-related disability benefits regardless of length of service. Five years of credited service is required for nonservice-related disability eligibility. Disability benefits are calculated as 2% of average annual salary times credited service to date of disability, but not less than 15% of average annual salary, nor more than 50% of average annual salary. In addition, disability benefits under this plan (without regard to cost-of-living adjustments) plus any initial award of social security benefits and workers' compensation cannot exceed 75% of average annual salary.

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

IV. OTHER INFORMATION (CONTINUED)

3. Contributions

State of Connecticut

Per Connecticut General Statutes Section 10-183z (which reflects Public Act 79-436 as amended), contribution requirements of active employees and the State of Connecticut are amended and certified by the State Teachers' Retirement Board and appropriated by the General Assembly. The contributions are actuarially determined as an amount that, when combined with employee contributions and investment earnings, is expected to finance the costs of the benefits earned by employees during the year, with any additional amount to finance any unfunded accrued liability.

Employer (School Districts)

School district employers are not required to make contributions to the plan.

Employees

Effective July 1, 1992, each teacher is required to contribute 6% of their salary for the pension benefit.

4. Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

The Town reports no amounts for its proportionate share of the net pension liability, and related deferred outflows and inflows due to the statutory requirement that the State pay 100% of the required contribution. The amounts recognized by the Town as its proportionate share of the net pension liability, the related state support, and the total portion of the net pension liability that was associated with the Town were as follows:

Town's proportionate share of the net pension liability	\$ -
State's proportionate share of the net pension liability associated with the Town	<u>73,578,920</u>
Total	<u>\$ 73,578,920</u>

The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2014. The Town has no proportionate share of the net pension liability.

During the year the Town recognized pension expense and revenue of \$5,895,525 for on-behalf amounts for the benefits provided by the State.

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

IV. OTHER INFORMATION (CONTINUED)

5. Actuarial Assumptions

The total pension liability was determined by an actuarial valuation as of June 30, 2014, using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.00%
Salary increase	3.75-7.00%, average, including inflation
Investment rate of return	8.50%, net of pension plan investment expense, including inflation

Mortality rates were based on the RP-2000 Combined Mortality Table projected 19 years using scale AA, with a two year setback for males and females for the period after service retirement and for dependent beneficiaries.

The actuarial assumptions used in the June 30, 2014 valuation were based on the results of an actuarial experience study for the period July 1, 2005 - June 30, 2010.

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

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

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

IV. OTHER INFORMATION (CONTINUED)

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Large cap U.S. equities	21.0%	5.8%
Developed non-U.S. equities	18.0%	6.6%
Emerging Markets (non-U.S.)	9.0%	8.3%
Core fixed income	7.0%	1.3%
Inflation linked bond fund	3.0%	1.0%
Emerging market bond	5.0%	3.7%
High yield bonds	5.0%	3.9%
Real estate	7.0%	5.1%
Private equity	11.0%	7.6%
Alternative investments	8.0%	4.1%
Cash	6.0%	0.4%
Total	<u>100.0%</u>	

6. Discount Rate

The discount rate used to measure the total pension liability was 8.50%. 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 employer 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.

7. Sensitivity of the Net Pension Liability to Changes in the Discount Rate

The Town's proportionate share of the net pension liability is \$0 and, therefore, the change in the discount rate would only impact the amount recorded by the State of Connecticut.

8. Plan Fiduciary Net Position

Detailed information about the Connecticut State Teachers' Retirement System plan fiduciary net position is available in the separately issued State of Connecticut Comprehensive Annual Financial Report as of and for the year ended June 30, 2015.

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

IV. OTHER INFORMATION (CONTINUED)

E. Defined Contribution Pension Plans

Establishment and Amendment

The Vernon Town Council has authorized the establishment of 9 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
July 1, 2015	Board of Education Supervisors

Contributions

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

<u>Plan</u>	<u>Employee Contribution</u>	<u>Employer Contribution</u>
DPW Clerical	0% < 7.5% of wages	2% of wages
	7.5 % or more of wages	4% of wages
Professionals	0% < 7.5% of wages	2% of wages
	7.5 % or more of wages	4% of wages
DPW Supervisors	0% < 7.5% of wages	2% of wages
	7.5 % or more of wages	4% of wages
WPC Supervisors	0% < 7.5% of wages	2% of wages
	7.5 % or more of wages	4% of wages
Town non-union	0% < 6.0% of wages	3% of wages
	6.0 % or more of wages	5% of wages
DPW Laborers	0% < 7.5% of wages	2% of wages
	7.5 % or more of wages	4% of wages
Police Civilians	0% < 7.5% of wages	2% of wages
	7.5 % or more of wages	4% of wages
Education non-union	0% < 6.0% of wages	3% of wages
	6.0 % or more of wages	5% of wages
Education Supervisors	0% < 7.5% of wages	2% of wages
	7.5 % or more of wages	4% of wages

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

IV. OTHER INFORMATION (CONTINUED)

Employee contributions and pension expense recognized by the employer for 2015/16 fiscal year are as follows:

<u>Plan</u>	<u>Employee Contribution</u>	<u>Employer Pension Expense</u>
Professionals	\$ 38,092	\$ 27,513
Town non-union	38,234	31,214
DPW Laborers / Parks / WPC	65,887	36,172
Police Civilians	13,130	7,340
Education non-union	18,745	20,497
Education Supervisors	3,185	-

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.

F. 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, 2014 was as follows:

	<u>Police</u>	<u>Town</u>	<u>Board of Education</u>	<u>Total</u>
Retired members	12	3	69	84
Spouses of retired members	3	7	22	32
Active employees	<u>43</u>	<u>166</u>	<u>600</u>	<u>809</u>
Total participant membership	<u>58</u>	<u>176</u>	<u>691</u>	<u>925</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 was \$642,059.

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 June 30, 2016 was based upon an actuarial valuation performed on July 1, 2014, rolled forward to June 30, 2016:

	(A)	(B)	(A-B)	(A/B)	(C)	[(A-B)/C]
	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>						
2016	\$ 162,026	\$ 1,948,615	\$ (1,786,589)	8.3%	\$ 3,423,660	(52.2%)
<u>TOWN</u>						
2016	\$ 75,007	\$ 1,494,936	\$ (1,419,929)	5.0%	\$ 8,549,000	(16.6%)
<u>BOARD OF EDUCATION</u>						
2016	\$ -	\$ 3,007,647	\$ (3,007,647)	0.00%	\$ 30,365,165	(9.9%)
<u>TOTAL</u>						
2016	\$ 237,033	\$ 6,451,198	\$ (6,214,165)	3.7%	\$ 42,337,825	(14.7%)

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, 2014
ACTUARIAL COST METHOD	Projected Unit Credit
ASSET VALUATION METHOD	Fair Value
AMORTIZATION METHOD	Level Percentage, Closed
<u>REMAINING AMORTIZATION PERIOD:</u>	
Police	23 years closed
Town	23 years closed
Board of Education	23 years closed
<u>ACTUARIAL ASSUMPTIONS:</u>	
Investment rate of return - Town and Police	7.00%
Investment rate of return - Board of Education	7.00%
Healthcare inflation rate:	
Initial	5.90%
Ultimate	4.70%
Inflation	2.75%

The following assumption and plan benefit changes, effective July 1, 2014, include the change in the initial healthcare inflation rate from 7.2% to 5.9% and the change in insurance coverage of certain participants to high deductible health savings account plans. The effects of these changes reduced the Accrued Liability by \$1,800,000 and reduced the Annual Required Contribution (ARC) for the ensuing fiscal year by \$180,000.

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.....	\$196,853	\$192,158	\$ 295,568	\$ 684,579
Interest on net OPEB obligation	41,447	40,572	84,623	166,642
Adjustment to annual required contribution	<u>(37,000)</u>	<u>(36,219)</u>	<u>(75,544)</u>	<u>(148,763)</u>
Annual OPEB cost.....	201,300	196,511	304,647	702,458
Contributions made	<u>148,497</u>	<u>151,155</u>	<u>342,407</u>	<u>642,059</u>
Change in net OPEB obligation.....	52,803	45,356	(37,760)	60,399
Net OPEB obligation - July 1, 2015	<u>592,096</u>	<u>579,595</u>	<u>1,208,901</u>	<u>2,380,592</u>
Net OPEB obligation - June 30, 2016.....	<u>\$644,899</u>	<u>\$624,951</u>	<u>\$ 1,171,141</u>	<u>\$2,440,991</u>

7. Three Year Trend Information

YEAR ENDING JUNE 30	ANNUAL OPEB COST (AOC)	PERCENTAGE OF AOC CONTRIBUTED	NET OPEB OBLIGATION
<u>POLICE</u>			
2016	\$ 201,300	73.8%	\$ 644,899
2015	202,447	70.2%	592,096
2014	193,241	75.7%	531,669
<u>TOWN</u>			
2016	\$ 196,511	76.9%	\$ 624,951
2015	184,286	87.9%	579,595
2014	176,008	73.0%	557,365
<u>BOARD OF EDUCATION</u>			
2016	\$ 304,647	112.4%	\$1,171,141
2015	530,656	97.6%	1,208,901
2014	505,905	72.2%	1,196,082

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>			
2016	\$ 702,458	91.4%	\$2,440,991
2015	917,389	89.6%	2,380,592
2014	875,154	73.1%	2,285,116

G. Subsequent Events

On August 4, 2016, the Town issued \$6,350,000 of general obligation bonds at a net premium of \$228,933 to provide funding for Road Reconstruction and Improvements as authorized on January 28, 2014 at referendum. The bonds, payable in installments over 15 years and maturing on August 1, 2031, were issued at a net interest cost of 1.935%. The \$6,350,000 of bond proceeds were used to retire a \$6,350,000 bond anticipation note that matured on August 4, 2016. Also on August 4, 2016, under the same authorization and funding purpose, the Town issued \$2,200,000 of general obligation bond anticipation notes at a net interest cost of 0.775% with a maturity date of August 3, 2017. The notes were issued with a net premium of \$26,884.

H. Major Fund Change

As of June 30, 2016, the School Roof Replacements and Renovations fund was reclassified from a nonmajor fund to a major fund for financial statement reporting purposes. This change resulted in the nonmajor fund balance decreasing from \$9,136,396 as of June 30, 2015 to \$7,966,396 at July 1, 2015.

