

# OFFICIAL STATEMENT

## NEW ISSUE

**MOODY'S RATING: Aa2**  
(See "Ratings" herein)

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

## **TOWN OF VERNON, CONNECTICUT** **\$10,875,000** **GENERAL OBLIGATION BONDS** **BOOK-ENTRY-ONLY**

**Dated: February 1, 2009**

**Due: February 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 August 1, 2009 and semiannually thereafter on February 1 and August 1 in each year until maturity. The Bonds are issuable only as fully registered bonds, without coupons, and when issued, will be registered in the name of Cede & Co., as Bondowner and nominee for The Depository Trust Company ("DTC"), New York, New York. DTC will act as securities depository for the Bonds. Purchases of the Bonds will be made in book-entry-only form, in the denomination of \$5,000 or any integral multiple thereof. Purchasers will not receive certificates representing their ownership interest in the Bonds. So long as Cede & Co. is the Bondowner, as nominee of DTC, reference herein to the Bondowner or owners shall mean Cede & Co. as aforesaid, and shall not mean the Beneficial Owners (as described herein) of the Bonds. (See "Book-Entry-Only System" herein).

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

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



The scheduled payment of principal of and interest on the Bonds when due will be guaranteed under a financial guaranty insurance policy to be issued concurrently with the delivery of the Bonds by ASSURED GUARANTY CORP. ("Assured Guaranty"). (See "Bond Insurance" and Appendix G – Specimen Financial Guaranty Insurance Policy herein).

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**MOODY'S RATING: MIG 1**  
(See "Ratings" herein)

## **\$3,710,000** **GENERAL OBLIGATION BOND ANTICIPATION NOTES** **BOOK-ENTRY-ONLY**

**Dated: February 12, 2009**

**Due: February 11, 2010**

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).

The Notes will be issuable only as fully registered notes in the name of Cede & Co., as Noteowner and nominee for The Depository Trust Company ("DTC"), New York, New York. (See "Book-Entry-Only System" herein). Purchases of the Notes will be made in book-entry-only form, in the denomination of \$25,000 or any integral multiple thereof, plus any odd amount.

**The Notes are NOT subject to optional redemption prior to maturity as described herein.**

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

*The Bonds and 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 Notes in definitive form will be available for delivery in New York, New York on or about February 12, 2009.*

**Dated: February 5, 2009**

# TOWN OF VERNON, CONNECTICUT

**\$10,875,000**

## GENERAL OBLIGATION BONDS BOOK-ENTRY-ONLY

**Dated: February 1, 2009**

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

### MATURITY SCHEDULE

<u>Maturity</u>	<u>Amount</u>	<u>Interest Rate</u>	<u>Yield</u>	<u>CUSIP</u>	<u>Maturity</u>	<u>Amount</u>	<u>Interest Rate</u>	<u>Yield</u>	<u>CUSIP</u>
2012	\$675,000	4.500%	1.400%	924427RN9	2019	\$975,000	3.250%	3.300%	924427RV1
2013	675,000	4.250	1.600	924427RP4	2020	975,000	3.500	3.500	924427RW9
2014	675,000	4.250	1.900	924427RQ2	2021	975,000	3.750	3.800	924427RX7
2015	675,000	2.500	2.100*	924427RR0	2022	975,000	4.000	4.000	924427RY5
2016	675,000	2.500	2.250*	924427RS8	2023	975,000	4.000	4.100	924427RZ2
2017	750,000	2.500	2.600	924427RT6	2024	975,000	4.000	4.200	924427SA6
2018	900,000	3.000	2.900*	924427RU3					

\* Priced assuming redemption on February 1, 2014; however any such redemption is at the election of the Town. (See "Optional Redemption" herein).

## ***ROOSEVELT & CROSS, INC. AND ASSOCIATES***

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**\$3,710,000**

## GENERAL OBLIGATION BOND ANTICIPATION NOTES BOOK-ENTRY-ONLY

**Dated: February 12, 2009**

**Due: February 11, 2010**

<u>Interest Rate</u>	<u>Yield</u>	<u>CUSIP</u>
1.500%	0.750%	924427SB4

## **EASTERN BANK**

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 – "Financial Statements" hereto is a copy of the report of the independent auditor 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 matters expressly set forth in Appendix B - "Form of Opinion of Bond Counsel and Tax Exemption" herein, Bond Counsel is not passing on and does 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 will enter into Continuing Disclosure Agreements with respect to the Bonds and Notes, substantially in the forms attached as Appendices C and D, respectively, to this Official Statement (the "Continuing Disclosure Agreements"), to provide or cause to be provided, in accordance with the requirements of SEC Rule 15c2-12, financial information, operating data and notices of material events with respect to the Bonds and notices of material events with respect to the Notes. The Underwriter's obligation to purchase the Bonds or Notes shall be conditioned upon its receiving, at or prior to the delivery of the Bonds and Notes, executed copies of the Continuing Disclosure Agreements.

The Town has previously undertaken in Continuing Disclosure Agreements entered into for the benefit of holders of certain of its general obligation bonds and notes to provide certain annual financial information and event notices pursuant to Rule 15c2-12(b)(5).

Assured Guaranty makes no representation regarding the Bonds or the advisability of investing in the Bonds. In addition, Assured Guaranty has not independently verified, makes no representation regarding, and does not accept any responsibility for the accuracy or completeness of this Official Statement or any information or disclosure contained herein, or omitted herefrom, other than with respect to the accuracy of the information regarding Assured Guaranty supplied by Assured Guaranty and presented under the heading "Bond Insurance" and "Exhibit G - Specimen Financial Guaranty Insurance Policy".

**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.

<b>Date of Sale:</b>	Thursday, February 5, 2009 at 11:30 A.M. (E.S.T).
<b>Location of Sale:</b>	Office of Day Pitney LLP, 242 Trumbull St., 6 <sup>th</sup> Floor, Deane Conference Room, Hartford, Connecticut 06103-1212.
<b>Issuer:</b>	Town of Vernon, Connecticut (the "Town").
<b>Issue:</b>	\$10,875,000 General Obligation Bonds (the "Bonds").
<b>Dated Date:</b>	February 1, 2009.
<b>Principal Due:</b>	Serially, February 1, 2012 - 2024.
<b>Interest Due:</b>	February 1 and August 1 in each year, commencing August 1, 2009.
<b>Purpose and Authority:</b>	The Bonds are being issued to finance various 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.
<b>Redemption:</b>	The Bonds ARE subject to redemption prior to maturity. See "Optional Redemption" herein.
<b>Security:</b>	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.
<b>Credit Rating:</b>	The Bonds have been rated "Aa2" by Moody's Investors Service ("Moody's") with the understanding that a financial guaranty insurance policy will be issued by Assured Guaranty Corp. concurrently with the delivery of the Bonds. The underlying rating on this issue and the Town's outstanding bonds is "A1" by Moody's.
<b>Basis of Award:</b>	True Interest Cost (TIC) as of the dated date.
<b>Tax Exemption:</b>	See Appendix B to this Official Statement.
<b>Continuing Disclosure Agreement:</b>	See Appendix C to this Official Statement.
<b>Bank Qualification:</b>	The Bonds shall NOT 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.
<b>Certifying Bank, Registrar, Transfer and Paying Agent:</b>	U.S. Bank National Association, of Hartford, Connecticut.
<b>Legal Opinion:</b>	Day Pitney LLP, of Hartford, Connecticut will act as Bond Counsel.
<b>Delivery and Payment:</b>	It is expected that delivery of the Bonds in book-entry-only form will be made on or about February 12, 2009, against payment in Federal Funds.
<b>Issuer Official:</b>	Questions regarding the Town and this Official Statement should be directed to James M. Luddecke, Finance Officer, Town of Vernon, Town Hall, 14 Park Place, Vernon, Connecticut 06066 - Telephone (860) 870-3690.

## NOTE SALE SUMMARY

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

**Date of Sale:** Thursday, February 5, 2009 at 11:00 A.M. (E.S.T).

**Location of Sale:** Office of Day Pitney LLP, 242 Trumbull St., 6<sup>th</sup> Floor, Deane Conference Room, Hartford, Connecticut 06103-1212.

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

**Issue:** \$3,710,000 General Obligation Bond Anticipation Notes (the "Notes").

**Dated Date:** February 12, 2009.

**Principal Due:** At maturity - February 11, 2010.

**Interest Due:** At maturity - February 11, 2010.

**Purpose and Authority:** The Notes are being issued to finance various 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 NOT 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 underlying rating on the Town's outstanding bonds has recently been affirmed as "A1" 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 NOT 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 February 12, 2009, 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 \$10,875,000 General Obligation Bonds (the "Bonds") and \$3,710,000 General Obligation Bond Anticipation Notes (the "Notes").

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 February 1, 2009 and will mature on the dates, in the amounts and will bear interest at the rate or rates per annum set forth on the inside cover page herein. Interest on the Bonds will be payable August 1, 2009 and semiannually thereafter on February 1 and August 1 in each year until maturity. 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 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 after February 1, 2014 are subject to redemption prior to maturity, at the option of the Town, on or after February 1, 2014, 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>
February 1, 2014 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 February 12, 2009. Principal and interest on the Notes will be due at maturity on February 11, 2010. Interest will be calculated on the basis of a 360-day year consisting of twelve 30-day months at the rate or rates per annum specified by the successful bidder or bidders. The Notes will be issued in fully registered form in denominations of \$25,000 or any integral multiple thereof, plus any odd amount, for any single maturity. A book-entry system will be employed evidencing ownership of the Notes 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 Registrar, Certifying, Transfer and Paying Agent will be U.S. Bank National Association of Hartford, Connecticut. **The Notes are NOT subject to redemption prior to maturity.**

### **Authorization and Use of Proceeds**

#### Authorizations:

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

**Road Reconstruction, Drainage Improvements, Sidewalk and Bridge Replacement:** An appropriation and bond authorization in the amount of \$19,103,000 was approved at a Town referendum held on November 2, 2004 for the design and reconstruction of or improvements to various Town roads, sidewalks and bridges.

**Rockville High School Project:** An appropriation and bond authorization in the amount of \$34,657,000 was approved at a Town referendum held on March 29, 2005 for the design and construction of additions and renovations to the Rockville High School including construction of a new kitchen, auditorium and front entrance; refurbishment and reconfiguration of the interior athletic facility, Library/Media Center classrooms and offices; various code compliance improvements; expansion of the cafeteria; replacement of all exterior windows and doors and the existing boiler; removal of asbestos floor tiles and various site work and site improvements.

**Vernon Center Middle School Project:** An appropriation and bond authorization in the amount of \$11,519,000 was approved at a Town referendum held on March 29, 2005 for the design and construction of renovations at the Vernon Center Middle School including renovations of the existing building; creation of a new entrance canopy; refurbishment and reconfiguration of the Library/Media Center and various classrooms and offices; various code compliance improvements; replacement of the existing boiler; removal of asbestos floor tiles and various site work and site improvements.

**Various Elementary Schools Additions and Renovations:** An appropriation and bond authorization in the amount of \$22,146,000 was approved at a Town referendum held on March 29, 2005 for various improvements at Center Road Elementary School, Lake Street Elementary School, Maple Street Elementary School, Northeast Elementary School and Skinner Road Elementary School.

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

<u>Project</u>	<u>Amount of Total Authorization</u>	<u>Prior Bonds Issued</u>	<u>Notes Maturing 2/12/2009</u>	<u>The Bonds This Issue</u>	<u>The Notes This Issue</u>
Road Reconstruction, Drainage Improvements					
Sidewalk & Bridge Replacement	\$19,103,000	\$14,251,000	\$ 720,000	\$ 720,000	\$1,400,000
Rockville High School Project	34,657,000	8,632,000	8,200,000	7,150,000	-
Vernon Center Middle School Project	11,519,000	4,019,000	130,000	130,000	1,200,000
Various Elementary School Additions and Renovations	<u>22,146,000</u>	<u>5,904,000</u>	<u>2,875,000</u>	<u>2,875,000</u>	<u>1,110,000</u>
<b>Total (1)</b>	<b><u>\$87,425,000</u></b>	<b><u>\$32,806,000</u></b>	<b><u>\$11,925,000</u></b>	<b><u>\$10,875,000</u></b>	<b><u>\$3,710,000</u></b>

(1) In addition to the projects being financed with this issue, the Town has authorized additional projects for which no debt has yet been issued. Please see "Capital Improvement Program" herein for a complete list of authorized projects.

### 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 the construction of the following projects at the estimated reimbursement rates shown below:

<u>Project</u>	<u>Total Appropriation</u>	<u>Estimated Reimbursement Rate (%)</u>	<u>Total Estimated Grant (1)</u>
Rockville High School Project	\$34,657,000	68.93	\$13,637,932
Vernon Center Middle School Project	11,519,000	68.93	5,274,283
Various Elementary School Additions and Renovations	<u>22,146,000</u>	68.93	<u>9,588,729</u>
<b>Total</b>	<b><u>\$68,322,000</u></b>		<b><u>\$28,500,944</u></b>

(1) Estimated grants receivable are based upon eligibility of project costs. Eligible costs to be determined at completion of a post-project audit. As of February 12, 2009 the Town has received \$20,516,809 in progress payment grants for these projects.

### Ratings

The Bonds have been rated "Aa2" by Moody's Investors Service ("Moody's") with the understanding that a financial guaranty insurance policy will be issued by Assured Guaranty Corp. concurrently with the delivery of the Bonds. The underlying rating on this issue as well as the Town's outstanding bonds is "A1" by Moody's. The Notes have been rated "MIG 1" by Moody's. There is no assurance that any rating will be maintained for any given period of time or that it will not be revised downward or withdrawn entirely by Moody's if, in its judgment, circumstances so warrant. The Town undertakes no responsibility to oppose any such revision or withdrawal. Any such downward revision or withdrawal of the ratings or other actions by a rating agency may have an adverse effect on the market price of the Bonds.

### Bond Insurance

The following information has been furnished by Assured Guaranty Corp. for use in this Official Statement. The Town does not make any representation as to the accuracy or completeness of such information or the information which Assured Guaranty Corp. has incorporated by reference.

The following information is not complete and reference is made to Appendix G for a specimen of the financial guaranty insurance policy (the "Policy") of Assured Guaranty Corp. ("Assured Guaranty" or the "Insurer").

## **The Insurance Policy**

Assured Guaranty has made a commitment to issue the Policy relating to the Bonds, effective as of the date of issuance of such Bonds. Under the terms of the Policy, Assured Guaranty will unconditionally and irrevocably guarantee to pay that portion of principal of and interest on the Bonds that becomes Due for Payment but shall be unpaid by reason of Nonpayment (the “Insured Payments”). Insured Payments shall not include any additional amounts owing by the Issuer solely as a result of the failure by the Trustee or the Paying Agent to pay such amount when due and payable, including without limitation any such additional amounts as may be attributable to penalties or to interest accruing at a default rate, to amounts payable in respect of indemnification, or to any other additional amounts payable by the Trustee or the Paying Agent by reason of such failure. The Policy is non-cancelable for any reason, including without limitation the non-payment of premium.