**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, 2016

	Budgeted Amounts			Variance with Final Budget
	Original	Final	Actual	
Property Taxes				
Current year taxes	\$ 63,847,123	\$ 63,847,123	\$ 64,185,462	\$ 338,339
Prior year taxes	484,000	484,000	1,002,481	518,481
Supplemental motor vehicle tax	722,000	722,000	835,752	113,752
Interest and lien fees	310,000	310,000	462,612	152,612
Warrant revenue	7,000	7,000	10,650	3,650
Liens	4,000	4,000	5,969	1,969
Proceeds from tax lien sale	-	-	2	2
Total tax revenue	65,374,123	65,374,123	66,502,928	1,128,805
Intergovernmental				
Civil preparedness grant	13,500	13,500	14,570	1,070
Bullet Proof Vest grant	2,000	2,000	3,468	1,468
Community services block grant	20,733	20,733	15,550	(5,183)
Education cost sharing	17,645,165	17,645,165	17,557,331	(87,834)
Public pupil transportation	130,699	130,699	118,922	(11,777)
Vocational Agriculture	107,667	107,667	107,667	-
Special Education Excess Student Based	-	-	219,710	219,710
Regular Education State Agency Placement	-	-	141,465	141,465
Medicaid reimbursement	70,000	70,000	100,000	30,000
PILOT - Colleges and hospitals	320,042	320,042	320,005	(37)
PILOT - State owned property	226,587	226,587	113,593	(112,994)
PILOT - Shelter rent	66,000	66,000	71,960	5,960
Tax relief - Elderly circuit breaker	141,000	141,000	142,254	1,254
Tax relief - Disability exemption	3,200	3,200	3,537	337
Tax relief - Veterans exemption	23,000	23,000	21,236	(1,764)
Mashantucket Pequot and Mohegan grant	185,196	185,196	173,419	(11,777)
Telephone tax sharing	56,000	56,000	51,555	(4,445)
Municipal Video Trust Account	7,000	7,000	-	(7,000)
Judicial reimbursements - Parking	200	200	50	(150)
Judicial reimbursements	300	300	720	420
Special reimbursements - Permits	200	200	103	(97)
Drug Enforcement Grant	-	-	19,186	19,186
Driving Under the Influence grant	20,000	20,000	4,283	(15,717)
Motor Vehicle Violation surcharge	12,000	12,000	13,155	1,155
Historic Document Preservation Grant	4,000	4,000	4,000	-
Other - State grants	8,000	8,000	7,101	(899)
Total intergovernmental	19,062,489	19,062,489	19,224,840	162,351

(Continued)-1

TOWN OF VERNON, CONNECTICUT

GENERAL FUND
SCHEDULE OF REVENUES AND OTHER FINANCING SOURCES
BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2016

	<u>Budgeted Amounts</u>			<u>Variance</u>
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	<u>with Final</u>
				<u>Budget</u>
<u>Charges for services</u>				
Town Clerk recording fees	\$ 420,000	\$ 420,000	\$ 401,502	\$ (18,498)
Historic document preservation	10,000	10,000	10,233	233
Farmland Preservation surcharge	-	-	126,041	126,041
State Treasurer - MERS	20,655	20,655	81,321	60,666
Printing and copying fees	600	600	114	(486)
Finance administration fee	11,000	11,000	11,000	-
Planning and zoning fees	7,000	7,000	9,307	2,307
Conservation fees	1,600	1,600	1,455	(145)
Assessor fees	1,150	1,150	829	(321)
Police - Special services	10,000	10,000	349,858	339,858
Fingerprint fees	3,000	3,000	3,950	950
Other Public Safety	4,000	4,000	-	(4,000)
Fire Marshal - services	200	200	341	141
Refuse Energy Community Outreach	-	-	20,000	20,000
Recycling	31,000	31,000	11,427	(19,573)
Recycling bin promotion	2,400	2,400	4,327	1,927
Bulky waste pickup	14,000	14,000	15,165	1,165
Other maintenance and development	10,000	10,000	2,809	(7,191)
Yankee Gas - administrative allocation	2,340	2,340	730	(1,610)
Energy application administration	8,766	8,766	9,271	505
Housing Rehab Administration	600	600	710	110
Recreation - Other	-	-	2,100	2,100
Tuition - Special education	65,000	65,000	75,502	10,502
Tuition - Vo-ag	250,000	250,000	177,398	(72,602)
Tuition - Special education Vo-ag	20,000	20,000	33,553	13,553
School Use Activity	-	-	39,267	39,267
Other - Education community	4,000	4,000	38,291	34,291
Total charges for services	897,311	897,311	1,426,501	529,190
<u>Licenses and permits</u>				
Building permits	475,000	475,000	1,458,326	983,326
Zoning Review	450	450	1,025	575
ZBA Fees	1,500	1,500	2,070	570
Zoning Permits	4,000	4,000	8,925	4,925
Town Clerk - License surcharge	2,100	2,100	2,185	85
Refuse licensing	2,500	2,500	4,000	1,500
Transfer station permits	72,000	72,000	69,460	(2,540)
Driveway & road cut permits	8,000	8,000	11,550	3,550
Total licenses and permits	565,550	565,550	1,557,541	991,991
<u>Fines and penalties</u>				
Parking tags	14,000	14,000	8,573	(5,427)
Zoning citations	25,000	25,000	103,023	78,023
Total fines and penalties	39,000	39,000	111,596	72,596

TOWN OF VERNON, CONNECTICUT

**GENERAL FUND
SCHEDULE OF REVENUES AND OTHER FINANCING SOURCES
BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2016**

	<u>Budgeted Amounts</u>			<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
<u>Income on investments</u>				
General Fund	\$ 20,000	\$ 20,000	\$ 14,060	\$ (5,940)
Teachers' Retirement Board	10	10	-	(10)
Total interest on investments	20,010	20,010	14,060	(5,950)
<u>Other revenue</u>				
Purchasing Card Reimbursement	24,000	24,000	19,363	(4,637)
Rental income - Annex	24,000	24,000	24,000	-
Rental income - Senior Center	-	-	116	116
Rental management fee	50,000	50,000	50,000	-
Rental income other	16,000	16,000	17,932	1,932
Proceeds from sale of property	20,000	20,000	42,864	22,864
Medical insurance reimbursement	213,288	213,288	216,793	3,505
Vision insurance reimbursements	-	-	5,608	5,608
Insurance reimbursements	-	-	1,298	1,298
Gasoline reimbursement	110,000	110,000	78,939	(31,061)
Lease - Ellington pump station	6,600	6,600	6,777	177
Education	36,200	36,200	36,498	298
Miscellaneous	22,000	22,000	10,628	(11,372)
Total other revenue	522,088	522,088	510,816	(11,272)
Total revenues	86,480,571	86,480,571	89,348,282	2,867,711
<u>Other financing sources</u>				
Special Revenue Funds:				
Special Revenue	10	10	-	(10)
Recreation programs	62,500	62,500	62,500	-
Sewer assessments	-	-	27,102	27,102
Ambulance services	82,000	82,000	82,000	-
Interest on investments-Insurance Exchange	20	20	-	(20)
Interest on investments-Town Aid Road	40	40	-	(40)
Tuition - Next Step Program	75,000	75,000	50,952	(24,048)
Total Special Revenue Funds	219,570	219,570	222,554	2,984

(Continued)-3

TOWN OF VERNON, CONNECTICUT

GENERAL FUND
 SCHEDULE OF REVENUES AND OTHER FINANCING SOURCES
 BUDGET AND ACTUAL
 FOR THE YEAR ENDED JUNE 30, 2016

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Transfers in:				
Capital Projects Fund:				
Transfers in	\$ -	\$ -	\$ 12,778	\$ 12,778
Debt Service Fund:				
Interest on investments	100	100	1,848	1,748
Total other financing sources	<u>219,670</u>	<u>219,670</u>	<u>237,180</u>	<u>17,510</u>
Total revenues and other financing sources	<u>\$ 86,700,241</u>	<u>\$ 86,700,241</u>	<u>89,585,462</u>	<u>\$ 2,885,221</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

5,895,525

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

\$ 95,480,987

(Concluded)-4

TOWN OF VERNON, CONNECTICUT

GENERAL FUND
 SCHEDULE OF EXPENDITURES AND OTHER FINANCING USES
 BUDGET AND ACTUAL
 FOR THE YEAR ENDED JUNE 30, 2016

	<u>Budgeted Amounts</u>		Expenditures	Outstanding Encumbrances	Total Expenditures and Encumbrances	Variance with Final Budget
	Original	Final				
<u>General government</u>						
Town Council	\$ 12,165	\$ 14,418	\$ 5,943	\$ 2,731	\$ 8,674	\$ 5,744
Probate court	13,655	20,483	17,428	3,033	20,461	22
Executive and administrative	688,486	741,444	671,178	34,003	705,181	36,263
Law	167,000	213,973	188,617	15,041	203,658	10,315
Registration	82,200	90,416	82,638	5,424	88,062	2,354
Elections - general	34,100	36,378	30,983	4,932	35,915	463
Elections - primary	1	28,093	25,127	2,394	27,521	572
Elections - referendum	6,500	6,500	-	-	-	6,500
Finance administration	498,666	553,642	541,691	7,995	549,686	3,956
Independent audit	53,050	53,750	53,750	-	53,750	-
Treasury	4,840	54,621	5,801	44,874	50,675	3,946
Purchasing	9,820	15,090	8,683	5,887	14,570	520
Assessment	273,073	277,630	273,351	1,414	274,765	2,865
Refunds - tax adjustments	17,000	46,900	19,804	-	19,804	27,096
Collector of Revenue	227,010	243,890	232,771	9,639	242,410	1,480
Revaluation	5,488	19,485	7,645	11,840	19,485	-
Town Clerk	269,661	514,999	456,114	38,383	494,497	20,502
Board of Assessment Appeals	2,800	2,800	2,790	-	2,790	10
Water Pollution Control Authority	8,228	8,228	8,140	-	8,140	88
Greater Hartford Transit District	3,794	3,794	3,793	-	3,793	1
Data processing	1,032,249	1,209,777	1,058,432	150,807	1,209,239	538
Total general government	3,409,786	4,156,311	3,694,679	338,397	4,033,076	123,235
<u>Community development</u>						
Town Planner - Administration	247,207	264,041	248,607	12,370	260,977	3,064