“Due for Payment” means, when referring to the principal of the Bonds, the stated maturity date thereof, or the date on which such Bonds shall have been duly called for mandatory sinking fund redemption, and does not refer to any earlier date on which payment is due by reason of a call for redemption (other than by mandatory sinking fund redemption), acceleration or other advancement of maturity (unless Assured Guaranty in its sole discretion elects to make any principal payment, in whole or in part, on such earlier date) and, when referring to interest on such Bonds, means the stated dates for payment of interest.

“Nonpayment” means the failure of the Issuer to have provided sufficient funds to the Trustee or the Paying Agent for payment in full of all principal and interest Due for Payment on the Bonds. It is further understood that the term Nonpayment in respect of a Bond also includes any amount previously distributed to the Holder (as such term is defined in the Policy) of such Bond in respect of any Insured Payment by or on behalf of the Issuer, which amount has been recovered from such Holder pursuant to the United States Bankruptcy Code in accordance with a final, nonappealable order of a court having competent jurisdiction that such payment constitutes an avoidable preference with respect to such Holder. Nonpayment does not include nonpayment of principal or interest caused by the failure of the Trustee or the Paying Agent to pay such amount when due and payable.

Assured Guaranty will pay each portion of an Insured Payment that is Due for Payment and unpaid by reason of Nonpayment, on the later to occur of (i) the date such principal or interest becomes Due for Payment, or (ii) the business day next following the day on which Assured Guaranty shall have received a completed notice of Nonpayment therefor in accordance with the terms of the Policy.

Assured Guaranty shall be fully subrogated to the rights of the Holders of the Bonds to receive payments in respect of the Insured Payments to the extent of any payment by Assured Guaranty under the Policy.

The Policy is not covered by any insurance or guaranty fund established under New York, California, Connecticut or Florida insurance law.

## **The Insurer**

Assured Guaranty Corp. (“Assured Guaranty”) is a Maryland-domiciled insurance company regulated by the Maryland Insurance Administration and licensed to conduct financial guaranty insurance business in all fifty states of the United States, the District of Columbia and Puerto Rico. Assured Guaranty commenced operations in 1988. Assured Guaranty is a wholly owned, indirect subsidiary of Assured Guaranty Ltd. (“AGL”), a Bermuda-based holding company whose shares are publicly traded and are listed on the New York Stock Exchange under the symbol “AGO.” AGL, through its operating subsidiaries, provides credit enhancement products to the U.S. and global public finance, structured finance and mortgage markets. Neither AGL nor any of its shareholders is obligated to pay any debts of Assured Guaranty or any claims under any insurance policy issued by Assured Guaranty.

Assured Guaranty is subject to insurance laws and regulations in Maryland and in New York (and in other jurisdictions in which it is licensed) that, among other things, (i) limit Assured Guaranty’s business to financial guaranty insurance and related lines, (ii) prescribe minimum solvency requirements, including capital and surplus requirements, (iii) limit classes and concentrations of investments, (iv) regulate the amount of both the aggregate and individual risks that may be insured, (v) limit the payment of dividends by Assured Guaranty, (vi) require the maintenance of contingency reserves, and (vii) govern changes in control and transactions among affiliates. Certain state laws to which Assured Guaranty is subject also require the approval of policy rates and forms.

Assured Guaranty's financial strength is rated "AAA" (stable) by Standard & Poor's, a division of The McGraw-Hill Companies, Inc. ("S&P"), "AAA" (stable) by Fitch, Inc. ("Fitch") and "Aa2" (stable) by Moody's Investors Service, Inc. ("Moody's"). Each rating of Assured Guaranty should be evaluated independently. An explanation of the significance of the above ratings may be obtained from the applicable rating agency. The above ratings are not recommendations to buy, sell or hold any security, and such ratings are subject to revision or withdrawal at any time by the rating agencies. Any downward revision or withdrawal of any of the above ratings may have an adverse effect on the market price of any security guaranteed by Assured Guaranty. Assured Guaranty does not guaranty the market price of the securities it guarantees, nor does it guaranty that the ratings on such securities will not be revised or withdrawn.

### ***Recent Developments***

#### **Agreement to Acquire FSA**

On November 14, 2008, AGL announced that it had entered into a definitive agreement with Dexia SA to purchase Financial Security Assurance Holdings Ltd. ("FSA"), the parent of financial guaranty insurance company, Financial Security Assurance, Inc. For more information regarding the proposed acquisition by AGL of FSA, see Item 1.01 of the Current Report on Form 8-K filed by AGL with the Securities and Exchange Commission (the "SEC") on November 17, 2008.

#### **Ratings**

On July 21, 2008, Moody's issued a press release stating that it had placed under review for possible downgrade the "Aaa" insurance financial strength rating of Assured Guaranty. In a press release dated November 14, 2008, Moody's responded to AGL's announcement of its agreement to acquire FSA, stating that "the potential impact of the proposed transaction on the ratings of Assured Guaranty and FSA will be considered in the context of its ongoing rating reviews of both companies; those reviews are now expected to conclude in the near term." Reference is made to the press releases for the complete text of Moody's comments; copies of such documents are available at [www.moodys.com](http://www.moodys.com).

On November 21, 2008, Moody's issued a press release announcing that it had downgraded the insurance financial strength rating of Assured Guaranty to "Aa2" from "Aaa" and that the status of Assured Guaranty's insurance financial strength rating had been changed to "outlook stable" from "on review for possible downgrade." In the release, Moody's stated that "Today's rating action concludes a review for possible downgrade that was initiated on July 21, 2008, and primarily reflects Moody's updated views on Assured's exposure to weakness inherent in the financial guaranty business model. The outlook for the ratings is stable, and the announced acquisition of FSA's financial guaranty business is not expected to have a meaningful impact on the credit profile of [Assured Guaranty].... The rating agency added that the acquisition of FSA by [AGL] will, if completed as planned, create a combined entity with substantial financial resources and a strong market position." Reference is made to such release for the complete text of Moody's comments; a copy of such document is available at [www.moodys.com](http://www.moodys.com).

Assured Guaranty's "AAA" (stable) financial strength ratings by S&P and by Fitch were affirmed on June 18, 2008 and December 12, 2007, respectively. On November 14, 2008, Fitch issued a press release responding to AGL's announcement of its agreement to acquire FSA, indicating that they do not expect the acquisition, as presented, to have a negative impact on Assured Guaranty's rating. Reference is made to the press release for the complete text of Fitch's comments; a copy of such press release is available at [www.fitchratings.com](http://www.fitchratings.com). On November 17, 2008, S&P issued a press release responding to AGL's announcement of its agreement to acquire FSA, stating that the agreement "appears to pose limited rating risk" for Assured Guaranty. Reference is made to the press release for the complete text of S&P's comments; a copy of such press release is available at [www.ratingsdirect.com](http://www.ratingsdirect.com). There can be no assurance as to what impact, if any, Moody's downgrade or the proposed acquisition will have on the company's financial strength ratings from Fitch or S&P.

For more information regarding Assured Guaranty's insurance financial strength ratings, see AGL's Quarterly Report on Form 10-Q for the quarterly period ended September 30, 2008 (which was filed by AGL with the SEC on November 7, 2008).

### ***Capitalization of Assured Guaranty Corp.***

As of September 30, 2008, Assured Guaranty had total admitted assets of \$1,767,134,629 (unaudited), total liabilities of \$1,341,373,221 (unaudited), total surplus of \$425,761,408 (unaudited) and total statutory capital (surplus plus contingency reserves) of \$1,106,199,863 (unaudited) determined in accordance with statutory accounting practices prescribed or permitted by insurance regulatory authorities. As of December 31, 2007, Assured Guaranty had total admitted assets of \$1,361,538,502 (audited), total liabilities of \$961,967,238 (audited), total surplus of \$399,571,264 (audited) and total

statutory capital (surplus plus contingency reserves) of \$982,045,695 (audited) determined in accordance with statutory accounting practices prescribed or permitted by insurance regulatory authorities. The Maryland Insurance Administration recognizes only statutory accounting practices for determining and reporting the financial condition and results of operations of an insurance company, for determining its solvency under the Maryland Insurance Code, and for determining whether its financial condition warrants the payment of a dividend to its stockholders. No consideration is given by the Maryland Insurance Administration to financial statements prepared in accordance with accounting principles generally accepted in the United States in making such determinations.

### ***Incorporation of Certain Documents by Reference***

The portions of the following documents relating to Assured Guaranty are hereby incorporated by reference into this Official Statement and shall be deemed to be a part hereof:

- The Annual Report on Form 10-K of AGL for the fiscal year ended December 31, 2007 (which was filed by AGL with the SEC on February 29, 2008);
- The Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2008 (which was filed by AGL with the SEC on May 9, 2008);
- The Quarterly Report on Form 10-Q for the quarterly period ended June 30, 2008 (which was filed by AGL with the SEC on August 8, 2008);
- The Quarterly Report on Form 10-Q for the quarterly period ended September 30, 2008 (which was filed by AGL with the SEC on November 7, 2008); and
- The Current Reports on Form 8-K filed by AGL with the SEC, as they relate to Assured Guaranty.

All consolidated financial statements of Assured Guaranty and all other information relating to Assured Guaranty included in documents filed by AGL with the SEC pursuant to Section 13(a), 13(c), 14 or 15(d) of the Securities Exchange Act of 1934, as amended, subsequent to the date of this Official Statement and prior to the termination of the offering of the Bonds shall be deemed to be incorporated by reference into this Official Statement and to be a part hereof from the respective dates of filing such consolidated financial statements.

Any statement contained in a document incorporated herein by reference or contained herein under the heading "SECTION I - SECURITIES OFFERED - Bond Insurance - The Insurer" shall be modified or superseded for purposes of this Official Statement to the extent that a statement contained herein or in any subsequently filed document which is incorporated by reference herein also modifies or supersedes such statement. Any statement so modified or superseded shall not be deemed, except as so modified or superseded, to constitute a part of this Official Statement.

Copies of the consolidated financial statements of Assured Guaranty incorporated by reference herein and of the statutory financial statements filed by Assured Guaranty with the Maryland Insurance Administration are available upon request by contacting Assured Guaranty at 1325 Avenue of the Americas, New York, New York 10019 or by calling Assured Guaranty at (212) 974-0100. In addition, the information regarding Assured Guaranty that is incorporated by reference in this Official Statement that has been filed by AGL with the SEC is available to the public over the Internet at the SEC's web site at <http://www.sec.gov> and at AGL's web site at <http://www.assuredguaranty.com>, from the SEC's Public Reference Room at 450 Fifth Street, N.W., Room 1024, Washington, D.C. 20549, and at the office of the New York Stock Exchange at 20 Broad Street, New York, New York 10005.

Assured Guaranty makes no representation regarding the Bonds or the advisability of investing in the Bonds. In addition, Assured Guaranty has not independently verified, makes no representation regarding, and does not accept any responsibility for the accuracy or completeness of this Official Statement or any information or disclosure contained herein, or omitted herefrom, other than with respect to the accuracy of the information regarding Assured Guaranty supplied by Assured Guaranty and presented under the heading "SECTION I - SECURITIES OFFERED - Bond Insurance".

### **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 of 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 taxable at limited amounts. There was, however, no such certified forest land on the last completed grand list of the Town and 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 upon its power to tax such dwellings or the Town may elect to place a lien on the property for the amount of tax relief granted plus interest.

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-Only 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 and Note certificate will be issued for each maturity and interest rate of the Bonds and the Notes in the aggregate principal amount of such maturity and interest rate, and will be deposited with DTC.

DTC, the world's largest 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, 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 a 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 Standard & Poor's highest rating of: AAA. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at [www.dtcc.com](http://www.dtcc.com) and [www.dtc.org](http://www.dtc.org).

Purchases of Bonds and 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 confirmation 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 Bonds and Notes with DTC and their registration in the name of Cede & Co. or such other nominee do not effect 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 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 such 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 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 transfers through DTC (or a successor securities depository). In that event, Bond and Note certificates will be printed and delivered.

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

### **Replacement Bonds and Notes**

The determination of the Town authorizing the Bonds and the Notes provides for issuance of fully registered Bond and Note certificates directly to Beneficial Owners of the Bonds and the Notes 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 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 three 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 2000 Census reported Vernon's population as 28,063. Although this represents a decrease of approximately 6.0% from the 1990 Census population of 29,841, recent approvals of residential subdivisions and the number of building permits issued for new residential construction suggest growth of approximately 1,000 persons over the next few years. This is further supported by the Census Bureau's 2007 population estimate of 29,620, a 5.5% increase from the 2000 Census figures. Currently 54% of occupied housing units are single-family, owner-occupied homes. Approximately 80% of Vernon's labor force is employed by major insurance companies, defense contractors, financial institutions and capital goods producers.

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 governmental services. 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, local Board of Education and State of Connecticut administrative 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 Development was adopted in 1967 and the most recent plan was adopted in 2002.

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. In addition, Vernon has two K-8 parochial schools.