(Continued)-1

TOWN OF VERNON, CONNECTICUT

GENERAL FUND
 SCHEDULE OF EXPENDITURES AND OTHER FINANCING USES
 BUDGET AND ACTUAL
 FOR THE YEAR ENDED JUNE 30, 2016

	<u>Budgeted Amounts</u>		Expenditures	Outstanding Encumbrances	Total Expenditures and Encumbrances	Variance with Final Budget
	Original	Final				
<u>Public safety</u>						
Police	\$ 6,117,661	\$ 6,448,910	\$ 6,316,606	\$ 50,481	\$ 6,367,087	\$ 81,823
School crossing guards	62,120	62,120	56,528	-	56,528	5,592
Traffic authority	354,160	406,540	340,572	61,019	401,591	4,949
Fire fighting and administration	570,069	639,777	576,015	39,304	615,319	24,458
Fire hydrants	681,810	681,810	637,693	43,674	681,367	443
Fire Marshal	91,924	96,164	93,475	-	93,475	2,689
Building inspection	387,551	367,234	360,440	688	361,128	6,106
Emergency Management	58,330	59,830	47,186	1,275	48,461	11,369
Animal control	131,804	133,704	132,808	-	132,808	896
Total public safety	8,455,429	8,896,089	8,561,323	196,441	8,757,764	138,325
<u>Maintenance and development</u>						
Public Works administration	656,167	738,421	719,402	1,525	720,927	17,494
General maintenance	1,317,752	1,356,181	1,277,251	60,077	1,337,328	18,853
Equipment maintenance	782,471	818,158	733,704	52,050	785,754	32,404
Maintenance of gov't buildings	781,647	796,906	781,077	6,048	787,125	9,781
Snow removal	186,970	209,128	200,221	7,097	207,318	1,810
Refuse collection and disposal	1,008,075	996,453	934,835	20,361	955,196	41,257
Recycling	338,042	389,458	328,268	48,534	376,802	12,656
Condominium refuse	4,647	4,647	4,646	-	4,646	1
Tree Warden	13,150	15,670	13,640	1,500	15,140	530
Leaf collection program	118,490	118,500	116,145	488	116,633	1,867
Engineering admin. services	296,845	302,821	298,945	246	299,191	3,630
Total maintenance and development	5,504,256	5,746,343	5,408,134	197,926	5,606,060	140,283

(Continued)-2

TOWN OF VERNON, CONNECTICUT

GENERAL FUND
SCHEDULE OF EXPENDITURES AND OTHER FINANCING USES
BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2016

	<u>Budgeted Amounts</u>					
	Original	Final	Expenditures	Outstanding Encumbrances	Total Expenditures and Encumbrances	Variance with Final Budget
<u>Human services</u>						
North Central Health District	\$ 136,182	\$ 136,182	\$ 136,182	\$ -	\$ 136,182	\$ -
Visiting Nurses and Health Services	12,249	12,249	7,907	4,342	12,249	-
Hockanum Valley Community Council	180,000	180,000	180,000	-	180,000	-
Child Guidance Clinic	5,500	5,500	5,500	-	5,500	-
Exchange Club-Prevent Child Abuse	4,000	4,000	4,000	-	4,000	-
MARC, Inc. of Manchester	4,000	4,000	4,000	-	4,000	-
Shelter Services	7,200	7,200	6,012	188	6,200	1,000
Connecticut Legal Services	2,000	2,000	2,000	-	2,000	-
Hartford Interval House	2,500	2,500	2,500	-	2,500	-
YWCA Sexual Assault Services	2,000	2,000	2,000	-	2,000	-
Hockanum Valley School Readiness	4,000	4,000	4,000	-	4,000	-
Social services administration	255,479	216,439	206,120	30	206,150	10,289
Youth services	213,293	282,722	279,701	-	279,701	3,021
Senior center	134,409	118,169	98,096	64	98,160	20,009
Total human services	962,812	976,961	938,018	4,624	942,642	34,319
<u>Parks, recreation and culture</u>						
Recreation administration	367,892	438,090	416,814	1,914	418,728	19,362
Public celebration	13,500	15,815	6,443	9,339	15,782	33
Parks maintenance	696,970	714,569	679,594	4,359	683,953	30,616
Art commission	6,840	6,840	6,583	-	6,583	257
Historical Society	6,000	6,000	6,000	-	6,000	-
Rockville Public Library	310,000	310,000	310,000	-	310,000	-
Invasive aquatic plant management	16,000	24,368	5,516	15,770	21,286	3,082
Total parks, recreation and culture	1,417,202	1,515,682	1,430,950	31,382	1,462,332	53,350

(Continued)-3

TOWN OF VERNON, CONNECTICUT

GENERAL FUND
 SCHEDULE OF EXPENDITURES AND OTHER FINANCING USES
 BUDGET AND ACTUAL
 FOR THE YEAR ENDED JUNE 30, 2016

	<u>Budgeted Amounts</u>					
	Original	Final	Expenditures	Outstanding Encumbrances	Total Expenditures and Encumbrances	Variance with Final Budget
<u>Townwide</u>						
Social Security and Medicare	\$ 999,200	\$ 993,200	\$ 976,511	\$ -	\$ 976,511	\$ 16,689
Pension	2,770,380	2,966,816	2,952,821	13,985	2,966,806	10
Group insurance	2,706,111	2,766,438	2,728,374	25,623	2,753,997	12,441
Unemployment compensation	25,000	37,589	13,763	5,826	19,589	18,000
Municipal insurance	1,040,407	1,043,785	1,025,747	8,274	1,034,021	9,764
Contingency	119,000	15,736	5,140	-	5,140	10,596
Housing Authority sewer subsidy	50,450	50,638	45,002	5,636	50,638	-
Vernon Cemetery Commission	185,805	185,805	185,805	-	185,805	-
Total townwide	7,896,353	8,060,007	7,933,163	59,344	7,992,507	67,500
Subtotal - General Government	27,893,045	29,615,434	28,214,874	840,484	29,055,358	560,076
<u>Debt service</u>						
Debt service - principal	3,280,282	3,213,409	3,021,345	192,064	3,213,409	-
Debt service - interest	1,536,324	1,448,324	1,377,845	70,086	1,447,931	393
Total debt service	4,816,606	4,661,733	4,399,190	262,150	4,661,340	393
<u>Capital outlay</u>						
Capital improvements - Town	271,723	822,893	740,131	81,224	821,355	1,538

(Continued)-4

TOWN OF VERNON, CONNECTICUT

GENERAL FUND
SCHEDULE OF EXPENDITURES AND OTHER FINANCING USES
BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2016

	Budgeted Amounts		Expenditures	Outstanding Encumbrances	Total Expenditures and Encumbrances	Variance with Final Budget
	Original	Final				
Education						
Regular instruction	\$ 17,680,000	\$ 17,281,489	\$ 17,255,784	\$ 5,033	\$ 17,260,817	\$ 20,672
Special Education instruction	5,302,463	5,211,623	5,188,891	12,442	5,201,333	10,290
Continuing Education	226,371	226,371	226,371	-	226,371	-
Special Education program support	3,206,218	3,191,480	3,196,739	45,942	3,242,681	(51,201)
Social Work services	544,161	550,661	542,225	-	542,225	8,436
Guidance services	672,109	668,719	669,024	-	669,024	(305)
Health services	458,831	467,032	450,050	4,938	454,988	12,044
Psychological services	556,431	557,999	553,113	-	553,113	4,886
Speech pathology & audio services	404,120	391,973	406,579	-	406,579	(14,606)
Instructional program support	235,200	112,526	96,163	-	96,163	16,363
Library / Media services	341,010	341,985	334,930	673	335,603	6,382
Curriculum development	650,388	997,987	898,426	148,367	1,046,793	(48,806)
Superintendent's office	496,509	528,676	524,704	2,663	527,367	1,309
Board of Education - Elected	88,950	100,358	108,090	-	108,090	(7,732)
Principal office services	2,390,009	2,311,744	2,328,106	6,938	2,335,044	(23,300)
Business office	795,154	1,035,149	902,034	134,202	1,036,236	(1,087)
Building / Plant operations	4,173,656	4,908,895	4,139,801	732,670	4,872,471	36,424
Student transportation services	2,452,542	2,581,210	2,540,544	14,596	2,555,140	26,070
General control	65,307	65,307	65,810	-	65,810	(503)
Information systems	919,554	994,035	887,606	105,700	993,306	729
System-wide fringe benefits	9,189,937	8,797,733	8,811,454	-	8,811,454	(13,721)
Extra curricular student activities	500,226	473,670	440,679	25	440,704	32,966
Reserve for negotiation	205,450	139,353	128,965	9,419	138,384	969
Total education	51,554,596	51,935,975	50,696,088	1,223,608	51,919,696	16,279
Total Expenditures	84,535,970	87,036,035	84,050,283	2,407,466	86,457,749	578,286

(Continued)-5

TOWN OF VERNON, CONNECTICUT
GENERAL FUND
SCHEDULE OF EXPENDITURES AND OTHER FINANCING USES
BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2016

	<u>Budgeted Amounts</u>					
	Original	Final	Expenditures	Outstanding Encumbrances	Total Expenditures and Encumbrances	Variance with Final Budget
<u>Other financing uses</u>						
Transfers out:						
Special Revenue Funds:						
Community & Economic development	\$ 41,000	\$ 41,000	\$ 41,000	\$ -	\$ 41,000	\$ -
Social Services	7,500	7,500	7,500	-	7,500	-
Public Celebration	-	10,000	10,000	-	10,000	-
Education - Capital Reserve	-	90,000	90,000	-	90,000	-
Capital Projects Funds:						
Town Clerk - Preservation surcharge	-	6,981	6,981	-	6,981	-
Revaluation	-	76,667	76,667	-	76,667	-
Data Processing	-	6,000	6,000	-	6,000	-
Maintenance of gov't buildings	-	4,402	4,402	-	4,402	-
Debt service - principal	279,588	275,961	274,625	-	274,625	1,336
Debt service - interest	58,156	58,156	56,142	-	56,142	2,014
Capital improvements - Town	419,965	828,332	828,332	-	828,332	-
Education - Capital Reserve	-	100,000	100,000	-	100,000	-
Education - Building / Plant Operations	53,773	53,773	53,773	-	53,773	-
Debt Service Fund:						
Debt service - principal	1,277,440	1,277,440	1,277,440	-	1,277,440	-
Debt service - interest	26,849	26,849	26,848	-	26,848	1
Total other financing uses	2,164,271	2,863,061	2,859,710	-	2,859,710	3,351
Total expenditures and other financing uses	\$ 86,700,241	\$ 89,899,096	\$ 86,909,993	\$ 2,407,466	89,317,459	\$ 581,637

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

5,895,525

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

(2,407,466)

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

\$ 92,805,518

(Concluded)-6

TOWN OF VERNON, CONNECTICUT

POLICE PENSION PLAN

REQUIRED SUPPLEMENTARY INFORMATION
LAST THREE YEARS

SCHEDULE OF CHANGES IN NET PENSION LIABILITY

	December 31,		
	2015	2014	2013
TOTAL PENSION LIABILITY:			
Service cost	\$ 767,633	\$ 760,493	\$ 759,496
Interest	2,711,068	2,663,012	2,620,600
Differences between expected and actual experience	(304,928)	(288,635)	
Changes in assumptions	1,833,919	1,214,064	
Benefit payments, including refunds of member contributions	<u>(2,473,575)</u>	<u>(2,434,432)</u>	<u>(2,385,303)</u>
NET CHANGE IN TOTAL PENSION LIABILITY	2,534,117	1,914,502	994,793
TOTAL PENSION LIABILITY - JANUARY 1	<u>38,524,318</u>	<u>36,609,816</u>	<u>35,615,023</u>
TOTAL PENSION LIABILITY - DECEMBER 31 (A)	<u>\$ 41,058,435</u>	<u>\$ 38,524,318</u>	<u>\$ 36,609,816</u>
PLAN FIDUCIARY NET POSITION:			
Contributions - employer	\$ 1,639,455	\$ 1,515,199	\$ 1,348,338
Contributions - member	370,334	358,642	368,533
Net investment income	176,500	1,092,203	2,874,222
Benefit payments, including refunds of member contributions	(2,473,575)	(2,434,432)	(2,210,603)
Administrative expenses	<u>(49,744)</u>	<u>(70,783)</u>	<u>(67,398)</u>
NET CHANGE IN PLAN FIDUCIARY NET POSITION	(337,030)	460,829	2,313,092
PLAN FIDUCIARY NET POSITION - JANUARY 1	<u>19,600,137</u>	<u>19,139,308</u>	<u>16,826,216</u>
PLAN FIDUCIARY NET POSITION - DECEMBER 31 (B)	<u>\$ 19,263,107</u>	<u>\$ 19,600,137</u>	<u>\$ 19,139,308</u>
NET PENSION LIABILITY (ASSET) - DECEMBER 31 (A)-(B)	<u>\$ 21,795,328</u>	<u>\$ 18,924,181</u>	<u>\$ 17,470,508</u>

Note: This schedule is intended to present information for 10 years. Additional years will be presented as they become available.

TOWN OF VERNON, CONNECTICUT

TOWN PENSION PLAN

REQUIRED SUPPLEMENTARY INFORMATION
LAST THREE YEARS

SCHEDULE OF CHANGES IN NET PENSION LIABILITY

	December 31,		
	2015	2014	2013
TOTAL PENSION LIABILITY:			
Service cost	\$ 1,464,780	\$ 1,396,502	\$ 1,355,480
Interest	4,604,469	4,540,614	4,472,890
Differences between expected and actual experience	135,086	(3,083,615)	
Changes in assumptions	5,959,086	3,200,987	
Benefit payments, including refunds of member contributions	(3,280,576)	(2,935,096)	(2,814,688)
NET CHANGE IN TOTAL PENSION LIABILITY	8,882,845	3,119,392	3,013,682
TOTAL PENSION LIABILITY - JANUARY 1	65,646,673	62,527,281	59,513,599
TOTAL PENSION LIABILITY - DECEMBER 31 (A)	<u>\$ 74,529,518</u>	<u>\$ 65,646,673</u>	<u>\$ 62,527,281</u>
PLAN FIDUCIARY NET POSITION:			
Contributions - employer	\$ 2,383,370	\$ 2,135,571	\$ 1,883,779
Contributions - member	1,032,684	1,031,071	1,001,400
Net investment income	339,223	1,981,432	4,782,653
Benefit payments, including refunds of member contributions	(3,280,576)	(2,935,096)	(2,664,672)
Administrative expenses	(76,380)	(101,919)	(93,140)
NET CHANGE IN PLAN FIDUCIARY NET POSITION	398,321	2,111,059	4,910,020
PLAN FIDUCIARY NET POSITION - JANUARY 1	37,964,058	35,852,999	30,942,979
PLAN FIDUCIARY NET POSITION - DECEMBER 31 (B)	<u>\$ 38,362,379</u>	<u>\$ 37,964,058</u>	<u>\$ 35,852,999</u>
NET PENSION LIABILITY (ASSET) - DECEMBER 31 (A)-(B)	<u>\$ 36,167,139</u>	<u>\$ 27,682,615</u>	<u>\$ 26,674,282</u>

Note: This schedule is intended to present information for 10 years. Additional years will be presented as they become available.

TOWN OF VERNON, CONNECTICUT

LOSAP RETIREMENT PLAN

REQUIRED SUPPLEMENTARY INFORMATION
LAST THREE YEARS

SCHEDULE OF CHANGES IN NET PENSION LIABILITY (ASSET)

	December 31,		
	2015	2014	2013
TOTAL PENSION LIABILITY:			
Service cost	\$ 24,830	\$ 26,292	\$ 19,751
Interest	85,622	82,620	78,483
Differences between expected and actual experience	(13,707)	(31,211)	-
Benefit payments, including refunds of member contributions	<u>(33,270)</u>	<u>(29,764)</u>	<u>(19,718)</u>
NET CHANGE IN TOTAL PENSION LIABILITY	63,475	47,937	78,516
TOTAL PENSION LIABILITY - JANUARY 1	<u>1,333,889</u>	<u>1,285,952</u>	<u>1,207,436</u>
TOTAL PENSION LIABILITY - DECEMBER 31 (A)	<u>\$ 1,397,364</u>	<u>\$ 1,333,889</u>	<u>\$1,285,952</u>
PLAN FIDUCIARY NET POSITION:			
Contributions - employer	\$ 39,924	\$ 37,752	\$ 34,172
Net investment income (loss)	(54,768)	54,828	204,365
Benefit payments, including refunds of member contributions	(33,270)	(29,764)	(26,184)
Administrative expenses	<u>(18,745)</u>	<u>(18,516)</u>	<u>(15,668)</u>
NET CHANGE IN PLAN FIDUCIARY NET POSITION	(66,859)	44,300	196,685
PLAN FIDUCIARY NET POSITION - JANUARY 1	<u>1,508,812</u>	<u>1,464,512</u>	<u>1,267,827</u>
PLAN FIDUCIARY NET POSITION - DECEMBER 31 (B)	<u>\$ 1,441,953</u>	<u>\$ 1,508,812</u>	<u>\$1,464,512</u>
NET PENSION LIABILITY (ASSET) - DECEMBER 31 (A)-(B)	<u>\$ (44,589)</u>	<u>\$ (174,923)</u>	<u>\$ (178,560)</u>

Note: This schedule is intended to present information for 10 years. Additional years will be presented as they become available.

TOWN OF VERNON, CONNECTICUT

POLICE PENSION PLAN

REQUIRED SUPPLEMENTARY INFORMATION
LAST THREE YEARS

SCHEDULE OF NET PENSION LIABILITY

	December 31,		
	2015	2014	2013
TOTAL PENSION LIABILITY	\$ 41,058,435	\$ 38,524,318	\$ 36,609,816
PLAN FIDUCIARY NET POSITION	(19,263,107)	(19,600,137)	(19,139,308)
NET PENSION LIABILITY (ASSET)	<u>\$ 21,795,328</u>	<u>\$ 18,924,181</u>	<u>\$ 17,470,508</u>
PLAN FIDUCIARY NET POSITION AS A PERCENTAGE OF THE TOTAL PENSION LIABILITY	<u>46.92%</u>	<u>50.88%</u>	<u>52.28%</u>
COVERED-EMPLOYEE PAYROLL	<u>\$ 4,747,257</u>	<u>\$ 4,549,520</u>	<u>\$ 4,390,111</u>
NET PENSION LIABILITY (ASSET) AS A PERCENTAGE OF COVERED-EMPLOYEE PAYROLL	<u>459.11%</u>	<u>415.96%</u>	<u>397.95%</u>

SCHEDULE OF INVESTMENT RETURNS

	December 31,		
	2015	2014	2013
ANNUAL MONEY WEIGHTED RATE OF RETURN, NET OF INVESTMENT EXPENSE	<u>0.20%</u>	<u>5.90%</u>	<u>14.60%</u>

Note: These schedules are intended to present information for 10 years. Additional years will be presented as they become available.

TOWN OF VERNON, CONNECTICUT

TOWN PENSION PLAN

REQUIRED SUPPLEMENTARY INFORMATION
LAST THREE YEARS

SCHEDULE OF NET PENSION LIABILITY

		December 31,	
	2015	2014	2013
TOTAL PENSION LIABILITY	\$ 74,529,518	\$ 65,646,673	\$ 62,527,281
PLAN FIDUCIARY NET POSITION	(38,362,379)	(37,964,058)	(35,852,999)
NET PENSION LIABILITY (ASSET)	<u>\$ 36,167,139</u>	<u>\$ 27,682,615</u>	<u>\$ 26,674,282</u>
PLAN FIDUCIARY NET POSITION AS A PERCENTAGE OF THE TOTAL PENSION LIABILITY	<u>51.47%</u>	<u>57.83%</u>	<u>57.34%</u>
COVERED-EMPLOYEE PAYROLL	<u>\$ 14,789,154</u>	<u>\$ 14,933,089</u>	<u>\$ 14,895,476</u>
NET PENSION LIABILITY (ASSET) AS A PERCENTAGE OF COVERED-EMPLOYEE PAYROLL	<u>244.55%</u>	<u>185.38%</u>	<u>179.08%</u>

SCHEDULE OF INVESTMENT RETURNS

		December 31,	
	2015	2014	2013
ANNUAL MONEY WEIGHTED RATE OF RETURN, NET OF INVESTMENT EXPENSE	<u>0.20%</u>	<u>7.00%</u>	<u>13.50%</u>

Note: These schedules are intended to present information for 10 years. Additional years will be presented as they become available.