### Form of Government

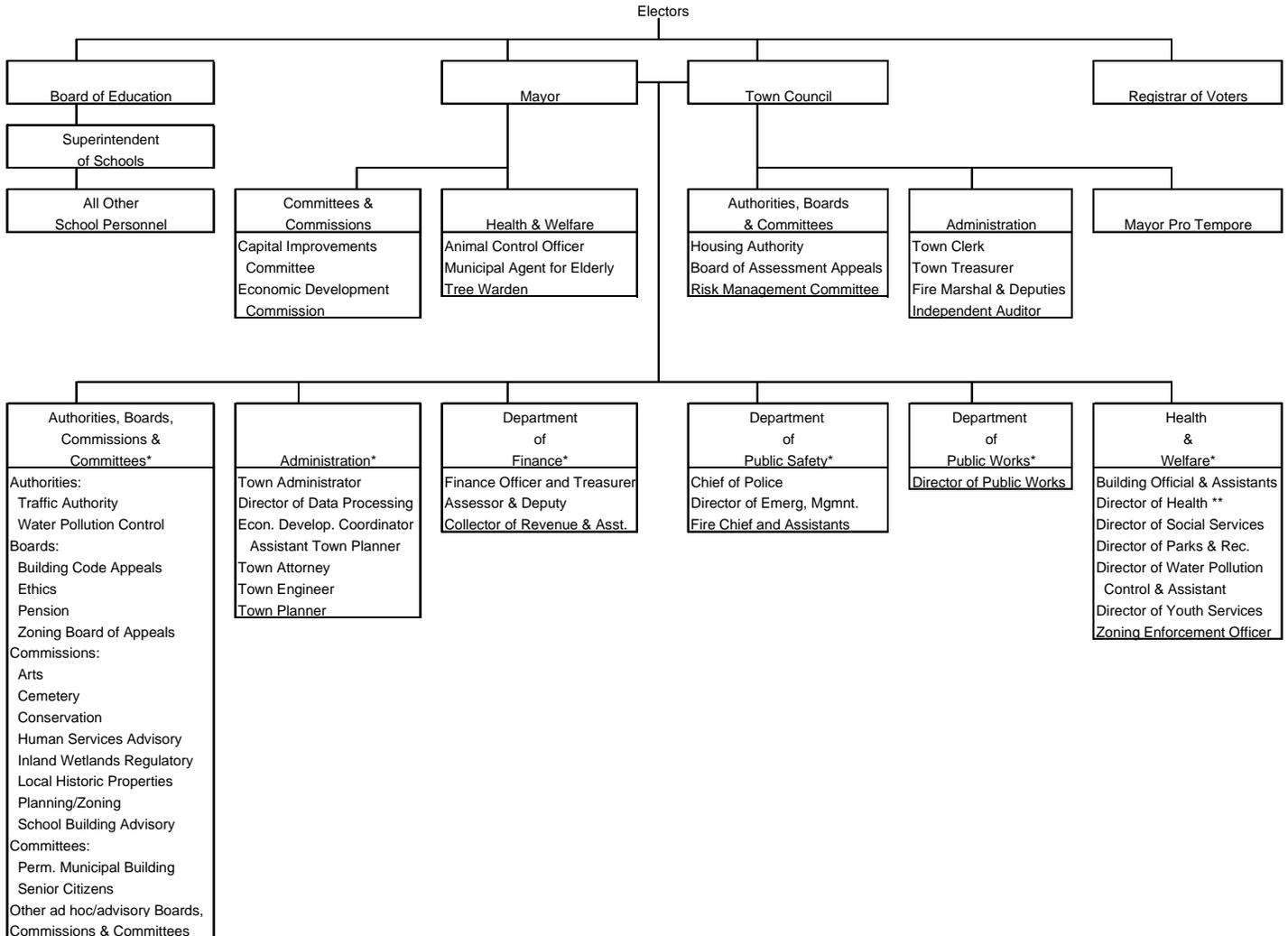
The Town of Vernon has operated under the Mayor-Town Council form of government since 1970. The Town Council acts as the legislative body of the Town. The Town Council consists of twelve members elected on a partisan basis for two-year terms. The Town's operating budget is submitted by the Mayor to the Town Council annually by March 15<sup>th</sup>. The Council reviews the budget and holds at least two public hearings on it. The last hearing on the budget is the Town's Annual 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.

A Town Administrator is appointed by the Mayor and approved by the Town Council on the basis of professional executive training and qualifications. Since 1970, Vernon has had eight Town Administrators.

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

**Table of Organization**



\* Mayor recommended, Town Council approved.

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

## Municipal Officials

<u>Name</u>	<u>Position</u>	<u>Term</u>
Jason L. McCoy	Mayor	2 years – Elected
Daniel E. Anderson	Town Council	2 years - Elected
William F. Campbell	Town Council	2 years - Elected
Daniel A. Champagne	Town Council	2 years - Elected
Mark S. Etre	Town Council	2 years - Elected
William Fox	Town Council	2 years - Elected
Marie A. Herbst	Town Council	2 years - Elected
Nancy E. Herold	Town Council	2 years - Elected
Brian R. Motola	Town Council	2 years - Elected
Pauline A. Schaefer	Town Council	2 years - Elected
Sean O'Shea	Town Council	2 years – Elected
Harry D. Thomas	Town Council	2 years - Elected
Michael A. Winkler	Town Council	2 years – Elected
John D. Ward	Town Administrator	Appointed
James M. Luddecke	Finance Officer/Treasurer	Appointed
Richard Paskiewicz	Acting Superintendent of Schools	Appointed

## Biographies of Principal Officials

**Mayor:** Jason L. McCoy was elected Mayor of Vernon in November 2007. Mr. McCoy received his Bachelor of Arts in 1995 from the University of Connecticut, and attended Law School at the Western New England College School of Law, where he received his Juris Doctorate in 1998. Mr. McCoy was admitted to the Connecticut Bar Association in 1998, and the U.S. District Court, District of Connecticut in 1999. Mr. McCoy is a practicing attorney with a law office in Vernon, where he resides with his wife and children.

Mr. McCoy has previously served as a member of the Town Council from 1998 until 2007 and was the Deputy Mayor from 2005 until 2007. Mr. McCoy is a member of the Board of Governors, Connecticut Trial Lawyers Association, Education Committee; a Presidential Member of the Association of Trial Lawyers of America (Sections on: Motor Vehicles, VIOXX, Professional Negligence, Products Liability). He is also a member of Mortgage Brokers Association (1999-2008); Million Dollar Advocates Forum (2004-2008); Connecticut Mortgage Bankers Association (1999-2008).

**Town Administrator:** John D. Ward is the Administrator for the Town of Vernon. He previously served as Interim Town Administrator for Vernon in 2008. Prior to his municipal career, John Ward served as a trial attorney for over fifteen years in the private sector. For the last eight years of his legal career, he worked as Field Legal Counsel for Liberty Mutual Insurance Company. Along with his wife Wendy, and their four children, he lives in Vernon, CT.

**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.

**Interim Superintendent of Schools:** Richard J. Paskiewicz was selected by the Vernon Board of Education to commence on July 1, 2006, for what was initially expected to be a six month term as Interim Superintendent of Schools. In late August, 2006, the Board extended his term of service through June 30, 2009. Mr. Paskiewicz recently retired from active service to the students of Connecticut after completing slightly more than forty years of various educational responsibilities for the communities of Rocky Hill and Berlin.

Mr. Paskiewicz received both his Bachelor of Science degree and Master of Science degree in mathematics from Central Connecticut State University and his Sixth Year Certificate in Secondary School Administration from the University of Connecticut. In Rocky Hill, Mr. Paskiewicz served thirty years in various positions including middle school teacher, high

school varsity baseball coach, middle school principal, assistant superintendent and acting superintendent of schools. Mr. Paskiewicz completed his initial career in education by serving slightly more than ten years as Superintendent of Schools in the town of Berlin. He previously served the community as a member of its Board of Education, including serving as its president.

### **Summary of Municipal Services**

The Town of Vernon has a full-time professional staff that includes a Town Administrator, Finance Officer, Town Clerk, Collector of Revenue, Assessor, Building and Housing Code Inspector, Town Planner, Economic Development Coordinator, Town Engineer, Director of Public Works, Police Chief, Data Processing Director, Social Services Director, Youth Services Director, Recreation Director, Fire Chief, Fire Marshal, Waste Pollution Control Authority Director, Water Pollution Control Authority Business Manager, Registrar of Voters and a Cemetery Superintendent. The following is a list of services provided by the Town:

**Police Protection.** The Police Department is responsible for the prevention and deterrence of crime, the apprehension of offenders, the return of property, the efficient control and movement of traffic, and the provision of public safety. It is responsible for the enforcement of all laws, ordinances and regulations governing the criminal and motor vehicle codes and the protection of all guarantees provided by the U.S. and the State of Connecticut constitutions. The staff consists of a chief, a captain, three lieutenants, five detectives, nine sergeants, 32 patrol officers, nine dispatchers, one administrative secretary, four clerks and a part-time evidence technician. The Department's major equipment includes 14 cruisers, special service vehicles and a complete radio communications center. The Department is fully computerized.

**Fire Protection and Ambulance Service.** Fire protection is provided by a volunteer fire department with a total of 138 active firefighters and five Fire Stations. Major equipment includes three 750 GPM pumpers, two 1,000 GPM pumpers, one 1,500 GPM pumper, one aerial ladder truck, one "mini" pumper and two rescue vehicles. The Rockville section of Vernon is protected by a Gamewell Fire Protection System.

**Public Works.** The Town provides services in the areas of highways, equipment repair, park engineering and building maintenance. The department maintains 111 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 22 parks covering 568 acres of land, 35 miles of trails, two swimming pools, two beaches on lakes which provide swimming, a beach house, track, boat launch, picnic areas, fishing and ice skating. Additionally, the Town has a Teen Center, numerous playgrounds, baseball and softball diamonds, soccer fields, and tennis and basketball courts.

**Water Pollution Control Authority.** The Town has one wastewater treatment facility which serves approximately 80% of the Town's residents. The facility also accepts sanitary waste from portions of the surrounding towns of Tolland, Ellington, Manchester and South Windsor in accordance with the provisions of Intergovernmental Sewer Agreements between each of those communities and the Town. The facility is in its ninth year of operation since a major expansion and upgrade and establishes an advance treatment process capable of providing effective, efficient, and reliable treatment well into this century's second decade, protecting the natural ecology of the river and preserving its aesthetic and recreational values for future generations. On December 31, 1997 the Town permanently financed the upgrade and expansion with a loan through the State of Connecticut Clean Water Fund (CWF PLO 200-C) in the amount of \$27,635,550. The permanent loan obligation was financed at an interest rate of 2% and matures in 2016. The outstanding principal balance of the loan obligation is \$12,159,675, while the other benefiting towns are responsible for the remaining \$2,617,354. See "Clean Water Fund Program" herein for more information.

**Solid Waste.** Residential wastes are collected once weekly by the Town's Public Works Department. Vernon participates in the Connecticut Resource Recovery Authority (the "Authority") Mid-Connecticut Resource Recovery System (the "System"). The System includes sixty-seven participating municipalities, all of which have entered into long-term municipal solid waste delivery and disposal agreements (the "Municipal Service Agreements" or "MSA") with the Authority. Under the MSA the Town is required to deliver or cause to be delivered to the System acceptable solid waste generated within its boundaries with a minimum commitment of 14,500 tons per year and to pay a uniform per ton disposal service fee (the "Municipal Disposal Fee"). The Town's commitment to pay Municipal Disposal Fees is a "put-or-pay" commitment, in that if the aggregate minimum commitment of the participating municipalities is not met by the total deliveries of all the participating municipalities or by other solid waste delivered to the System by the Authority in any year, and if the Town

does not meet its minimum commitment, then the Town must pay the Municipal Disposal Fee for its proportional share of the aggregate minimum commitment, minus the amount of total acceptable solid waste delivered to the system. The Municipal Disposal Fee for the fiscal year ending June 30, 2008 was \$69 per ton and for fiscal year ending June 30, 2009, the tipping fee is \$72.00 per ton until December 31, 2008 and \$62.00 thereafter.

Under the MSA, Municipal Disposal Fees shall be payable so long as the System is accepting solid waste delivered by or on behalf of the Town, whether or not such solid waste is processed by the System. The Town's obligation to pay Municipal Disposal Fees, so long as the Authority is accepting the Town's solid waste, is absolute and unconditional and shall not be subject to any set-off, counterclaim, re-coupment, defense (other than payment itself) or other right which the Town may have against the Authority or any other person for any reason whatsoever. The Town has pledged its full faith and credit to the payment of Municipal Disposal Fees and has also agreed to enforce or levy and collect all taxes, cost sharing or other assessments or charges and take all such other action as may be necessary to provide for the payment of Municipal Disposal Fees.

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

**Electricity.** Electricity is furnished by Northeast Utilities.

**Telephone Service.** Telephone service is furnished by AT&T.

**Educational System**

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

**Educational Facilities**

<u>School</u>	<u>Grades</u>	<u>Occupied</u>	<u>Renovations</u>	<u>Number of Classrooms</u>	<u>Enrollment 10/1/08</u>	<u>Design Capacity</u>
Center Road Elementary School	PK-5	1969		33	468	825
Lake Street Elementary School	K-5	1960	1961	20	288	525
Maple Street Elementary School	K-5	1923	1962	23	263	525
Northeast Elementary School	K-5	1954		19	289	525
Skinner Road Elementary School	K-5	1963		21	313	525
Vernon Middle School	6-8	1968		70	781	1,500
Rockville High School and VO-AG	9-12	1959	1964, 1976	136	1,166	2,400
Talcottville Special Education	SP	1987		<u>8</u>	<u>16</u>	<u>90</u>
Total				<u>330</u>	<u>3,584</u>	<u>6,915</u>

Source: Superintendent of Schools.

## School Enrollments

The following table presents school enrollment historical trends and projections.

### Actual Enrollments

<u>School Year</u> (1)	<u>Pre-K</u>	<u>K-5</u>	<u>6-8</u>	<u>9-12</u>	<u>Ungraded</u>	<u>Total</u>
1999-00	56	1,937	913	1,167	81	4,154
2000-01	64	1,858	955	1,187	72	4,136
2001-02	58	1,780	945	1,229	54	4,066
2002-03	54	1,774	961	1,227	62	4,078
2003-04	46	1,751	944	1,292	41	4,074
2004-05	40	1,710	939	1,314	47	4,050
2005-06	34	1,667	929	1,284	46	3,960
2006-07	26	1,656	851	1,244	20	3,797
2007-08	39	1,626	811	1,226	13	3,715
2008-09	33	1,588	781	1,166	16	3,584

### Projected Enrollments

<u>School Year</u>	<u>Pre-K</u>	<u>K-5</u>	<u>6-8</u>	<u>9-12</u>	<u>Ungraded</u>	<u>Total</u>
2009-10	36	1,694	774	1,072	13	3,589
2010-11	36	1,713	762	1,054	13	3,578
2011-12	36	1,711	776	1,002	13	3,538
2012-13	36	1,752	774	956	13	3,531
2013-14	36	1,769	748	992	13	3,558

(1) As of October 1.

Source: Superintendent of Schools.

## Municipal Employees

<u>Fiscal Year</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>
Board of Education	639	642	659	638	646	667
General Government	<u>213</u>	<u>213</u>	<u>212</u>	<u>209</u>	<u>208</u>	<u>206</u>
Total	<u>852</u>	<u>855</u>	<u>871</u>	<u>847</u>	<u>854</u>	<u>873</u>

Source: Town Officials.

## Municipal Employees by Category

<u>Department</u>	<u>Number of Employees</u>
<u>General Government</u>	
General Government	30
Public Safety	78
Public Works	59
Health and Welfare	10
Recreation	12
Water Pollution Control	<u>24</u>
Subtotal	<u>213</u>
<u>Board of Education</u>	
Administration and Principals	30
Teachers	333
Classroom Instructional Aids/Paraprofessionals	135
Nurses	10
Clerical/Custodial/Maintenance	62
Cafeteria Workers	34
Plant Operation Supervisors	3
Librarians/Media Managers/Assistants	10
Non-Bargaining Employees	<u>22</u>
Subtotal	<u>639</u>
Grand Total	<u>852</u>

Source: Town Officials.