TOWN OF VERNON, CONNECTICUT

LOSAP RETIREMENT PLAN

REQUIRED SUPPLEMENTARY INFORMATION
LAST THREE YEARS

SCHEDULE OF NET PENSION LIABILITY

	December 31,		
	2015	2014	2013
TOTAL PENSION LIABILITY	\$ 1,397,364	\$ 1,333,889	\$ 1,285,952
PLAN FIDUCIARY NET POSITION	(1,441,953)	(1,508,812)	(1,464,512)
NET PENSION LIABILITY (ASSET)	<u>\$ (44,589)</u>	<u>\$ (174,923)</u>	<u>\$ (178,560)</u>
PLAN FIDUCIARY NET POSITION AS A PERCENTAGE OF THE TOTAL PENSION LIABILITY	<u>103.19%</u>	<u>113.11%</u>	<u>113.89%</u>
COVERED-EMPLOYEE PAYROLL	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>
NET PENSION LIABILITY (ASSET) AS A PERCENTAGE OF COVERED-EMPLOYEE PAYROLL	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>

SCHEDULE OF INVESTMENT RETURNS

	December 31,		
	2015	2014	2013
ANNUAL MONEY WEIGHTED RATE OF RETURN, NET OF INVESTMENT EXPENSE	<u>-4.87%</u>	<u>2.48%</u>	<u>12.39%</u>

Note: These schedules are intended to present information for 10 years. Additional years will be presented as they become available.

N/A - Volunteer plan.

TOWN OF VERNON, CONNECTICUT

POLICE PENSION PLAN

REQUIRED SUPPLEMENTARY INFORMATION
LAST TEN YEARS

SCHEDULE OF CONTRIBUTIONS

DECEMBER 31, 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
2015	\$ 1,639,455	\$ 1,639,455	\$ -	\$ 4,747,257	34.53%
2014	1,515,199	1,515,199	-	4,549,520	33.30%
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%

TOWN OF VERNON, CONNECTICUT

TOWN PENSION PLAN

REQUIRED SUPPLEMENTARY INFORMATION
LAST TEN YEARS

SCHEDULE OF CONTRIBUTIONS

DECEMBER 31, 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
2015	\$ 2,383,370	\$ 2,383,370	\$ -	\$ 14,789,154	16.12%
2014	2,135,571	2,135,571	-	14,933,089	14.30%
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%

TOWN OF VERNON, CONNECTICUT

LOSAP RETIREMENT PLAN

REQUIRED SUPPLEMENTARY INFORMATION
LAST TEN YEARS

SCHEDULE OF CONTRIBUTIONS

DECEMBER 31, 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
2015	\$ 39,924	\$ 39,924	\$ -	N/A	N/A
2014	37,752	37,752	-	N/A	N/A
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

N/A - Volunteer plan.

TOWN OF VERNON, CONNECTICUT

POLICE PENSION PLAN

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
LAST THREE YEARS

Changes of benefit terms	None
Changes of assumptions	<p>2014 - The investment rate of return decreased from 7.5% to 7.25%</p> <p>2015 - The investment rate of return decreased from 7.25% to 7.00% and the mortality assumption changed from the RP-2000 Mortality Table projected to 2014 to the RP- 2014 Blue Collar Mortality Table with Scale MP-2014.</p>
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, 2015, 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 years
Asset Valuation Method	5 year smoothing
Inflation	1.50%
Salary Increases	2.50%
Investment Rate of Return	<p>2014 - 7.25%, net of pension plan investment and contract fees</p> <p>2015 - 7.00%, net of pension plan investment and contract fees</p>

TOWN OF VERNON, CONNECTICUT

TOWN PENSION PLAN

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
LAST THREE YEARS

Changes of benefit terms	None
Changes of assumptions	<p>2014 - The investment rate of return decreased from 7.5% to 7.25%</p> <p>2015 - The investment rate of return decreased from 7.25% to 7.00% and the mortality assumption changed from the RP-2000 Mortality Table projected to 2014 to the RP- 2014 Total Dataset Mortality Table with Scale MP-2014.</p>
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, 2015, 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 years
Asset Valuation Method	5 year smoothing
Inflation	1.50%
Salary Increases	3.00%
Investment Rate of Return	<p>2014 - 7.25%, net of pension plan investment and contract fees</p> <p>2015 - 7.00%, net of pension plan investment and contract fees</p>

TOWN OF VERNON, CONNECTICUT

LOSAP RETIREMENT PLAN

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
LAST THREE YEARS

Changes of benefit terms
Changes of assumptions
Method and assumptions used in calculations of actuarially determined contribution

None
None
The actuarially determined contribution rates in the schedule of contributions are calculated as of January 1, 2015, 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
Amortization Method
Remaining Amortization Period
Asset Valuation Method
Inflation
Salary Increases
Investment Rate of Return

Frozen entry age
Level dollar, closed
0 years
Fair Value
N/A
N/A
6.50%

TOWN OF VERNON, CONNECTICUT

STATE TEACHERS' RETIREMENT SYSTEM
REQUIRED SUPPLEMENTARY INFORMATION
LAST TWO YEARS

SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY

	2016	2015
Town's proportion of the net pension liability	0.00%	0.00%
Town's proportionate share of the net pension liability	\$ -	\$ -
State of Connecticut's proportionate share of the net pension liability associated with Town	73,578,920	68,008,966
Total	\$ 73,578,920	\$ 68,008,966
Town's covered-employee payroll	(2) N/A	N/A
Town's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	0.00%	0.00%
Plan fiduciary net position as a percentage of the total pension liability	59.50%	61.51%

SCHEDULE OF CONTRIBUTIONS

Contractually required contribution	(1)	\$ -
Contributions in relation to the contractually required contribution		-
Contribution deficiency (excess)		\$ -
Town's covered-employee payroll	(2)	N/A
Contributions as a percentage of covered-employee payroll		0.00%

(1) Local employers are not required to contribute to the plan

(2) Not applicable since 0% proportional share of the net pension liability

Note: These schedules are intended to present information for 10 years. Additional years will be presented as they become available.

TOWN OF VERNON, CONNECTICUT

STATE TEACHERS' RETIREMENT SYSTEM

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
LAST TWO YEARS

Changes of benefit terms	None
Changes of assumptions	None
Actuarial Cost Method	Entry age
Amortization Method	Level percent of salary, closed
Remaining Amortization Period	22.4 years
Asset Valuation Method	4 year smoothed market
Inflation	3.00%
Salary Increases	3.75%-7.00%, average, including inflation
Investment Rate of Return	8.50%, net of pension plan investment expense, including inflation

TOWN OF VERNON, CONNECTICUT

REQUIRED SUPPLEMENTARY INFORMATION

OTHER POST-EMPLOYMENT BENEFIT PLANS
LAST EIGHT YEARS

SCHEDULES OF FUNDING PROGRESS

POLICE PLAN

		A	B	(A-B)	(A/B)	(C)	[(A-B)/C]
FISCAL YEAR JUNE 30	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
2009	7/1/2008	\$	\$ 3,071,000	\$ (3,071,000)	0.0%	N/A	N/A
2010	7/1/2008	-	3,071,000	(3,071,000)	0.0%	N/A	N/A
2011	7/1/2008	-	3,071,000	(3,071,000)	0.0%	N/A	N/A
2012	7/1/2010	-	2,269,000	(2,269,000)	0.0%	N/A	N/A
2013	7/1/2010	-	2,269,000	(2,269,000)	0.0%	N/A	N/A
2014	7/1/2012	70,008	1,821,136	(1,751,128)	3.8%	N/A	N/A
2015	7/1/2012	70,008	1,821,136	(1,751,128)	3.8%	N/A	N/A
2016	7/1/2014	162,026	1,948,615	(1,786,589)	8.3%	\$ 3,423,660	-52.2%

TOWN PLAN

		A	B	(A-B)	(A/B)	(C)	[(A-B)/C]
FISCAL YEAR JUNE 30	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
2009	7/1/2008	\$ -	\$ 2,128,000	\$ (2,128,000)	0.0%	N/A	N/A
2010	7/1/2008	-	2,128,000	(2,128,000)	0.0%	N/A	N/A
2011	7/2/2008	-	2,128,000	(2,128,000)	0.0%	N/A	N/A
2012	7/1/2010	-	1,893,000	(1,893,000)	0.0%	N/A	N/A
2013	7/1/2010	-	1,893,000	(1,893,000)	0.0%	N/A	N/A
2014	7/1/2012	7,001	1,363,777	(1,356,776)	0.5%	N/A	N/A
2015	7/1/2012	7,001	1,363,777	(1,356,776)	0.5%	N/A	N/A
2016	7/1/2014	75,007	1,494,936	(1,419,929)	5.0%	\$ 8,549,000	-16.6%

(Continued)

TOWN OF VERNON, CONNECTICUT

REQUIRED SUPPLEMENTARY INFORMATION

OTHER POST-EMPLOYMENT BENEFIT PLANS
LAST EIGHT YEARS

SCHEDULES OF FUNDING PROGRESS

<u>BOARD OF EDUCATION PLAN</u>							
		A	B	(A-B)	(A/B)	C	[(A-B)/C]
FISCAL YEAR JUNE 30	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
2009	7/1/2008	\$ -	8,194,000	\$ (8,194,000)	0.0%	N/A	N/A
2010	7/1/2008	-	8,194,000	(8,194,000)	0.0%	N/A	N/A
2011	7/2/2008	-	8,194,000	(8,194,000)	0.0%	N/A	N/A
2012	7/1/2010	-	6,193,000	(6,193,000)	0.0%	N/A	N/A
2013	7/1/2010	-	6,193,000	(6,193,000)	0.0%	N/A	N/A
2014	7/1/2012	-	5,016,063	(5,016,063)	0.0%	N/A	N/A
2015	7/1/2012	-	5,016,063	(5,016,063)	0.0%	N/A	N/A
2016	7/1/2014	-	3,007,647	(3,007,647)	0.0%	\$ 30,365,165	-9.9%

N/A - Not applicable to this plan.

(Concluded)

TOWN OF VERNON, CONNECTICUT

OTHER POST-EMPLOYMENT BENEFIT PLANS

REQUIRED SUPPLEMENTARY INFORMATION
LAST EIGHT YEARS

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%
2015	197,475	142,020	71.9%
2016	196,853	148,497	75.4%
<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%
2015	179,073	162,056	90.5%
2016	192,158	151,155	78.7%
<u>BOARD OF EDUCATION</u>			
	\$ 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%
2015	519,471	517,837	99.7%
2016	295,568	342,407	115.8%

Note: These schedules are intended to present information for 10 years. Additional years will be presented as they become available.

TOWN OF VERNON, CONNECTICUT

OTHER POST-EMPLOYMENT BENEFIT PLANS

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
LAST THREE YEARS

Changes of benefit terms	2015 - Change in the insurance coverage of certain participants to high deductible health savings plans
Changes of assumptions	2015 - Change in the initial healthcare inflation rate from 7.2% to 5.9%
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, 2014, two or three 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	23 Years
Asset Valuation Method	Fair value
Investment Rate of Return	7.00%
Healthcare inflation rate - initial	5.90%
Healthcare inflation rate - ultimate	4.70%
Inflation rate	2.75%

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 \$4,400,000 General Obligation Bonds, Issue of 2017, dated as of August 3, 2017 and \$3,325,000 Bond Anticipation Notes, dated as of August 3, 2017.

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 or note who bought the bond or note 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 the Bonds and 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.

[Remainder of this page intentionally left blank]

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 3, 2017 by the Town of Vernon, Connecticut (the "Issuer") acting by its undersigned officers, duly authorized, in connection with the issuance of \$4,400,000 General Obligation Bonds, Issue of 2017, dated as of August 3, 2017 (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 27, 2017 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, 2017) as follows:

(i) Financial statements of the Issuer's general fund and any special revenue, capital projects, internal service and trust or agency funds, for the prior fiscal year which statements shall be prepared in accordance with generally accepted accounting principles or mandated state statutory principles as in effect from time to time. As of the date of this Agreement, the Issuer prepares its financial statements in accordance with generally accepted accounting principles. The financial statements will be audited.

(ii) The following financial information and operating data to the extent not included in the financial statements described in (i) above:

- (A) amounts of the net taxable grand list applicable to the fiscal year,
- (B) listing of the ten largest taxpayers on the applicable grand list, together with each such taxpayer's taxable valuation thereon,
- (C) percentage of the annual property tax levy uncollected as of the close of the fiscal year,
- (D) schedule of annual debt service on outstanding long-term bonded indebtedness as of the close of the fiscal year,
- (E) calculation of total direct debt and net direct debt as of the close of the fiscal year,

- (F) total direct debt and total net debt of the Issuer per capita,
- (G) ratios of the total direct debt and net direct debt of the Issuer to the Issuer's net taxable grand list,
- (H) statement of statutory debt limitation as of the close of the fiscal year, and
- (I) funding status of the Issuer's pension benefit obligation.

(b) The financial information and operating data described above will be provided on or before the date eight months after the close of the fiscal year for which such information is being provided (the "Filing Due Date"). The Issuer's fiscal year currently ends on June 30. The Issuer reserves the right to provide unaudited financial statements if audited financial statements are not available as of the Filing Due Date, provided that the Issuer shall promptly provide audited financial statements when available.

(c) Annual financial information and operating data may be provided in whole or in part by cross-reference to other documents available to the public on the MSRB's Internet Web site referenced in the Rule as amended from time to time or filed with the SEC. All or a portion of the financial information and operating data may be provided in the form of a comprehensive annual financial report.

(d) The Issuer reserves the right (i) to provide financial statements which are not audited if no longer required by law, (ii) to modify from time to time the format of the presentation of such information or data, and (iii) to modify the accounting principles it follows to the extent required by law, by changes in generally accepted accounting principles, or by changes in accounting principles adopted by the Issuer; provided that the Issuer agrees that any such modification will be done in a manner consistent with the Rule.

Section 3. Notice of Certain Events.

The Issuer agrees to provide or cause to be provided, in a timely manner not in excess of ten business days after the occurrence of the event, to each Repository notice of the occurrence of any of the following events with respect to the Bonds:

- (a) principal and interest payment delinquencies;
- (b) non-payment related defaults, if material;
- (c) unscheduled draws on debt service reserves reflecting financial difficulties;
- (d) unscheduled draws on credit enhancements reflecting financial difficulties;
- (e) substitution of credit or liquidity providers, or their failure to perform;

(f) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the bonds, or other material events affecting the tax status of the Bonds;

- (g) modifications to rights of holders of the Bonds, if material;
- (h) Bond calls, if material, and tender offers;
- (i) Bond defeasances;
- (j) release, substitution, or sale of property securing repayment of the Bonds, if material;
- (k) rating changes;
- (l) bankruptcy, insolvency, receivership or similar event of the Issuer;

(m) the consummation of a merger, consolidation, or acquisition involving the Issuer or the sale of all or substantially all of the assets of the Issuer, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; 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 _____
James M. Luddecke
Finance Officer

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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 3, 2017 by the Town of Vernon, Connecticut (the "Issuer") acting by its undersigned officers, duly authorized, in connection with the issuance of \$3,325,000 Bond Anticipation Notes, dated as of August 3, 2017 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: _____
James M. Luddecke
Finance Officer

[Remainder of this page intentionally left blank]

APPENDIX E – NOTICE OF SALE – THE BONDS

NOTICE OF SALE
\$4,400,000
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 THURSDAY,**

JULY 27, 2017

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

\$4,400,000 General Obligation Bonds, Issue of 2017
Payable annually on August 1 as follows:

\$295,000 in 2018 to 2030
\$285,000 in 2031
\$280,000 in 2032

The Bonds will be dated August 3, 2017, with interest payable on February 1, 2018 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, 2023 are subject to redemption prior to maturity, at the option of the Town, on or after August 1, 2023, 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, 2023 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 three (3%) 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.

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 3, 2017, 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.

Establishment of Issue Price. The winning bidder shall assist the Town in establishing the issue price of the Bonds and shall execute and deliver to the Town at Closing an “issue price” or similar certificate setting forth the reasonably expected initial offering price to the Public or the sales price or prices of the Bonds, together with the supporting pricing wires or equivalent communications, substantially in the applicable form set out in the Appendix hereto, with such modifications as may be appropriate or necessary, in the reasonable judgment of the winning bidder and Bond Counsel. All actions to be taken by the Town under this Notice of Sale to establish the issue price of the Bonds may be taken on behalf of the Town by the Town’s Municipal Advisor identified herein and any notice or report to be provided to the Town may be provided to the Town’s Municipal Advisor.

If the winning bidder has purchased the Bonds for its own account and not with a view to distribution or resale to the Public, then, whether or not the Competitive Sale Requirements, as herein defined, were met, the certificate will recite such facts and identify the price or prices at which the purchase of the Bonds was made.

The Town intends that the provisions of Treasury Regulation Section 1.148-1(f)(3)(i) (defining “competitive sale” for purposes of establishing the issue price of the Bonds) will apply to the initial sale of the Bonds (the “Competitive Sale Requirements”) because:

- (1) the Town shall disseminate this Notice of Sale to potential Underwriters in a manner that is reasonably designed to reach potential Underwriters;
- (2) all bidders shall have an equal opportunity to bid;
- (3) the Town may receive bids from at least three Underwriters of municipal bonds who have established industry reputations for underwriting new issuances of municipal bonds; and
- (4) the Town anticipates awarding the sale of the Bonds to the bidder who submits a firm offer to purchase the Bonds at the highest price (or lowest interest cost), as set forth in this Notice of Sale.

Any bid submitted pursuant to this Notice of Sale shall be considered a firm offer for the purchase of the Bonds, as specified in the bid.

In the event that the Competitive Sale Requirements are not satisfied, the Town shall so advise the winning bidder. The Town shall treat the first price at which 10% of a maturity of the Bonds (the “10% Test”) is sold to the Public as the issue price of that maturity, applied on a maturity-by-maturity basis (and if different interest rates apply within a maturity, to each separate CUSIP number within that maturity). The winning bidder shall advise the Town if any maturity of the Bonds satisfies the 10% Test as of the date and time of the award of the Bonds. The Town will not require bidders to comply with the “Hold-The-Offering-Price Rule”, as described in Treasury Regulations Section 1.148-1(f)(2)(ii), and therefore does not intend to use the initial offering price to the Public as of the Sale Date of any maturity of the Bonds as the issue price of that maturity. **Bids will not be subject to cancellation in the event that the Competitive Sale Requirements are not satisfied.**

If the Competitive Sale Requirements are not satisfied, then until the 10% Test has been satisfied as to each maturity of the Bonds, the winning bidder agrees to promptly report to the Town the prices at which the unsold Bonds of that maturity have been sold to the Public. That reporting obligation shall continue, whether or not the Closing Date has occurred, until the earlier to occur of the satisfaction of the 10% Test as to the Bonds of that maturity or the sale of all Bonds of that maturity.