## Employee Collective Bargaining Representation

<u>Employees</u>	<u>Organization</u>	<u>Number of Employees Covered</u>	<u>Current Contract Expiration Date</u>
<b>General Government</b>			
Police officers	Local 483, International Brotherhood of Police Officers (IBPO)	50	6/30/11
Public Works/Parks/Water Pollution	Local 1471, AFSCME, AFL-CIO	60	6/30/10
Public Works Supervisors	Local 818, AFSCME, AFL-CIO	5	6/30/09
Civilian Police Department Employees	Local 47, Connecticut Independent Laborers Union (CILU)	14	6/30/11
Professionals	Local 818, AFSCME, AFL-CIO	30	6/30/09
Public Works Administrative Clerical	Local 1471, AFSCME, AFL-CIO	3	6/30/09
Waste Treatment Plant Supervisors	Local 818, AFSCME, AFL-CIO	3	6/30/09
Non-Bargaining	Not affiliated	<u>48</u>	N/A
	Subtotal - General Government	213	
<b>Board of Education</b>			
Clerical/Custodial/Maintenance	Local 1303, AFSCME, AFL-CIO	68	6/30/09
Teachers	Vernon Education Association	333	6/30/11
School Administrators	Vernon School Administrators Association	24	6/30/09
School Nurses	Vernon School Nurses' Association	10	6/30/10
Cafeteria	United Food & Commercial Workers, Local 919, AFL-CIO	34	6/30/08 (1)
Plant Operation Supervisors	Local 818, Council #4, Supervisors	3	6/30/09
Service Aids & Teacher Assistants	Vernon Federation of Paraprofessionals	135	6/30/07 (2)
Librarians/Media Managers/Assistants	Local 1303-279, AFSCME, AFL-CIO	10	6/30/10
Non-Bargaining	Not affiliated	<u>22</u>	N/A
	Subtotal - Board of Education	<u>639</u>	
	<b>Total</b>	<b><u>852</u></b>	

(1) In negotiations.

(2) Ratified, awaiting Board of Education approval.

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>
1960	16,961	68,737	2,535,234
1970	27,237	103,440	3,032,217
1980	27,974	114,823	3,107,576
1990	29,841	128,699	3,287,116
2000	28,063	136,364	3,405,565
2007	29,620	148,139	3,502,309

Source: U.S. Department of Commerce, Bureau of Census; State of Connecticut, Department of Public Health.

### Age Characteristics of Population

	<u>Town of Vernon</u>		<u>State of Connecticut</u>	
	<u>2000 Census</u>	<u>Percent</u>	<u>2000 Census</u>	<u>Percent</u>
Under 5 years of age	1,713	6.1	223,344	6.6
5-19 years of age	5,027	17.9	702,358	20.6
20-24 years of age	1,617	5.8	187,571	5.5
25-44 years of age	9,104	32.4	1,032,689	30.3
45-54 years of age	3,949	14.1	480,807	14.1
55-59 years of age	1,610	5.7	176,961	5.2
60-64 years of age	1,137	4.1	131,652	3.9
65 years and older	<u>3,906</u>	<u>13.9</u>	<u>470,183</u>	<u>13.8</u>
Total	<u>28,063</u>	<u>100.0</u>	<u>3,405,565</u>	<u>100.0</u>

Source: U.S. Department of Commerce, Bureau of Census.

### Selected Wealth and Income Indicators

	<u>Median Family Income</u>		<u>Per Capita Income</u>	
	<u>(1990)</u>	<u>(2000)</u>	<u>(1990)</u>	<u>(2000)</u>
Town of Vernon	\$48,176	\$59,599	\$18,888	\$25,150
Tolland County	51,436	70,856	17,849	25,474
Connecticut	49,199	65,521	20,189	28,766
United States	35,353	49,600	14,617	21,690

Source: U.S. Department of Commerce, Bureau of Census.

### Income Distribution

	<u>Town of Vernon</u>		<u>State of Connecticut</u>	
	<u>Families</u>	<u>Percent</u>	<u>Families</u>	<u>Percent</u>
\$ 0 to 9,999	220	3.0	33,423	3.8
10,000 to 14,999	207	2.8	23,593	2.7
15,000 to 24,999	551	7.5	63,262	7.1
25,000 to 34,999	715	9.7	75,413	8.5
35,000 to 49,999	1,177	16.0	120,134	13.6
50,000 to 74,999	1,878	25.6	198,924	22.5
75,000 to 99,999	1,294	17.6	141,981	16.0
100,000 to 149,999	983	13.4	132,177	14.9
150,000 to 199,999	232	3.2	42,472	4.8
200,000 or more	<u>86</u>	<u>1.2</u>	<u>54,368</u>	<u>6.1</u>
	<u>7,343</u>	<u>100.0</u>	<u>885,747</u>	<u>100.0</u>

Source: U.S. Department of Commerce, Bureau of the Census, Census 2000.

## Educational Attainment

	<u>Town of Vernon</u>		<u>State of Connecticut</u>	
	<u>Number</u>	<u>Percent</u>	<u>Number</u>	<u>Percent</u>
Less than 9 <sup>th</sup> grade	917	4.7	132,917	5.8
9 <sup>th</sup> to 12 <sup>th</sup> grade	1,865	9.5	234,739	10.2
High School graduate	5,934	30.2	653,300	28.4
Some college - no degree	4,038	20.6	402,741	17.5
Associate degree	1,622	8.3	150,926	6.6
Bachelor's degree	3,305	16.8	416,751	18.2
Graduate or professional degree	<u>1,948</u>	<u>9.9</u>	<u>304,243</u>	<u>13.3</u>
Totals	<u>19,629</u>	<u>100.0</u>	<u>2,295,617</u>	<u>100.0</u>
Total high school graduate or higher		85.8%		84.0%
Total bachelor's degree or higher		26.8%		31.4%

Source: U. S. Department of Commerce, Bureau of Census, 2000.

## Employment by Industry

	<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>
Agriculture, forestry, fisheries	41	0.3	637	0.9	7,445	0.5
Construction	755	4.9	4,294	5.9	99,913	6.0
Manufacturing:	2,156	14.0	9,862	13.6	246,607	14.8
Wholesale	533	3.5	2,252	3.1	53,231	3.2
Retail trade	2,050	13.3	8,275	11.4	185,633	11.2
Transportation, warehousing, utilities	585	3.8	2,739	3.8	64,662	3.9
Information	405	2.6	1,715	2.4	55,202	3.3
Finance, insurance, real estate	2,059	13.4	7,799	10.7	163,568	9.8
Professional, scientific, management, administrative	1,253	8.2	5,896	8.1	168,334	10.1
Educational, health, social services	2,912	18.9	18,061	24.8	366,568	22.0
Arts, entertainment, recreation accommodation, food	1,197	7.8	4,950	6.8	111,424	6.7
Other professional services	747	4.9	2,895	4.0	74,499	4.5
Public Administration	<u>680</u>	<u>4.4</u>	<u>3,368</u>	<u>4.6</u>	<u>67,354</u>	<u>4.0</u>
Total	<u>15,373</u>	<u>100.0</u>	<u>72,743</u>	<u>100.0</u>	<u>1,664,440</u>	<u>100.0</u>

Source: U. S. Department of Commerce, Bureau of the Census, 2000.

## Major Employers

<u>Name of Employer</u>	<u>Nature of Entity</u>	<u>Estimated Number of Employees</u>
Town of Vernon	Municipality	852
Rockville General Hospital	Hospital and specialized health services	565
Visiting Nurse and Health Services	Nursing, therapy and supporting services	333
New England Mechanical Services	HVAC engineering, contracting and servicing	240
Price Chopper	Retail grocery supermarket	223
State of Connecticut, Dep. of Family & Child Services	Court, family and child services	196
Stop & Shop	Retail grocery supermarket	187
Fox Hill Nursing and Rehabilitation	Convalescent and elderly care	187
Vernon Manor	Convalescent and elderly care	183
Ticket Network	On-line ticket exchange	177
Total		<u>3,143</u>

Source: Town of Vernon, Economic Development Coordinator.

## Unemployment Rate Statistics

<u>Yearly Average</u>	<u>Town of Vernon</u>	<u>Hartford Labor Market</u>	<u>State of Connecticut</u>	<u>United States</u>
1998	3.1%	3.4%	3.4%	4.5%
1999	2.6	3.3	3.2	4.2
2000	1.8	2.4	2.3	4.0
2001	2.6	3.3	3.3	4.8
2002	3.9	4.5	4.3	5.8
2003	5.4	5.9	5.5	5.8
2004	4.6	5.2	4.9	5.5
2005	4.5	5.1	4.9	5.1
2006	4.1	4.4	4.6	4.6
2007	4.3	4.7	4.5	4.6
2008	5.4	5.9	5.8	5.8

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

## Number and Value of Building Permits

<u>Fiscal Year</u>	<u>Residential</u>		<u>Commercial/ Industrial</u>		<u>All Other</u>		<u>Total Building Permits</u>	
	<u>Permits</u>	<u>Value</u>	<u>Permits</u>	<u>Value</u>	<u>Permits</u>	<u>Value</u>	<u>Permits</u>	<u>Value</u>
2008	43	\$ 9,817,719	69	\$ 3,870,742	1,613	\$21,958,018	1,725	\$35,646,479
2007	69	11,632,730	174	5,694,247	1,574	17,991,124	1,817	35,318,101
2006	51	8,109,961	163	12,272,007	1,480	2,846,258	1,694	23,228,226
2005	56	9,331,922	222	16,580,000	1,518	4,769,331	1,796	30,681,253
2004	64	8,138,600	178	11,048,981	1,385	7,665,025	1,627	26,852,606
2003	77	9,111,045	91	6,398,806	1,529	9,050,273	1,697	24,560,124
2002	74	5,465,153	126	12,185,078	1,585	4,635,442	1,785	22,285,673
2001	61	4,781,964	154	7,491,176	1,322	4,026,474	1,537	16,299,614
2000	68	6,868,846	175	6,974,526	1,494	4,441,749	1,737	18,285,121
1999	57	5,653,304	73	1,814,542	1,454	4,389,273	1,584	11,857,119

Source: Town of Vernon, Office of Building Inspections

## Number of Dwelling Units

<u>2000</u>	<u>1990</u>	<u>1980</u>	<u>1970</u>	<u>% Increase 1990-2000</u>	<u>% Increase 1980-2000</u>	<u>% Increase 1970-2000</u>
12,867	12,748	10,611	8,608	0.93%	21.3%	49.5%

Source: U.S. Department of Commerce, Bureau of Census.

### 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	15	0.3	171	0.5	5,996	0.8
50,000 to 99,999	755	13.0	2,876	9.1	85,221	11.7
100,000 to 149,999	2,885	49.8	12,368	39.2	212,010	29.1
150,000 to 199,999	1,477	25.5	9,074	28.8	156,397	21.5
200,000 to 299,999	582	10.1	5,777	18.3	137,499	18.9
300,000 to 499,999	56	1.0	1,148	3.6	79,047	10.9
500,000 to 999,999	19	0.3	101	0.3	38,168	5.2
1,000,000 and over	-	0.0	14	0.0	13,906	1.9
Total	<u>5,789</u>	<u>100.0</u>	<u>31,529</u>	<u>100.0</u>	<u>728,244</u>	<u>100.0</u>
Median Value	137,300	-	151,600	-	166,900	-

Source: U. S. Department of Commerce, Bureau of the Census, 2000.

### Age Distribution of Housing

Year Structure Built	Town of Vernon		State of Connecticut	
	Number	Percent	Number	Percent
1939 or earlier	88	0.7	308,896	22.3
1940 to 1959	149	1.2	359,042	25.9
1960 to 1969	367	2.9	212,176	15.4
1970 to 1979	1,971	15.3	203,377	14.7
1980 to 1989	2,346	18.2	183,405	13.2
1990 to 1994	2,830	22.0	56,058	4.0
1995 to 1998	2,670	20.8	47,028	3.4
1999 to March 2000	<u>2,446</u>	<u>19.0</u>	<u>15,993</u>	<u>1.1</u>
Total housing units, 2000	<u>12,867</u>	<u>100.0</u>	<u>1,385,975</u>	<u>100.0</u>

Source: U.S. Department of Commerce, Bureau of Census, Census 2000.

### Breakdown of Land Use

Category	Total Area		Developed		Undeveloped		Undevelopable	
	# of Acres	% of Total	# of Acres	% of Total	# of Acres	% of Total	# of Acres	% of Total
Residential	7,359	62.2	4,627	39.1	1,312	11.1	1,420	12.0
Commercial	449	3.8	357	3.0	92	0.8	-0-	-0-
Industrial	222	1.9	193	1.6	29	0.2	-0-	-0-
Mixed Use	315	2.6	85	0.7	230	1.9	-0-	-0-
All Other	<u>3,495</u>	<u>29.5</u>	<u>580</u>	<u>4.9</u>	<u>2,915</u>	<u>24.6</u>	<u>-0-</u>	<u>-0-</u>
Total	<u>11,840</u>	<u>100.0</u>	<u>5,842</u>	<u>49.3</u>	<u>4,578</u>	<u>38.6</u>	<u>1,420</u>	<u>12.0</u>

Source: Town of Vernon.