By submitting a bid, each bidder confirms that: (i) any agreement among Underwriters, any selling group agreement and each retail distribution agreement (to which the bidder is a party) relating to the initial sale of the Bonds to the Public, together with the related pricing wires, contains or will contain language obligating each Underwriter, each dealer who is a member of the selling group, and each broker-dealer that is a party to such retail distribution agreement, as applicable, to report the prices at which it sells to the Public the unsold Bonds of each maturity allotted to it until it is notified by the winning bidder that either the 10% Test has been satisfied as to the Bonds of that maturity or all Bonds of that maturity have been sold to the Public, if and for so long as directed by the winning bidder and as set forth in the related pricing wires, and (ii) any agreement among Underwriters relating to the initial sale of the Bonds to the Public, together with the related pricing wires, contains or will contain language obligating each Underwriter that is a party to a retail distribution agreement to be employed in connection with the initial sale of the Bonds to the Public to require each broker-dealer that is a party to such retail distribution agreement

to report the prices at which it sells to the Public the unsold Bonds of each maturity allotted to it until it is notified by the winning bidder or such Underwriter that either the 10% Test has been satisfied as to the Bonds of that maturity or all Bonds of that maturity have been sold to the Public, if and for so long as directed by the winning bidder or such Underwriter and as set forth in the related pricing wires.

Sales of any Bonds to any person that is a Related Party to an Underwriter shall not constitute sales to the Public for purposes of this Notice of Sale. Further, for purposes of this Notice of Sale:

- (i) “Public” means any person other than an Underwriter or a Related Party,
- (ii) “Underwriter” means (A) any person that agrees pursuant to a written contract with the Town (or with the lead Underwriter to form an underwriting syndicate) to participate in the initial sale of the Bonds to the Public and (B) any person that agrees pursuant to a written contract directly or indirectly with a person described in clause (A) to participate in the initial sale of the Bonds to the Public (including a member of a selling group or a party to a retail distribution agreement participating in the initial sale of the Bonds to the Public),
- (iii) a purchaser of any of the Bonds is a “Related Party” to an Underwriter if the Underwriter and the purchaser are subject, directly or indirectly, to (i) at least 50% common ownership of the voting power or the total value of their stock, if both entities are corporations (including direct ownership by one corporation of another), (ii) more than 50% common ownership of their capital interests or profits interests, if both entities are partnerships (including direct ownership by one partnership of another), or (iii) more than 50% common ownership of the value of the outstanding stock of the corporation or the capital interests or profit interests of the partnership, as applicable, if one entity is a corporation and the other entity is a partnership (including direct ownership of the applicable stock or interests by one entity of the other), and
- (iv) “Sale Date” means the date that the Bonds are awarded by the Town to the winning bidder.

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 20, 2017. 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 a fifty (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 municipal advisor, Independent Bond and Investment Consultants LLC, Madison, Connecticut (the "Municipal Advisor"), 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 Municipal 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 Municipal 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 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.

Delivery Date and Payment. It is expected that the closing on the Bonds will occur on or about August 3, 2017 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

JAMES M. LUDDECKE,
Finance Officer

July 20, 2017

APPENDIX TO NOTICE OF SALE
FORM OF ISSUE PRICE CERTIFICATE

Competitive Sale Requirements Satisfied

TOWN VERNON, CONNECTICUT
\$4,400,000 GENERAL OBLIGATION BONDS, ISSUE OF 2017

ISSUE PRICE CERTIFICATE

The undersigned, on behalf of Name of the Underwriter (“Underwriter Short Name”), hereby certifies as set forth below with respect to the sale of the above-captioned obligations (the “Bonds”).

1. ***Reasonably Expected Initial Offering Price.***

(a) As of the Sale Date, the reasonably expected initial offering prices of the Bonds to the Public by Underwriter Short Name are the prices listed in Schedule A (the “Expected Offering Prices”). The Expected Offering Prices are the prices for the Maturities of the Bonds used by Underwriter Short Name in formulating its bid to purchase the Bonds. Attached as Schedule B is a true and correct copy of the bid provided by Underwriter Short Name to purchase the Bonds.

(b) Underwriter Short Name was not given the opportunity to review other bids prior to submitting its bid.

(c) The bid submitted by Underwriter Short Name constituted a firm offer to purchase the Bonds.

2. ***Defined Terms.***

(a) *Maturity* means Bonds with the same credit and payment terms. Bonds with different maturity dates, or Bonds with the same maturity date but different stated interest rates, are treated as separate Maturities.

(b) *Public* means any person (including an individual, trust, estate, partnership, association, company, or corporation) other than an Underwriter or a related party to an Underwriter. The term “related party” for purposes of this certificate generally means any two or more persons who have greater than 50 percent common ownership, directly or indirectly.

(c) *Sale Date* means the first day on which there is a binding contract in writing for the sale of a Maturity of the Bonds. The Sale Date of the Bonds is July 27, 2017.

(d) *Underwriter* means (i) any person that agrees pursuant to a written contract with the Issuer (or with the lead underwriter to form an underwriting syndicate) to participate in the initial sale of the Bonds to the Public, and (ii) any person that agrees pursuant to a written contract directly or indirectly with a person described in clause (i) of this paragraph to participate in the initial sale of the Bonds to the Public (including a member of a selling group or a party to a retail distribution agreement participating in the initial sale of the Bonds to the Public).

(e) *Issuer* means the Town of Vernon, Connecticut.

The representations set forth in this certificate are limited to factual matters only. Nothing in this certificate represents Underwriter Short Name’s interpretation of any laws, including specifically Sections 103 and 148 of the Internal Revenue Code of 1986, as amended, and the Treasury Regulations thereunder. The undersigned understands that the foregoing information will be relied upon by the Issuer with respect to certain of the representations set forth in the Tax Compliance Agreement and with respect to compliance with the federal income tax rules affecting the Bonds, and by Day Pitney LLP, as bond counsel, in connection with rendering its opinion that the interest on the Bonds is excluded from gross income for federal income tax purposes, the preparation of the Internal Revenue Service Form 8038-G, and other federal income tax advice that it may give to the Issuer from time to time relating to the Bonds.

Name of the Underwriter

By: _____

Name: _____

Dated: __/__/____

Attachments:

**SCHEDULE A
EXPECTED OFFERING PRICES**

**SCHEDULE B
COPY OF UNDERWRITER'S BID**

[Remainder of page intentionally left blank]

**TOWN OF VERNON, CONNECTICUT
\$4,400,000 GENERAL OBLIGATION BONDS, ISSUE OF 2017**

ISSUE PRICE CERTIFICATE

The undersigned, on behalf of Name of the Underwriter ("Underwriter Short Name"), hereby certifies as set forth below with respect to the sale and issuance of the above-captioned obligations (the "Bonds").

1. ***Sale of the Bonds.*** As of the date of this certificate, for each Maturity of the Bonds, the first price at which at least 10% of such Maturity of the Bonds was sold to the Public is the respective price listed in Schedule A.

2. ***Defined Terms.***

(a) ***"Issuer"*** means the Town of Vernon, Connecticut.

(b) ***"Maturity"*** means Bonds with the same credit and payment terms. Bonds with different maturity dates, or Bonds with the same maturity date but different stated interest rates, are treated as separate Maturities.

(c) ***"Public"*** means any person (including an individual, trust, estate, partnership, association, company, or corporation) other than an Underwriter or a related party to an Underwriter. The term "related party" for purposes of this certificate generally means any two or more persons who have greater than 50 percent common ownership, directly or indirectly.

(d) ***"Underwriter"*** means (i) any person that agrees pursuant to a written contract with the Issuer (or with the lead underwriter to form an underwriting syndicate) to participate in the initial sale of the Bonds to the Public, and (ii) any person that agrees pursuant to a written contract directly or indirectly with a person described in clause (i) of this paragraph to participate in the initial sale of the Bonds to the Public (including a member of a selling group or a party to a retail distribution agreement participating in the initial sale of the Bonds to the Public).

The representations set forth in this certificate are limited to factual matters only. Nothing in this certificate represents Underwriter Short Name's interpretation of any laws, including specifically Sections 103 and 148 of the Internal Revenue Code of 1986, as amended, and the Treasury Regulations thereunder. The undersigned understands that the foregoing information will be relied upon by the Issuer with respect to certain of the representations set forth in the Tax Compliance Agreement and with respect to compliance with the federal income tax rules affecting the Bonds, and by Day Pitney LLP, as bond counsel, in connection with rendering its opinion that the interest on the Bonds is excluded from gross income for federal income tax purposes, the preparation of the Internal Revenue Service Form 8038-G, and other federal income tax advice that it may give to the Issuer from time to time relating to the Bonds.

Name of the Underwriter

By: _____

Name: _____

Dated: __/__/____

Attachment:

**SCHEDULE A
SALE PRICES**

[Remainder of page intentionally left blank]

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

NOTICE OF SALE \$3,325,000 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 THURSDAY,**

JULY 27, 2017

for the purchase of \$3,325,000 Bond Anticipation Notes of the Town of Vernon, dated August 3, 2017, maturing on August 2, 2018 (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, and at the option of the bidder, a premium. 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 Notes in accordance with the provisions of this Notice of Sale.

Establishment of Issue Price. The winning bidder shall assist the Town in establishing the issue price of the Notes and shall execute and deliver to the Town at Closing an "issue price" or similar certificate setting forth the reasonably expected initial offering price to the Public or the sales price or prices of the Notes, together with the supporting pricing wires or equivalent communications, substantially in the applicable form set out in the Appendix hereto, with such modifications as may be appropriate or necessary, in the reasonable judgment of the winning bidder and Bond Counsel. All actions to be taken by the Town under this Notice of Sale to establish the issue price of the Notes may be taken on behalf of the Town by the Town's Municipal Advisor identified herein and any notice or report to be provided to the Town may be provided to the Town's Municipal Advisor.

If the winning bidder has purchased the Notes for its own account and not with a view to distribution or resale to the Public, then, whether or not the Competitive Sale Requirements, as herein defined, were met, the certificate will recite such facts and identify the price or prices at which the purchase of the Notes was made.

The Town intends that the provisions of Treasury Regulation Section 1.148-1(f)(3)(i) (defining “competitive sale” for purposes of establishing the issue price of the Notes) will apply to the initial sale of the Notes (the “Competitive Sale Requirements”) because:

- (1) the Town shall disseminate this Notice of Sale to potential Underwriters in a manner that is reasonably designed to reach potential Underwriters;
- (2) all bidders shall have an equal opportunity to bid;
- (3) the Town may receive bids from at least three Underwriters of municipal bonds who have established industry reputations for underwriting new issuances of municipal bonds; and
- (4) the Town anticipates awarding the sale of the Notes to the bidder who submits a firm offer to purchase the Notes at the highest price (or lowest interest cost), as set forth in this Notice of Sale.