**SECTION IV - INDEBTEDNESS**

**Computation of Statutory Debt Limit**

As of February 12, 2009 (Pro Forma)

Total Fiscal Year 2008 tax collections (including interest and lien fees) (unaudited estimate)	\$49,954,014
State Reimbursement for Revenue Loss on Tax Relief for the Elderly	<u>-</u>
Base for Establishing Debt Limit	<u>\$49,954,014</u>

**Debt Limit**

	<u>General Purpose</u>	<u>Schools</u>	<u>Sewers</u>	<u>Urban Renewal</u>	<u>Unfunded Past Pension</u>	<u>Total Debt</u>
(2.25 times base)	\$112,396,532					
(4.50 times base)		\$224,793,063				
(3.75 times base)			\$187,327,553			
(3.25 times base)				\$162,350,546		
(3.00 times base)					\$149,862,042	
(7.00 times base)						\$349,678,098
<b>Indebtedness (Including the Notes)</b>						
Bonds Payable	\$ 13,909,000	\$ 19,736,000	\$ 1,945,000	\$ -	\$ -	\$ 35,590,000
The Bonds ( <i>This Issue</i> )	720,000	10,155,000	-	-	-	10,875,000
The Notes ( <i>This Issue</i> )	1,400,000	2,310,000	-	-	-	3,710,000
State of Connecticut						
Clean Water Fund Project						
Loan Obligations (PLO)	-	-	12,307,496	-	-	12,307,496
Authorized but Unissued						
Debt (1)	<u>3,582,724</u>	<u>13,781,646</u>	<u>6,372,500</u>	<u>-</u>	<u>-</u>	<u>23,736,870</u>
Total Indebtedness	19,611,724	45,982,646	20,624,996	-	-	86,219,366
Less Receivables:						
Intergovernmental (2)	-	-	(2,617,354)	-	-	( 2,617,354)
Sewer Assessments (3)	-	-	(149,769)	-	-	( 149,769)
School grants (4)	<u>-</u>	<u>( 8,771,867)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>( 8,771,867)</u>
Net Indebtedness	<u>19,611,724</u>	<u>37,210,779</u>	<u>17,857,873</u>	<u>-</u>	<u>-</u>	<u>74,680,376</u>
Excess of Limit Over						
Outstanding and Authorized Debt	<u>\$ 92,784,808</u>	<u>\$187,582,284</u>	<u>\$169,469,680</u>	<u>\$162,350,546</u>	<u>\$149,862,042</u>	<u>\$274,997,722</u>

- (1) Connecticut General Statutes provide for the exclusion from the debt limitation of any authorized projects for which no debt has been issued. Accordingly, certain authorized but unissued debt has been excluded in above calculations. Please see "Authorized but Unissued Debt" herein for a complete list of all projects currently authorized by the Town.
- (2) Includes the principal portion of Clean Water Fund PLO allocable to the towns of Ellington, Manchester, South Windsor and Tolland which as of January 31, 2009, totaled \$2,617,354. See "Clean Water Fund" herein.
- (3) Sewer assessment receivable as of June 30, 2008.
- (4) The Town presently has a number of school construction projects underway. To date, the Town has received \$20,516,809 in progress payments from the State of Connecticut. The Town expects to receive additional progress payments in the amount of \$7,984,135. The Town also receives school construction subsidy grants which are paid over the life of the outstanding school bonds issued for projects approved prior to July 1, 1996. The grants representing the principal portion of the outstanding bonds are estimated to be \$787,732. See "School Construction Projects" herein.

Source: Town Officials

## Calculation of Net Direct Debt

As of February 12, 2009 (Pro Forma)

### Indebtedness (1)

#### Bonded Debt:

The Bonds ( <i>This Issue</i> )	\$10,875,000
General Purpose	13,909,000
Schools	19,736,000
Sewers	1,945,000
State of Connecticut Clean Water Fund PLO	<u>12,307,496</u>
<b>Total Long-Term Debt</b>	<b>58,772,496</b>

#### Short-Term Debt:

The Notes ( <i>This Issue</i> )	<u>3,710,000</u>
<b>Total Short Term Debt</b>	<b>3,710,000</b>

#### Total Direct Debt

62,482,496

#### Exclusions:

School grants receivable (2)	( 787,732)
Sewer assessments receivable (3)	( 149,769)
Intergovernmental receivable (4)	<u>( 2,617,354)</u>

#### Net Direct Debt

\$58,927,641

- (1) Does not include authorized but unissued debt of \$23,736,870.
- (2) As of February 12, 2009.
- (3) As of June 30, 2008.
- (4) As of January 31, 2009, the towns of Ellington, Manchester, South Windsor and Tolland's allocable share of the principal portion of the Town of Vernon's State of Connecticut Clean Water Fund PLO 200-C totaled \$2,617,354. Please see "Clean Water Fund Program" herein.

## Current Debt Ratios

As of February 12, 2009 (Pro Forma)

Total Direct Debt	\$62,482,496
Net Direct Debt	\$58,927,641

Population (1)	29,622
Net Taxable Grand List (10/1/06)	\$1,702,120,658
Estimated Full Value	\$2,431,600,940
Equalized Net Taxable Grand List (2005) (2)	\$2,017,416,957
Per Capita Income (1999) (3)	\$25,150

#### Total Direct Debt:

Per Capita	\$2,109.33
To Net Taxable Grand List	3.67%
To Estimated Full Value	2.57%
To Equalized Net Taxable Grand List	3.10%
Per Capita to Per Capita Income	8.39%

#### Net Direct Debt:

Per Capita	\$1,989.32
To Net Taxable Grand List	3.46%
To Estimated Full Value	2.42%
To Equalized Net Taxable Grand List	2.92%
Per Capita to Per Capita Income	7.91%

- (1) State of Connecticut, Department of Public Health estimate.
- (2) Office of Policy and Management, State of Connecticut
- (3) U.S. Department of Commerce, Bureau of Census, Census 2000.

## Historical Debt Statement

	<u>2007-08</u> (1)	<u>2006-07</u>	<u>2005-06</u>	<u>2004-05</u>	<u>2003-04</u>
Population (2)	29,620	29,622	29,491	29,338	29,206
Net taxable grand list	\$1,491,278,140	\$1,311,102,718	\$1,284,989,136	\$1,253,950,246	\$1,244,453,932
Estimated full value	\$2,021,544,000	\$2,850,480,000	\$2,600,045,000	\$2,377,027,000	\$2,210,936,000
Equalized net taxable grand list (3)	\$2,017,416,957	\$2,848,133,122	\$2,597,687,500	\$2,374,852,632	\$2,208,686,376
Per capita income (4)	\$25,150	\$25,150	\$25,150	\$25,150	\$25,150
Short-term debt	\$11,925,000	\$20,986,000	\$10,300,000	\$ -	\$ -
Long-term debt	<u>48,309,440</u>	<u>30,629,391</u>	<u>21,001,583</u>	<u>23,087,025</u>	<u>25,496,094</u>
Total Direct debt	\$60,234,440	\$51,615,391	\$31,301,583	\$23,087,025	\$25,496,094
Net Direct debt	\$56,099,662	\$49,907,792	\$25,657,473	\$16,829,915	\$18,487,338

(1) Unaudited estimate.

(2) U.S. Department of Commerce, Bureau of Census.

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

(4) U.S. Department of Commerce, Bureau of Census, Census 2000.

## Historical Debt Ratios

	<u>2007-08</u>	<u>2006-07</u>	<u>2005-06</u>	<u>2004-05</u>	<u>2003-04</u>
<b>Total Direct debt:</b>					
Per capita	\$2,033.57	\$1,742.47	\$1,061.39	\$786.93	\$872.97
To net taxable grand list	4.04%	3.94%	2.44%	1.84%	2.05%
To estimated full value	2.98%	1.81%	1.20%	0.97%	1.15%
To equalized net taxable grand list	2.99%	1.81%	1.20%	0.97%	1.15%
Debt per capita to per capita income	8.09%	6.93%	4.22%	3.13%	3.47%
<b>Net direct debt:</b>					
Per capita	\$1,893.98	\$1,684.82	\$870.01	\$573.66	\$633.00
To net taxable grand list	3.76%	3.81%	2.00%	1.34%	1.49%
To estimated full value	2.78%	1.75%	0.99%	0.71%	0.84%
To equalized net taxable grand list	2.78%	1.75%	0.99%	0.71%	0.84%
Debt per capita to per capita income	7.53%	6.70%	3.46%	2.28%	2.52%

## Outstanding Short-Term Indebtedness

With this issue, the Town will have \$3,710,000 in outstanding short-term indebtedness.

## Capital Leases

The Town has entered into a capital lease agreement for the purchase of a mid-mount platform aerial ladder truck, a pumper-tanker truck, three dump trucks, a refuse packer and a sweeper-vacuum recycling truck. The present value of future minimum lease payment as of February 1, 2009 was estimated to be \$1,262,457. These payments are not included in outstanding bonded debt.

## Overlapping and Underlying Indebtedness

The Town has no overlapping or underlying indebtedness.

## Clean Water Fund Program

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

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

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

On December 31, 1997, the Town permanently financed the upgrade and expansion of the Vernon Waste Water Treatment Plant (Clean Water Fund project 200-C) with \$27,635,550 State of Connecticut Clean Water Fund ("CWF") project loan obligation. The permanently financed loan obligation, payable monthly through December 31, 2016, carries a 2.00% interest rate. The Town is responsible for debt service payments on the loan obligation, although the Towns of Ellington, Manchester, South Windsor and Tolland are obligated to provide principal and interest payments in installments through December 31, 2016 on their share of the debt. As of January 31, 2009, the surrounding towns' share of the debt was \$2,617,354 in principal and \$214,849 in interest.

The Town of Vernon has the following Clean Water loans outstanding as of February 12, 2009:

<u>Project</u>	<u>Original 2% Loan Amount</u>	<u>Principal Amount Outstanding</u>
CWF PLO 211-C	\$ 199,611	\$ 23,288
CWF PLO 244-C	649,740	124,533
CWF PLO 200-C	<u>27,635,550</u> (1)	<u>12,159,675</u>
	<u>\$28,484,901</u>	<u>\$12,307,496</u>

(1) As of January 31, 2009, the towns of Ellington, Manchester, South Windsor and Tolland's allocable share of the principal portion of Clean Water Fund PLO 200-C totaled \$2,617,354.

## 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 1/20<sup>th</sup> (1/30<sup>th</sup> for sewer projects and

certain school projects) of the estimated net project cost (CGS Sec. 7-378a). The term of the bond issue is reduced by the amount of time temporary financing exceeds two years.

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

Temporary notes may also be issued for up to 15 years for certain capital projects associated with the operation of a waterworks system (CGS Sec. 7-244a) or a sewage system (CGS Sec. 7-264a). In the first year following the completion of the project(s), or in the sixth year following the original date of issue (whichever is sooner), and in each year thereafter, the notes must be reduced by 1/15<sup>th</sup> of the total amount of the notes issued by funds derived from sources of payment specified by statute. Temporary notes may be issued in one-year maturities for up to 15 years in anticipation of sewer assessments receivable, such notes to be reduced annually by the amount of assessments received during the preceding year (CGS Sec. 7-269a).

### **Capital Improvement Program**

During Fiscal Year 2005, the Town began a comprehensive capital improvement program encompassing both public infrastructure and school facilities projects. At a referendum held on November 2, 2004 a Town improvement bond package consisting of seven separate referenda questions totaling \$37,622,000 was presented to the voters for approval. The voters subsequently approved three of the projects totaling \$21,609,000; including \$19,103,000 for road, sidewalk and bridge replacements; \$1,295,000 for waste treatment plant improvements; and \$1,211,000 for sewer system improvements.

Additionally, at a referendum held on March 29, 2005 a school building and facilities bond package consisting of four separate referenda questions totaling \$70,704,000 was presented to the voters for approval. The voters subsequently approved three projects totaling \$68,322,000; including \$34,657,000 for additions and renovations to Rockville High School; \$11,519,000 for renovations to Vernon Center Middle School and \$22,146,000 for additions and renovations to the Town's five elementary schools. The Town does not expect to go to referendum in the future for the lone unapproved school project but intends to finance the project through the Town's annually budgeted capital improvement program. For the approved school projects, the Town expects to receive proportional progress payments from the State of Connecticut for approximately 68.93% of eligible costs. Presently, the Town estimates its net share of project costs to be approximately \$39,820,000. Please see "School Construction Projects" herein for more information.

The Town of Vernon and the neighboring Town of Bolton entered into a consent order with the Connecticut Department of Environmental Protection (CTDEP) on October 14, 1999 requiring the towns to take the necessary steps to address wastewater disposal alternatives for the Bolton Lakes' area. Two State-funded engineering studies have confirmed that specific areas around the middle and lower Bolton Lakes no longer meet the requirements of current health codes for septic systems and recommend the installation of a low-pressure sewer system with wastewater being pumped to the adjacent Town of Manchester Wastewater Treatment Facility. The later study, completed by Fuss & O'Neill, Incorporated in May 2003, estimated that the design and construction of the sewer system would cost \$17,000,000, with 29% or \$4,930,000 attributable to Vernon and the remainder to Bolton. Voters in both towns approved a special referendum held on September 27, 2005 regarding ordinances that guarantee funding for the sewer project. The vote of approval in Bolton was 837-112, while in Vernon it was 687-216. Since the completion of the May 2003 study, project costs are now estimated to be \$21,959,000. Vernon's 29% share, or \$6,368,110, would be reduced to \$2,725,839 since the project qualifies for Federal Rural Development and Connecticut Clean Water Fund grants.

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. Since its inception, the BLRWPCA has scheduled periodic meetings and worked closely with the CTDEP as well as the State Office of Policy and Management (OPM), gaining approval of a Plan of Operations and By-Laws recommended by the Authority that will govern its operation as an entity separate from the town of Vernon and Bolton. OPM has approved revisions to the State's Plan of Conservation and Development with respect to the project along Route 44 in Bolton.

During the past fiscal year, an intermunicipal sewer agreement was negotiated between the BLRWPCA and the Town of Manchester. That agreement, finalized on September 26, 2007, defines the terms and conditions in which Manchester will

accept wastewater generated from the Bolton Lakes regional sewer service area. Fuss & O'Neill, Incorporated have coordinated with the BLRWPCA to interview and select grinder pump suppliers; negotiate easement agreements for the placement of sewers; obtain all state and local regulatory permits and approvals; hold public informational hearings; and submit final design plans to CTDEP for approval.

Pending final CTDEP approval of plans and funding applications, construction bids will be advertised in early 2009 with an anticipated construction start date of April 15, 2009.

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 2009-2014 Plan projects a total of \$29,072,241 in projects and equipment. A copy of the most recent capital improvement program is available from the Finance Office.

**Authorized but Unissued Debt**

The following is a list of all of the projects for which the Town has outstanding bond authorizations:

<u>Project</u>	<u>Amount of Total Authorization</u>	<u>Prior Bonds Issued</u>	<u>Grants Received</u>	<u>Notes Maturing 2/12/2009</u>	<u>The Bonds This Issue</u>	<u>The Notes This Issue</u>	<u>Authorized But Unissued Debt</u>
Road Reconstruction, Drainage Improv. Sidewalk & Bridge Replacement (1)	\$19,103,000	\$14,251,000	\$ 331,276	\$ 720,000	\$ 720,000	\$1,400,000	\$ 2,400,724
WWTP Nitrification Reduction (2)	1,295,000	-	-	-	-	-	1,295,000
Sewer System Improvements	1,211,000	1,049,000	-	-	-	-	162,000
Rockville High School Project (3)	34,657,000	8,632,000	10,779,654	8,200,000	7,150,000	-	8,095,346
Vernon Center Middle School Project (3)	11,519,000	4,019,000	4,871,141	130,000	130,000	1,200,000	1,298,859
Various Elementary School Additions and Renovations (3)	22,146,000	5,904,000	7,869,559	2,875,000	2,875,000	1,110,000	4,387,441
Phoenix Street Bridge Replacement	1,182,000	-	-	-	-	-	1,182,000
Bolton Lakes Sewer Projects	<u>4,915,500</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,915,500</u>
<b>Total All Projects</b>	<b><u>\$96,028,500</u></b>	<b><u>\$33,855,000</u></b>	<b><u>\$23,851,630</u></b>	<b><u>\$11,925,000</u></b>	<b><u>\$10,875,000</u></b>	<b><u>\$3,710,000</u></b>	<b><u>\$23,736,870</u></b>

- (1) The Town expects to receive grants from the State of Connecticut in the amount of \$7,984,135 which will reduce the authorized but unissued debt by a similar amount.
- (2) The Town expects to receive \$200,000 in intergovernmental revenues from the Towns of Manchester, South Windsor, Tolland and Ellington who are connected to the Town's sewerage system. Due to a lack of funding in the State of Connecticut's Clean Water Fund Program, the Town is currently evaluating if it will proceed with the project.
- (3) The Town expects to 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.

## Combined Schedule of Long Term Debt through Maturity

As of February 12, 2009 (Pro Forma)

<u>Fiscal Year</u>	<u>Principal Payments</u> (1)	<u>Interest Payments</u>	<u>Total Payments</u>	<u>Principal This Issue</u>	<u>Principal All Issues</u>
2009	\$ 2,847,798	\$ 1,719,704	\$ 4,567,502	\$ -	\$ 2,847,798
2010	2,636,365	1,630,368	4,266,733	-	2,636,365
2011	3,554,678	1,546,575	5,101,253	-	3,554,678
2012	3,545,261	1,420,127	4,965,388	675,000	4,220,261
2013	3,321,643	1,298,651	4,620,294	675,000	3,996,643
2014	3,204,052	1,191,013	4,395,065	675,000	3,879,052
2015	3,295,621	1,098,544	4,394,165	675,000	3,970,621
2016	3,327,828	1,003,338	4,331,166	675,000	4,002,828
2017	2,676,194	910,951	3,587,145	750,000	3,426,194
2018	1,850,000	837,875	2,687,875	900,000	2,750,000
2019	1,950,000	770,500	2,720,500	975,000	2,925,000
2020	1,950,000	699,625	2,649,625	975,000	2,925,000
2021	1,950,000	626,312	2,576,312	975,000	2,925,000
2022	1,950,000	551,438	2,501,438	975,000	2,925,000
2023	2,050,000	473,438	2,523,438	975,000	3,025,000
2024	2,050,000	390,563	2,440,563	975,000	3,025,000
2025	2,050,000	307,688	2,357,688	-	2,050,000
2026	2,050,000	224,813	2,274,813	-	2,050,000
2027	2,050,000	140,250	2,190,250	-	2,050,000
2028	<u>1,350,000</u>	<u>55,688</u>	<u>1,405,688</u>	-	<u>1,350,000</u>
Total	<u>\$49,659,440</u>	<u>\$16,897,458</u>	<u>\$66,556,898</u>	<u>\$10,875,000</u>	<u>\$60,534,440</u>

(1) Includes principal payments of \$1,761,944 paid r as of February 12, 2009.

Source: Annual audited financial statements.

**Schedule of General Fund Bonded Debt through Maturity**

As of February 12, 2009 (Pro Forma)

<u>Fiscal Year</u>	<u>Principal Payments</u> (1)	<u>Interest Payments</u>	<u>Total Payments</u>	<u>Principal This Issue</u>	<u>Principal All Issues</u>
2009	\$ 1,390,000	\$ 1,469,931	\$ 2,859,931	\$ -	\$ 1,390,000
2010	1,150,000	1,410,013	2,560,013	-	1,150,000
2011	2,040,000	1,356,213	3,396,213	-	2,040,000
2012	2,010,000	1,260,238	3,270,238	675,000	2,685,000
2013	1,775,000	1,169,650	2,944,650	675,000	2,450,000
2014	1,640,000	1,093,025	2,733,025	675,000	2,315,000
2015	1,700,000	1,032,125	2,732,125	675,000	2,375,000
2016	1,700,000	969,125	2,669,125	675,000	2,375,000
2017	1,850,000	906,125	2,756,125	750,000	2,600,000
2018	1,850,000	837,875	2,687,875	900,000	2,750,000
2019	1,950,000	770,500	2,720,500	975,000	2,925,000
2020	1,950,000	699,625	2,649,625	975,000	2,925,000
2021	1,950,000	626,312	2,576,312	975,000	2,925,000
2022	1,950,000	551,438	2,501,438	975,000	2,925,000
2023	2,050,000	473,438	2,523,438	975,000	3,025,000
2024	2,050,000	390,563	2,440,563	975,000	3,025,000
2025	2,050,000	307,688	2,357,688	-	2,050,000
2026	2,050,000	224,813	2,274,813	-	2,050,000
2027	2,050,000	140,250	2,190,250	-	2,050,000
2028	<u>1,350,000</u>	<u>55,688</u>	<u>1,405,688</u>	-	<u>1,350,000</u>
Total	<u>\$36,505,000</u>	<u>\$15,744,632</u>	<u>\$52,249,632</u>	<u>\$10,875,000</u>	<u>\$47,380,000</u>

(1) Includes principal payments of \$915,000 paid as of February 12, 2009.

Source: Annual audited financial statements.

**Schedule of State of Connecticut Clean Water Fund Debt through Maturity**

As of February 12, 2009 (Pro Forma)

<u>Fiscal Year</u>	<u>Principal Payments</u> (1)	<u>Interest Payments</u>	<u>Total Payments</u>
2009	\$ 1,457,798	\$ 249,773	\$ 1,707,571
2010	1,486,365	220,355	1,706,720
2011	1,514,678	190,362	1,705,040
2012	1,535,261	159,889	1,695,150
2013	1,546,643	129,001	1,675,644
2014	1,564,052	97,988	1,662,040
2015	1,595,621	66,419	1,662,040
2016	1,627,828	34,213	1,662,041
2017	<u>826,194</u>	<u>4,826</u>	<u>831,020</u>
Total	<u>\$13,154,440</u>	<u>\$1,152,826</u>	<u>\$14,307,266</u>

(1) Includes principal payments of \$846,944 as of February 12, 2009.

Source: Annual audited financial statements.

## 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, Blum Shapiro, P.C., of West Hartford, Connecticut were appointed by the Town Council and are required to conduct their examination under the guidelines issued by the State of Connecticut Office of Policy & Management, who receive a copy of said Audit Report when completed. For the fiscal year ending June 30, 2008, the Town has filled with the Office of Policy and Management for an extension to complete the audit by February 27, 2009.

The most recent annual audit covers the fiscal year ended June 30, 2007, 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 Blum Shapiro, P.C., Independent Certified Public Accountants. The information contained in "Appendix A" is not the whole audit report. Individuals wishing a complete document should contact the Finance Officer of the Town of Vernon, Connecticut.

### Certificate of Achievement for Excellence in Financial Reporting

The Town of Vernon's Comprehensive Annual Financial Reports ("CAFR") for fiscal years 1995 through 2007 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 principals and applicable legal requirements.

### Budgetary Procedure

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

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

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

### 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). As of January 1, 2007, the date of the most recent full valuations, approximately 876 active and retired persons were in the plans (including the Volunteer Fire LOSAP).

Based upon a January 1, 2007 valuation, the combined accumulated plan benefits and assets are as follows:

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded/ (Overfunded) AAL (UAAL) (b) - (a)	Funded Ratio (a) / (b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll [(b) - (a) / (c)]
<b><u>Police Plan</u></b>						
2008	\$17,438,418	\$23,957,282	\$6,518,864	72.8%	\$3,927,066	166.0%
2007	16,600,997	22,516,606	5,915,612	73.7	3,701,061	159.8
2006 (1)	15,867,693	21,238,553	5,370,870	74.7	3,512,784	152.9
2005	15,110,913	20,331,260	5,220,347	74.3	3,739,097	139.6
2004 (2)	14,427,483	19,176,780	4,749,297	75.2	3,500,324	135.7
<b><u>Town Plan</u></b>						
2008	\$23,916,877	\$38,366,205	\$14,449,328	62.3%	\$13,408,005	107.8%
2007	21,441,511	35,308,131	13,866,620	60.7	12,743,672	108.8
2006	19,178,993	32,510,899	13,331,906	59.0	12,469,300	106.9
2005	17,319,759	27,219,959	9,900,200	63.6	11,910,153	83.1
2004 (2)	15,650,167	25,169,684	9,519,517	62.2	11,438,585	83.0
<b><u>LOSAP</u></b>						
2008	\$962,663	\$1,079,832	\$117,169	89.1%	N/A	N/A
2007	809,550	990,973	181,423	81.7	N/A	N/A
2006	656,023	890,692	234,669	73.7	N/A	N/A
2005	533,750	808,727	274,977	66.0	N/A	N/A
2004	396,249	716,573	320,324	55.3	N/A	N/A

(1) Effective January 1, 2006, the Assumed Retirement Date was changed from age 48 to age 49.

(2) Effective January 1, 2004, the salary scale assumption was changed from 5.0% to 4.5% increase per year.

The following table represents a brief history of the Town's funding of the pension plan:

Fiscal Year	Police		Town		LOSAP	
	Actuarial Required	Percentage Contributed	Actuarial Required	Percentage Contributed	Actuarial Required	Percentage Contributed
	<u>Contribution</u>	<u>Contribution</u>	<u>Contribution</u>	<u>Contribution</u>	<u>Contribution</u>	<u>Contribution</u>
2009 (1)	\$1,107,688	100.0%	\$1,750,784	100.0%	\$63,628	100.0%
2008 (2)	1,020,600	100.0	1,677,731	100.0	80,262	100.0
2007	931,473	100.0	1,583,333	100.0	78,613	100.0
2006	933,759	100.0	1,190,512	100.0	72,766	100.0
2005	822,023	100.0	1,118,434	100.0	86,237	100.0

(1) FY 2008-09 Adopted Budget

(2) FY 2007-08 Unaudited Estimate

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

Subsequent to year-end June 30, 2008, the credit and liquidity crisis in the United States and throughout the global financial system has resulted in substantial volatility in financial markets and the banking system. These and other economic events have had a significant adverse impact on investment portfolios. As a result the Town's pension plan investments have likely incurred a significant decline in fair value since June 30, 2008.

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

### Other Post Employment Benefits

The Town is in the process of complying with the requirements of Governmental Accounting Standard's Board ("GASB") Statements 43 and 45, which require municipalities and other governmental entities to undertake an actuarial evaluation of their Other Post-employment Benefits ("OPEB") plans and include information concerning the valuation of such plans in their financial statements. The Town will be required to comply with the reporting requirements of GASB 45 beginning with the 2008-09 fiscal year. The Town is in the process of retaining an actuarial consultant to prepare an initial valuation of its OPEB liability.

The Town currently funds its OPEB cost on a pay as you go basis. For the fiscal year 2007-08, the Town paid approximately \$73,313 in OPEB costs. The Town provides health insurance for retired police officers. Depending on the date of retirement, the Town pays between 50% and 100% of the cost of health insurance premiums until age 65. Currently, there are 18 retirees receiving this benefit. For a limited number of retirees (4) who retired after July 1, 1998, the Town provides for the full cost of supplemental health insurance after age 65. For retirees who retired after July 1, 1992, the Town does not cover health insurance after age 65 and retirees may purchase supplemental health insurance under the Town plan at their own expense. Additionally, the Town provides health insurance to a number of retirees under various early retirement incentive plans offered by the Town. Currently, there are 100 retirees receiving benefits under these various plans. Please see "Appendix A - Financial Statements" herein for more information regarding the Town's OPEB liabilities.

### 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 14, to the Town's audited financial statements in "Appendix A" herein.

### **Assessment Practices**

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.

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 10 years from the preceding physical inspection. Prior to the completion of each revaluation, the Assessor shall conduct a field review. The Town has recently completed a general revaluation for the grand list dated October 1, 2006, for fiscal year 2007-08. The Town Council has elected to phase-in the revaluation over a three-year period. The phase-in began in fiscal year 2007-08 and will be fully implemented in fiscal year 2009-10.

### **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) 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, along with an allowance for uncollectible taxes of \$65,000.

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

FY Ending <u>6/30</u>	Net Taxable <u>Grand List</u>	Tax Rate <u>(In Mills)</u>	Total Adjusted <u>Tax Levy</u>	Percent Collected End <u>of Each FY</u>	<u>Uncollected Taxes</u>	
					End of <u>Each FY</u>	As of <u>6/30/08</u> (2)
2009 (1)	\$1,702,120,658	30.28	\$51,972,268	In Process	In Process	In Process
2008	1,491,278,140	32.91	49,658,052	98.2% (2)	\$887,100 (2)	\$887,100
2007	1,311,102,718	36.73	48,559,054	98.2	854,868	242,116
2006	1,284,989,136	35.79	46,489,780	98.6	652,038	66,477
2005	1,253,950,246	35.33	44,861,109	98.6	632,176	26,567
2004	1,244,453,932	33.54	42,154,104	98.7	567,721	13,766
2003	1,218,580,572	32.23	39,719,850	98.5	592,700	12,803
2002	1,206,148,629	30.75	37,456,303	98.5	560,988	11,961
2001	1,162,324,970	30.11	35,316,170	98.5	546,067	17,908
2000	1,154,197,790	29.61	34,431,120	98.4	552,022	17,043

(1) Adopted Budget.

(2) Unaudited estimate.

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

### Taxable Grand List

(Thousands of Dollars)

Grand List <u>Dated</u>	Real <u>Property</u>	Personal <u>Property</u>	Motor Vehicle <u>Property</u>	Gross Taxable <u>Grand List</u>	Less <u>Exemptions</u>	Net Taxable <u>Grand List</u>
10/01/07	\$1,661,927	\$74,659	\$162,849	\$1,899,435	\$197,314 (1)	\$1,702,121
10/01/06	1,639,886	73,695	160,502	1,874,083	382,805 (2)	1,491,278
10/01/05	1,092,385	74,198	158,195	1,324,778	13,675	1,311,103
10/01/04	1,078,604	71,476	148,805	1,298,885	13,896	1,284,989
10/01/03	1,057,327	68,150	139,728	1,265,205	11,255	1,253,950
10/01/02	1,046,539	66,929	144,467	1,257,935	13,481	1,244,454
10/01/01	1,027,850	65,277	140,966	1,234,093	15,512	1,218,581
10/01/00	1,016,444	68,880	137,267	1,222,591	16,442	1,206,149
10/01/99	981,277	65,176	131,360	1,177,813	15,488	1,162,325
10/01/98	980,944	64,667	123,359	1,168,970	14,772	1,154,198

(1) Includes Revaluation Phase-in amount of \$182,726,678.

(2) Includes Revaluation Phase-in amount of \$365,000,409.

Source: Town of Vernon Assessor's Office.