Any bid submitted pursuant to this Notice of Sale shall be considered a firm offer for the purchase of the Notes, as specified in the bid.

In the event that the Competitive Sale Requirements are not satisfied, the Town shall so advise the winning bidder. The Town shall treat the first price at which 10% of a maturity of the Notes (the “10% Test”) is sold to the Public as the issue price of that maturity, applied on a maturity-by-maturity basis (and if different interest rates apply within a maturity, to each separate CUSIP number within that maturity). The winning bidder shall advise the Town if any maturity of the Notes satisfies the 10% Test as of the date and time of the award of the Notes. The Town will not require bidders to comply with the “Hold-The-Offering-Price Rule”, as described in Treasury Regulations Section 1.148-1(f)(2)(ii), and therefore does not intend to use the initial offering price to the Public as of the Sale Date of any maturity of the Notes as the issue price of that maturity. **Bids will not be subject to cancellation in the event that the Competitive Sale Requirements are not satisfied.**

If the Competitive Sale Requirements are not satisfied, then until the 10% Test has been satisfied as to each maturity of the Notes, the winning bidder agrees to promptly report to the Town the prices at which the unsold Notes of that maturity have been sold to the Public. That reporting obligation shall continue, whether or not the Closing Date has occurred, until the earlier to occur of the satisfaction of the 10% Test as to the Notes of that maturity or the sale of all Notes of that maturity.

By submitting a bid, each bidder confirms that: (i) any agreement among Underwriters, any selling group agreement and each retail distribution agreement (to which the bidder is a party) relating to the initial sale of the Notes to the Public, together with the related pricing wires, contains or will contain language obligating each Underwriter, each dealer who is a member of the selling group, and each broker-dealer that is a party to such retail distribution agreement, as applicable, to report the prices at which it sells to the Public the unsold Notes of each maturity allotted to it until it is notified by the winning bidder that either the 10% Test has been satisfied as to the Notes of that maturity or all Notes of that maturity have been sold to the Public, if and for so long as directed by the winning bidder and as set forth in the related pricing wires, and (ii) any agreement among Underwriters relating to the initial sale of the Notes to the Public, together with the related pricing wires, contains or will contain language obligating each Underwriter that is a party to a retail distribution agreement to be employed in connection with the initial sale of the Notes to the Public to require each broker-dealer that is a party to such retail distribution agreement to report the prices at which it sells to the Public the unsold Notes of each maturity allotted to it until it is notified by the winning bidder or such Underwriter that either the 10% Test has been satisfied as to the Notes of that maturity or all Notes of that maturity have been sold to the Public, if and for so long as directed by the winning bidder or such Underwriter and as set forth in the related pricing wires.

Sales of any Notes to any person that is a Related Party to an Underwriter shall not constitute sales to the Public for purposes of this Notice of Sale. Further, for purposes of this Notice of Sale:

- (i) “Public” means any person other than an Underwriter or a Related Party,

- (ii) “Underwriter” means (A) any person that agrees pursuant to a written contract with the Town (or with the lead Underwriter to form an underwriting syndicate) to participate in the initial sale of the Notes to the Public and (B) any person that agrees pursuant to a written contract directly or indirectly with a person described in clause (A) to participate in the initial sale of the Notes to the Public (including a member of a selling group or a party to a retail distribution agreement participating in the initial sale of the Notes to the Public),
- (iii) a purchaser of any of the Notes is a “Related Party” to an Underwriter if the Underwriter and the purchaser are subject, directly or indirectly, to (i) at least 50% common ownership of the voting power or the total value of their stock, if both entities are corporations (including direct ownership by one corporation of another), (ii) more than 50% common ownership of their capital interests or profits interests, if both entities are partnerships (including direct ownership by one partnership of another), or (iii) more than 50% common ownership of the value of the outstanding stock of the corporation or the capital interests or profit interests of the partnership, as applicable, if one entity is a corporation and the other entity is a partnership (including direct ownership of the applicable stock or interests by one entity of the other), and
- (iv) “Sale Date” means the date that the Notes are awarded by the Town to the winning bidder.

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 20, 2017. 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 fifty (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 municipal advisor, Independent Bond and Investment Consultants LLC, Madison, Connecticut (the “Municipal Advisor”), 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 Municipal 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 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.

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 3, 2017.

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

JAMES M. LUDDECKE,
Finance Officer

July 20, 2017

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PROPOSAL FOR NOTES

July 27, 2017

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 20, 2017 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 \$3,325,000 Bond Anticipation Notes of the Town of Vernon, dated August 3, 2017, maturing August 2, 2018, 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: _____

APPENDIX TO NOTICE OF SALE
FORM OF ISSUE PRICE CERTIFICATE

Competitive Sale Requirements Satisfied

TOWN VERNON, CONNECTICUT
\$3,325,000 BOND ANTICIPATION NOTES, DATED AUGUST 3, 2017

ISSUE PRICE CERTIFICATE

The undersigned, on behalf of Name of the Underwriter ("Underwriter Short Name"), hereby certifies as set forth below with respect to the sale of the above-captioned obligations (the "Notes").

1. Reasonably Expected Initial Offering Price.

(a) As of the Sale Date, the reasonably expected initial offering prices of the Notes to the Public by Underwriter Short Name are the prices listed in Schedule A (the "Expected Offering Prices"). The Expected Offering Prices are the prices for the Maturities of the Notes used by Underwriter Short Name in formulating its bid to purchase the Notes. Attached as Schedule B is a true and correct copy of the bid provided by Underwriter Short Name to purchase the Notes.

(b) Underwriter Short Name was not given the opportunity to review other bids prior to submitting its bid.

(c) The bid submitted by Underwriter Short Name constituted a firm offer to purchase the Notes.

2. Defined Terms.

(a) *Maturity* means Notes with the same credit and payment terms. Notes with different maturity dates, or Notes with the same maturity date but different stated interest rates, are treated as separate Maturities.

(b) *Public* means any person (including an individual, trust, estate, partnership, association, company, or corporation) other than an Underwriter or a related party to an Underwriter. The term "related party" for purposes of this certificate generally means any two or more persons who have greater than 50 percent common ownership, directly or indirectly.

(c) *Sale Date* means the first day on which there is a binding contract in writing for the sale of a Maturity of the Notes. The Sale Date of the Notes is July 27, 2017.

(d) *Underwriter* means (i) any person that agrees pursuant to a written contract with the Issuer (or with the lead underwriter to form an underwriting syndicate) to participate in the initial sale of the Notes to the Public, and (ii) any person that agrees pursuant to a written contract directly or indirectly with a person described in clause (i) of this paragraph to participate in the initial sale of the Notes to the Public (including a member of a selling group or a party to a retail distribution agreement participating in the initial sale of the Notes to the Public).

(e) *Issuer* means the Town of Vernon, Connecticut.

The representations set forth in this certificate are limited to factual matters only. Nothing in this certificate represents Underwriter Short Name's interpretation of any laws, including specifically Sections 103 and 148 of the Internal Revenue Code of 1986, as amended, and the Treasury Regulations thereunder. The undersigned understands that the foregoing information will be relied upon by the Issuer with respect to certain of the representations set forth in the Tax Compliance Agreement and with respect to compliance with the federal income tax rules affecting the Notes, and by Day Pitney LLP, as bond counsel, in connection with rendering its opinion that the interest on the Notes is excluded from gross income for federal income tax purposes, the preparation of the Internal Revenue Service Form 8038-G, and other federal income tax advice that it may give to the Issuer from time to time relating to the Notes.

Name of the Underwriter

By: _____

Name: _____

Dated: __/__/2017

Attachments:

**SCHEDULE A
EXPECTED OFFERING PRICES**

**SCHEDULE B
COPY OF UNDERWRITER'S BID**

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**TOWN OF VERNON, CONNECTICUT
\$3,325,000 BOND ANTICIPATION NOTES, DATED AUGUST 3, 2017**

ISSUE PRICE CERTIFICATE

The undersigned, on behalf of Name of the Underwriter ("Underwriter Short Name"), hereby certifies as set forth below with respect to the sale and issuance of the above-captioned obligations (the "Notes").

1. ***Sale of the Notes.*** As of the date of this certificate, for each Maturity of the Notes, the first price at which at least 10% of such Maturity of the Notes was sold to the Public is the respective price listed in Schedule A.

2. ***Defined Terms.***

(a) "Issuer" means the Town of Vernon, Connecticut.

(b) "Maturity" means Notes with the same credit and payment terms. Notes with different maturity dates, or Notes with the same maturity date but different stated interest rates, are treated as separate Maturities.

(c) "Public" means any person (including an individual, trust, estate, partnership, association, company, or corporation) other than an Underwriter or a related party to an Underwriter. The term "related party" for purposes of this certificate generally means any two or more persons who have greater than 50 percent common ownership, directly or indirectly.

(d) "Underwriter" means (i) any person that agrees pursuant to a written contract with the Issuer (or with the lead underwriter to form an underwriting syndicate) to participate in the initial sale of the Notes to the Public, and (ii) any person that agrees pursuant to a written contract directly or indirectly with a person described in clause (i) of this paragraph to participate in the initial sale of the Notes to the Public (including a member of a selling group or a party to a retail distribution agreement participating in the initial sale of the Notes to the Public).

The representations set forth in this certificate are limited to factual matters only. Nothing in this certificate represents Underwriter Short Name's interpretation of any laws, including specifically Sections 103 and 148 of the Internal Revenue Code of 1986, as amended, and the Treasury Regulations thereunder. The undersigned understands that the foregoing information will be relied upon by the Issuer with respect to certain of the representations set forth in the Tax Compliance Agreement and with respect to compliance with the federal income tax rules affecting the Notes, and by Day Pitney LLP, as bond counsel, in connection with rendering its opinion that the interest on the Notes is excluded from gross income for federal income tax purposes, the preparation of the Internal Revenue Service Form 8038-G, and other federal income tax advice that it may give to the Issuer from time to time relating to the Notes.

Name of the Underwriter

By: _____

Name: _____

Dated: __/__/2017

Attachment:

**SCHEDULE A
SALE PRICES**

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