## Real Property Breakdown by Category

(Thousands of Dollars)

Grand <u>List</u>	Residential <u>Property</u>	Comm./Indust. <u>Property</u>	<u>All Other Land</u>	Total <u>Real Estate</u>
10/01/07	\$1,244,641	\$403,696	\$13,590	\$1,661,927
10/01/06	1,236,455	393,213	10,218	1,639,886
10/01/05	774,365	301,430	16,590	1,092,385
10/01/04	760,656	294,457	23,491	1,078,604
10/01/03	754,075	285,067	18,185	1,057,327
10/01/02	745,787	283,750	17,002	1,046,539
10/01/01	734,572	277,683	15,595	1,027,850
10/01/00	727,051	272,806	16,587	1,016,444
10/01/99	706,977	270,002	4,298	981,277
10/01/98	701,057	275,503	4,384	980,944

Source: Town of Vernon Assessor's Office.

## Largest Taxpayers

The following table sets forth the ten largest taxpayers in the Town per the Grand List dated October 1, 2007:

<u>Name of Taxpayer</u>	<u>Nature of Business</u>	<u>Assessment</u>
Chapman and The Mansions LLC	Land and Apartments	\$ 42,128,960
Tri City Improvements, LLC	Shopping center	30,294,300
Connecticut Water Company	Utility	20,338,804
Evandro Santini & Woodbrook LLC	Land and Apartments	20,273,920
Connecticut Light & Power / Yankee Gas Co.	Utility	16,910,455
CE Vernon II LLC	Shopping center	15,797,900
Chapman Acres LLC	Apartments	9,005,100
Boston Rockville/Boston Vernon	Shopping centers and Land	7,987,500
Kerensky, Schneider... (Risley Trust)	Commercial / Residential	6,781,300
Talcotville Development Co.	Commercial	<u>6,083,090</u>
Total		<u>\$175,601,329</u>

(1) Represents 10.32% of the October 1, 2007 net taxable grand list of \$1,702,120,658.

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 2004-2008 in "Statement of Revenues, Expenditures and Changes in Fund Balance (GAAP Basis) - General Fund" herein.

## Property Tax Revenues

<u>Fiscal Year</u>	<u>General Fund Revenues</u>	<u>Property Tax Revenues</u>	<u>Property Taxes Revenues as a Percentage of General Fund Revenues</u>
2008-09 (1)	\$75,451,602	\$51,972,268	68.88%
2007-08 (2)	77,969,727	49,913,095	64.02
2006-07	75,343,697	48,717,250	64.66
2005-06	72,633,965	46,735,710	64.34
2004-05	68,167,756	45,044,605	66.08
2003-04	65,833,848	42,462,509	64.50
2002-03	63,165,933	40,001,072	63.33
2001-02	61,959,487	37,512,127	60.54
2000-01	60,114,823	35,562,024	59.16
1999-00	58,570,848	34,575,134	59.03

(1) Adopted Budget.

(2) Unaudited estimate.

Source: Annual audited financial statements for fiscal years 2000-2007; unaudited estimate for fiscal year 2008 and adopted budget for fiscal year 2009.

## Intergovernmental Revenues

<u>Fiscal Year</u>	<u>General Fund Revenues</u>	<u>Federal/ State Aid</u>	<u>Aid as a % of General Fund Revenue</u>
2009 (1)	\$75,451,602	\$20,230,468	26.81%
2008 (2, 3)	77,969,727	24,263,342	31.12
2007	75,343,697	22,279,357	29.57
2006	72,633,965	21,967,367	30.24
2005	68,167,756	19,768,402	29.00
2004	65,833,848	19,798,509	30.07
2003	63,165,933	20,442,373	32.36
2002	61,959,487	21,661,512	34.96
2001	60,114,823	21,826,030	36.31
2000	58,570,848	21,358,437	36.47

(1) Adopted Budget.

(2) Unaudited estimate.

(3) Includes \$3,392,385 of on-behalf payments to the Connecticut State Teachers' Retirement System. Amount is significantly higher than prior years due to State of Connecticut issuing Pension Obligation Bonds to fund the plan in FY 2007-08.

Source: Annual audited financial statements for fiscal years 2000-2007; unaudited estimate for fiscal year 2008 and adopted budget for fiscal year 2009.

## Expenditures

<u>Fiscal Year</u>	<u>Education</u>	<u>General Government</u>	<u>Public Safety</u>	<u>Town Wide</u>	<u>Maintenance &amp; Development</u>
2009 (1)	60.56%	3.56%	10.21%	8.57%	7.53%
2008 (2)	64.02	3.85	9.67	7.91	7.23
2007	64.95	3.84	9.70	8.37	7.20
2006	64.97	3.78	9.75	8.49	7.14
2005	64.54	3.58	10.00	8.46	7.11
2004	64.82	4.18	9.77	8.05	6.66
2003	64.05	4.04	10.61	7.12	7.40
2002	65.26	3.57	10.72	6.42	6.53
2001	65.09	3.62	9.82	6.24	6.83
2000	63.88	3.87	10.19	5.85	6.29

(1) Adopted Budget.

(2) Unaudited estimate.

Source: Annual audited financial statements for fiscal years 2000-2007; unaudited estimate for fiscal year 2008 and adopted budget for fiscal year 2009.

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

	Fiscal Year 2006-2007			Fiscal Year	Fiscal Year
	Revised	Actual	Variance	2007-08	2008-09
	<u>Budget</u>	<u>including</u>	<u>Favorable</u>	<u>Unaudited</u>	<u>Adopted</u>
		<u>Encumbrances</u>	<u>(Unfavorable)</u>	<u>Estimate</u>	<u>Budget</u>
<b>REVENUES</b>					
Property taxes	\$48,516,922	\$48,717,250	\$ 200,328	\$49,913,095	\$51,972,268
Intergovernmental	18,554,616	19,559,484	1,004,868	20,870,957	20,230,468
Charges for services	1,553,300	2,279,748	726,448	2,223,776	1,242,150
Licenses and permits	460,500	478,589	18,089	497,149	685,280
Fines and penalties	12,480	19,711	7,231	18,515	23,400
Investment income	739,140	946,170	207,030	670,210	300,200
Other	<u>651,490</u>	<u>622,871</u>	<u>( 28,619)</u>	<u>383,640</u>	<u>398,935</u>
<b>Total Revenues</b>	<u>70,488,448</u>	<u>72,623,823</u>	<u>2,135,375</u>	<u>74,577,342</u>	<u>74,852,701</u>
<b>OTHER FINANCING SOURCES</b>					
Operating transfer in	<u>218,750</u>	<u>250,828</u>	<u>32,078</u>	<u>223,892</u>	<u>598,901</u>
<b>Total revenues and other financing sources</b>	<u>\$70,707,198</u>	<u>72,874,651</u>	<u>\$2,167,453</u>	<u>74,801,234</u>	<u>\$75,451,602</u>
<b>EXPENDITURES</b>					
Current:					
General government	\$ 3,149,495	3,097,009	\$ 52,486	3,233,168	\$ 2,683,172
Community development	306,897	306,691	206	242,440	339,662
Public safety	7,193,277	7,056,812	136,465	7,451,754	7,702,235
Maintenance and development	5,485,517	5,318,867	166,650	5,578,836	5,678,009
Human services	836,371	833,836	2,535	845,562	909,103
Parks, recreation and culture	1,722,366	1,719,714	2,652	1,792,375	1,305,601
Town-wide	6,263,012	6,179,326	83,686	6,255,193	6,469,671
Education	43,929,612	43,919,230	10,382	45,371,641	45,696,823
Capital improvements	68,000	63,015	4,985	348,471	139,000
Debt service	<u>1,405,787</u>	<u>1,399,968</u>	<u>5,819</u>	<u>2,455,002</u>	<u>4,528,326</u>
<b>Total expenditures</b>	<u>70,360,334</u>	<u>69,894,468</u>	<u>465,866</u>	<u>73,574,442</u>	<u>75,451,602</u>
<b>OTHER FINANCING USES</b>					
Operating transfers out	3,767,630	3,767,629	1	2,436,677	-
<b>Total expenditures and other financing uses</b>	<u>74,127,964</u>	<u>73,662,097</u>	<u>465,867</u>	<u>76,011,119</u>	<u>\$75,451,602</u>
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses	<u>\$( 3,420,766)</u>	<u>( 787,446)</u>	<u>\$2,633,320</u>	<u>(1,209,885)</u>	
Prior year's liquidated encumbrances		1,026,658		916,263	
Increase (Decrease) in Unreserved Undesignated Fund Balance		<u>\$ 239,212</u>		<u>\$( 293,622)</u>	

Sources: Annual audited financial statement; Vernon Finance Department.

**Comparative Balance Sheets - General Fund**

Fiscal Years Ended:	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u> (1)
<b>ASSETS</b>					
Cash and cash equivalents	\$ 141,383	\$ 737,153	\$ 689,248	\$ 323,970	\$ 240,097
Investments	8,430,528	8,364,683	7,091,252	10,287,126	10,350,750
Receivables:					
Property taxes	1,900,645	1,450,857	1,437,171	1,305,826	1,329,106
Grants and other	3,132,749	2,677,397	2,338,640	1,820,165	1,433,194
Due from other funds	<u>228,686</u>	<u>620,609</u>	<u>2,190,610</u>	<u>1,353,258</u>	<u>1,263,191</u>
<b>TOTAL ASSETS</b>	<b><u>\$13,833,991</u></b>	<b><u>\$13,850,699</u></b>	<b><u>\$13,746,921</u></b>	<b><u>\$15,090,345</u></b>	<b><u>\$14,616,338</u></b>
 <b>LIABILITIES, AND FUND BALANCES</b>					
<b>LIABILITIES</b>					
Accounts and other payables	\$ 755,880	\$ 750,925	\$ 581,715	\$ 927,733	\$ 1,138,836
Payroll liabilities	407,325	391,319	119,046	221,947	175,219
Due to other funds	591,456	473,653	467,977	1,886,412	1,258,402
Deferred revenues	<u>4,967,550</u>	<u>4,090,122</u>	<u>3,566,505</u>	<u>2,913,758</u>	<u>2,518,040</u>
<b>TOTAL LIABILITIES</b>	<b><u>6,722,211</u></b>	<b><u>5,706,019</u></b>	<b><u>4,735,243</u></b>	<b><u>5,949,850</u></b>	<b><u>5,090,497</u></b>
 <b>FUND BALANCES</b>					
Reserved for encumbrances	1,017,823	1,180,979	1,026,658	916,263	1,595,231
Unreserved:					
Designated for specific purposes	100,000	322,000	322,000	322,000	322,000
Undesignated	<u>5,993,957</u>	<u>6,641,701</u>	<u>7,663,020</u>	<u>7,902,232</u>	<u>7,608,610</u>
<b>TOTAL FUND BALANCES</b>	<b><u>7,111,780</u></b>	<b><u>8,144,680</u></b>	<b><u>9,011,678</u></b>	<b><u>9,140,495</u></b>	<b><u>9,525,841</u></b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b><u>\$13,833,991</u></b>	<b><u>\$13,850,699</u></b>	<b><u>\$13,746,921</u></b>	<b><u>\$15,090,345</u></b>	<b><u>\$14,616,338</u></b>

(1) Unaudited estimate.

Source: Annual audited financial statements.

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

Fiscal Years Ended:	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u> (1)
<b>REVENUES</b>					
Property taxes	\$42,462,509	\$45,044,605	\$46,735,710	\$48,717,250	\$49,913,095
Intergovernmental	19,798,386	19,768,402	21,967,367	22,279,357	24,263,342
Charges for service	1,851,104	1,880,649	2,072,163	2,279,748	2,223,776
Licenses and permits	468,199	468,028	407,494	478,589	497,149
Gifts and contributions	-	1,704	-	-	-
Fines and penalties	11,959	26,598	16,273	19,711	18,515
Investment income	138,292	300,156	627,897	871,920	670,210
Other revenues	<u>1,103,399</u>	<u>677,614</u>	<u>807,061</u>	<u>697,122</u>	<u>383,640</u>
<b>TOTAL REVENUES</b>	<u>65,833,848</u>	<u>68,167,756</u>	<u>72,633,965</u>	<u>75,343,697</u>	<u>77,969,727</u>
<b>EXPENDITURES</b>					
Current:					
General government	2,650,579	2,343,544	2,656,684	2,750,317	2,903,470
Community development	132,012	292,866	387,792	297,715	228,828
Public safety	6,189,419	6,551,245	6,854,826	6,952,435	7,288,175
Maintenance and development	4,220,216	4,659,914	5,022,273	5,162,350	5,445,696
Human services	745,105	798,707	856,084	824,362	837,812
Parks, recreation and culture	1,330,795	1,414,842	1,531,572	1,677,953	1,773,120
Town-wide	5,100,827	5,542,875	5,966,312	6,002,591	5,961,569
Education	41,079,425	42,293,527	45,669,360	46,567,372	48,256,589
Capital outlay	149,710	157,566	261,775	63,015	296,916
Debt service	<u>1,773,510</u>	<u>1,478,381</u>	<u>1,090,300</u>	<u>1,399,968</u>	<u>2,379,422</u>
<b>TOTAL EXPENDITURES</b>	<u>63,371,598</u>	<u>65,533,467</u>	<u>70,296,978</u>	<u>71,698,078</u>	<u>75,371,597</u>
Excess (deficiency) of revenues over expenditures	<u>2,462,250</u>	<u>2,634,289</u>	<u>2,336,987</u>	<u>3,645,619</u>	<u>2,598,130</u>
<b>OTHER FINANCING SOURCES (USES)</b>					
Operating transfers in	1,003,288	195,115	228,715	250,827	223,892
Operating transfers out	<u>( 1,963,338)</u>	<u>( 1,796,504)</u>	<u>( 1,698,704)</u>	<u>( 3,767,629)</u>	<u>( 2,436,676)</u>
Net other financing sources (uses)	<u>( 960,050)</u>	<u>( 1,601,389)</u>	<u>( 1,469,989)</u>	<u>( 3,516,802)</u>	<u>( 2,212,784)</u>
<b>EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING USES</b>					
	<u>1,502,200</u>	<u>1,032,900</u>	<u>866,998</u>	<u>128,817</u>	<u>385,346</u>
Fund balance - Beginning of year	<u>5,609,580</u>	<u>7,111,780</u>	<u>8,144,680</u>	<u>9,011,678</u>	<u>9,140,495</u>
Fund balance - End of year	<u>\$ 7,111,780</u>	<u>\$ 8,144,680</u>	<u>\$ 9,011,678</u>	<u>\$ 9,140,495</u>	<u>\$ 9,525,841</u>

(1) Unaudited estimate.

Source: Annual audited financial statements.

**Comparative Balance Sheets - Special Revenue Funds (1)**

Fiscal Year Ended:	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u> (2)
<b>ASSETS</b>					
Cash and cash equivalents	\$1,164,035	\$1,243,050	\$1,158,309	\$1,398,983	\$ 1,433,403
Investments	3,041,982	3,328,973	3,423,485	4,238,621	5,857,444
Receivables:					
Sewer assessments	321,402	271,300	254,777	201,926	151,407
Grants and other	1,515,279	1,558,455	1,191,079	1,672,810	1,897,206
Due from other funds	1,102,607	1,206,867	1,161,808	1,955,304	1,410,788
Inventory	<u>32,203</u>	<u>23,013</u>	<u>26,083</u>	<u>34,235</u>	<u>41,788</u>
<b>TOTAL ASSETS</b>	<b><u>\$7,177,508</u></b>	<b><u>\$7,631,658</u></b>	<b><u>\$7,215,541</u></b>	<b><u>\$9,501,879</u></b>	<b><u>\$10,792,036</u></b>
<b>LIABILITIES AND FUND BALANCES</b>					
<b>LIABILITIES</b>					
Accounts and other payables	\$ 365,849	\$ 511,316	\$ 274,210	\$ 533,548	\$ 575,922
Due to other funds	637,282	1,016,851	2,087,841	2,044,767	2,003,502
Payroll liabilities	26,433	48,118	4,652	-	-
Deferred revenue	<u>1,242,620</u>	<u>989,818</u>	<u>819,323</u>	<u>939,926</u>	<u>747,986</u>
<b>TOTAL LIABILITIES</b>	<b><u>2,272,184</u></b>	<b><u>2,566,103</u></b>	<b><u>3,186,026</u></b>	<b><u>3,518,241</u></b>	<b><u>3,327,410</u></b>
<b>FUND BALANCES</b>					
Reserved	1,024,601	2,597,820	996,266	1,340,250	2,058,389
Unreserved:					
Designated for specific purposes	1,099,274	1,432,540	1,725,696	3,156,200	4,215,101
Undesignated	<u>2,781,449</u>	<u>1,035,195</u>	<u>1,307,553</u>	<u>1,487,188</u>	<u>1,191,136</u>
<b>TOTAL FUND BALANCE</b>	<b><u>4,905,324</u></b>	<b><u>5,065,555</u></b>	<b><u>4,029,515</u></b>	<b><u>5,983,638</u></b>	<b><u>7,464,626</u></b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b><u>\$7,177,508</u></b>	<b><u>\$7,631,658</u></b>	<b><u>\$7,215,541</u></b>	<b><u>\$9,501,879</u></b>	<b><u>\$10,792,036</u></b>

(1) As of June 30, 2003, the Town implemented GASB Statement No. 34. With the implementation of this new accounting standard, the Special Revenue Funds are now reported under the Non-Major Governmental Funds.

(2) Unaudited estimate.

Source: Annual audited financial statements.

**Statement of Revenues, Expenditures and Changes in Fund Balance - Special Revenue Funds (1)**

Fiscal Year Ended:	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u> (2)
<b>REVENUES</b>					
Assessments	\$ 103,152	\$ 138,692	\$ 115,312	\$ 96,624	\$ 74,423
Intergovernmental	4,910,481	5,591,650	5,092,215	5,509,277	7,439,493
Charges for services	1,484,186	1,584,669	1,620,426	1,623,772	1,654,310
Licenses, fees and permits	214,878	358,054	284,607	371,861	337,532
Gifts and contributions	49,828	94,633	965,754	873,094	1,203,690
Investment income	30,436	59,300	141,560	219,594	187,791
Other	<u>997,093</u>	<u>1,118,494</u>	<u>241,235</u>	<u>418,359</u>	<u>1,015,659</u>
<b>TOTAL REVENUES</b>	<u>7,790,054</u>	<u>8,945,492</u>	<u>8,461,109</u>	<u>9,112,581</u>	<u>11,912,898</u>
<b>EXPENDITURES</b>					
Current:					
General government	78,506	87,066	57,487	49,538	42,206
Community development	325,321	161,766	99,412	502,590	287,594
Public safety	705,362	501,144	822,308	754,694	826,926
Maintenance and development	374,210	753,777	469,479	444,683	498,013
Human services	44,924	39,377	48,261	97,401	135,725
Parks, recreation and culture	35,935	55,204	20,115	58,522	56,576
Town-wide	220,915	238,449	62,031	69,461	424,392
Education	5,745,288	6,074,430	6,125,462	5,953,372	5,927,009
Capital outlay	744,356	1,205,958	2,497,171	616,508	3,679,638
Debt service	<u>-</u>	<u>-</u>	<u>-</u>	<u>5,816</u>	<u>-</u>
<b>TOTAL EXPENDITURES</b>	<u>8,274,817</u>	<u>9,117,171</u>	<u>10,201,726</u>	<u>8,552,585</u>	<u>11,878,079</u>
Excess (deficiency) of revenues over expenditures	<u>( 484,763)</u>	<u>( 171,679)</u>	<u>(1,740,617)</u>	<u>559,996</u>	<u>34,819</u>
<b>OTHER FINANCING SOURCES (USES)</b>					
Lease purchase of equipment	-	-	476,280	-	470,000
Operating transfers in	679,856	665,598	626,860	1,911,258	1,357,087
Operating transfers out	<u>( 998,368)</u>	<u>( 333,688)</u>	<u>( 398,563)</u>	<u>( 517,131)</u>	<u>( 380,919)</u>
Net other financing sources (uses)	<u>( 318,512)</u>	<u>331,910</u>	<u>704,577</u>	<u>1,394,127</u>	<u>1,446,168</u>
<b>EXCESS (DEFICIENCY) OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER FINANCING USES</b>					
	<u>( 803,275)</u>	<u>160,231</u>	<u>(1,036,040)</u>	<u>1,954,123</u>	<u>1,480,987</u>
Fund Balance - Beginning of Year	<u>5,708,599</u>	<u>4,905,324</u>	<u>5,065,555</u>	<u>4,029,515</u>	<u>5,983,638</u>
Fund Balance - End of Year	<u>\$4,905,324</u>	<u>\$5,065,555</u>	<u>\$ 4,029,515</u>	<u>\$5,983,638</u>	<u>\$ 7,464,625</u>

(1) As of June 30, 2003, the Town implemented GASB Statement No. 34. With the implementation of this new accounting standard, the Special Revenue Funds are now reported under the Non-Major Governmental Funds.

(2) Unaudited estimate.

Source: Annual audited financial statements.

**Comparative Balance Sheets - Capital Project Fund (1)**

Fiscal Year Ended:	<u>2004</u>	<u>2005</u> (2)	<u>2006</u> (3)	<u>2007</u> (3)	<u>2008</u> (3,4)
<b>ASSETS</b>					
Cash and cash equivalents	\$ 78,531	\$ 79,391	\$ 164,415	\$ 333,537	\$ 102,483
Investments	-	-	7,379,121	23,400,560	18,050,235
Receivables net:	-	37,356	576,961	1,184,916	8,075,224
Due from other funds	<u>-</u>	<u>-</u>	<u>-</u>	<u>740,000</u>	<u>740,000</u>
<b>TOTAL ASSETS</b>	<u>\$ 78,531</u>	<u>\$ 116,747</u>	<u>\$ 8,120,497</u>	<u>\$25,659,013</u>	<u>\$26,967,942</u>
<b>LIABILITIES AND FUND BALANCES</b>					
<b>LIABILITIES</b>					
Accounts and other payables	\$ -	\$ 451,136	\$ 813,179	\$ 2,250,433	\$ 4,453,944
Accrued interest payable	-	-	173,813	313,915	134,090
Due to other funds	-	169,095	745,000	35,804	20,154
Deferred revenue	-	-	-	-	79
Bond anticipation note payable	<u>-</u>	<u>-</u>	<u>10,300,000</u>	<u>20,986,000</u>	<u>11,925,000</u>
<b>TOTAL LIABILITIES</b>	<u>-</u>	<u>620,231</u>	<u>12,031,992</u>	<u>23,586,152</u>	<u>16,533,267</u>
<b>FUND BALANCES</b>					
Reserved	139,072	1,315,950	11,793,110	14,509,284	15,205,386
Unreserved:					
Undesignated	<u>( 60,541)</u>	<u>(1,819,434)</u>	<u>(15,704,605)</u>	<u>(12,436,423)</u>	<u>( 4,770,711)</u>
<b>TOTAL FUND BALANCES</b>	<u>78,531</u>	<u>( 503,484)</u>	<u>( 3,911,495)</u>	<u>2,072,861</u>	<u>10,434,675</u>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<u>\$ 78,531</u>	<u>\$ 116,747</u>	<u>\$ 8,120,497</u>	<u>\$25,659,013</u>	<u>\$26,967,942</u>

- (1) As of June 30, 2003, the Town implemented GASB Statement No. 34. With the implementation of this new accounting standard, the Capital Project Funds are now reported under the Non-Major Governmental Funds.
- (2) As of June 30, 2005 the Town created the Public Bond Improvement fund to account for newly authorized capital projects. The Public Bond Improvements fund is a capital project fund but has been designated by the Town as a major fund. Pursuant to GASB Statement No. 34, as a major fund, it is reported separately from the Town's other capital project funds. For comparison purposes, the Public Bond Improvement fund has been combined with the prior capital project funds above.
- (3) As of June 30, 2006 the Town created the School Bond Improvement fund to account for newly authorized capital projects. Similar to the Public Bond Improvements fund, the School Bond Improvements fund is a capital project fund but has been designated by the Town as a major fund. Pursuant to GASB Statement No. 34, as a major fund, it is reported separately from the Town's other capital project funds. For comparison purposes, the School Bond Improvement fund has been combined with the Public Bond Improvement fund and the prior capital project funds above.
- (4) Unaudited estimate.

Source: Annual audited financial statements.

**Statement of Revenues, Expenditures and Changes in Fund Balance - Capital Project Fund (1)**

Fiscal Year Ended:	<u>2004</u>	<u>2005</u> (2)	<u>2006</u> (3)	<u>2007</u> (3)	<u>2004</u> (3,4)
<b>REVENUES</b>					
Intergovernmental	\$ -	\$ 63,516	\$ 581,772	\$ 3,462,736	\$18,019,801
Investment income	-	-	132,100	587,879	620,476
Other	-	-	1,350	1,600	177,212
<b>TOTAL REVENUES</b>	<u>-</u>	<u>63,516</u>	<u>715,222</u>	<u>4,052,215</u>	<u>18,817,489</u>
<b>EXPENDITURES</b>					
Current:					
Town-wide	-	-	75,625	-	-
Capital outlay	-	645,531	3,988,545	11,274,264	30,868,976
Debt service	-	-	173,813	602,315	657,282
<b>TOTAL EXPENDITURES</b>	<u>-</u>	<u>645,531</u>	<u>4,237,983</u>	<u>11,876,579</u>	<u>31,526,258</u>
Excess (deficiency) of revenues over expenditures	<u>-</u>	<u>( 582,015)</u>	<u>(3,522,761)</u>	<u>(7,824,364)</u>	<u>(12,708,769)</u>
<b>OTHER FINANCING SOURCES (USES)</b>					
Proceeds from bonds and notes	-	-	-	12,815,000	21,040,000
Bond/note premium	-	-	114,750	92,700	30,583
Operating transfers in	-	-	-	901,000	70,691
Operating transfers out	-	-	-	-	( 70,691)
Net other financing sources (uses)	<u>-</u>	<u>-</u>	<u>114,750</u>	<u>13,808,720</u>	<u>21,070,583</u>
<b>EXCESS (DEFICIENCY) OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER FINANCING USES</b>	<u>-</u>	<u>( 582,015)</u>	<u>(3,408,011)</u>	<u>5,984,356</u>	<u>8,361,814</u>
Fund Balance - Beginning of Year	<u>78,531</u>	<u>78,531</u>	<u>( 503,484)</u>	<u>(3,911,495)</u>	<u>2,072,861</u>
Fund Balance - End of Year	<u>\$ 78,531</u>	<u>\$( 503,484)</u>	<u>\$(3,911,495)</u>	<u>\$ 2,072,861</u>	<u>\$10,434,675</u>

(1) As of June 30, 2003, the Town implemented GASB Statement No. 34. With the implementation of this new accounting standard, the Capital Project Funds are now reported under the Non-Major Governmental Funds.

(2) As of June 30, 2005 the Town created the Public Bond Improvement fund to account for newly authorized capital projects. The Public Bond Improvements fund is a capital project fund but has been designated by the Town as a major fund. Pursuant to GASB Statement No. 34, as a major fund, it is reported separately from the Town's other capital project funds. For comparison purposes, the Public Bond Improvement fund has been combined with the prior capital project funds above.

(3) As of June 30, 2006 the Town created the School Bond Improvement fund to account for newly authorized capital projects. Similar to the Public Bond Improvements fund, the School Bond Improvements fund is a capital project fund but has been designated by the Town as a major fund. Pursuant to GASB Statement No. 34, as a major fund, it is reported separately from the Town's other capital project funds. For comparison purposes, the School Bond Improvement fund has been combined with the Public Bond Improvement fund and the prior capital project funds above.

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. For the fiscal year ending June 30, 2008, the Town has filled with the Office of Policy and Management for an extension to complete the audit by February 27, 2009. 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 Notes, substantially in the forms attached as Appendices C and D, respectively, to this Official Statement (the "Continuing Disclosure Agreements"), to provide or cause to be provided, in accordance with the requirements of SEC Rule 15c2-12, financial information, operating data, and notices of material events with respect to the Bonds and notices of material events with respect to the Bonds and Notes. The Underwriter's obligation to purchase the Bonds and Notes shall be conditioned upon its receiving, at or prior to the delivery of the Bonds and Notes, executed copies of the Continuing Disclosure Agreements.

The Town has previously undertaken in Continuing Disclosure Agreements entered into for the benefit of holders of certain of its general obligation bonds and notes to provide certain annual financial information and events of notices pursuant to Rule 15c2-12(b)(5). To date the Town has not failed to meet any of its undertakings under such agreements, with the exception of a failure to file the fiscal year ending June 30, 2007 financial statements in a timely manner. The Town filed interim financial statements on February 28, 2008 and a Material Event Notice for its failure to file on April 7, 2008. The Town filed its audited financial statements on June 10, 2008.

### **Financial Advisor**

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

### **Documents Accompanying Delivery of the Bonds and the Notes**

Upon the delivery of the Bonds and the Notes, the winning bidder will be furnished with the following:

1. Signature and No Litigation Certificate, signed by the Mayor, the Town Administrator and the Finance Officer, or any two of them, stating that at the time of delivery no litigation is pending or threatened affecting the validity of the Bonds and the Notes or the levy or collection of taxes to pay them;
2. A certificate on behalf of the Town, signed by the Mayor, the Town Administrator and the Finance Officer, or any two of them, which will be dated the date of delivery and attached to a signed copy of the Official Statement, certifying that to the best of said officials' knowledge and belief, at the time the bids on the Bonds and the Notes were accepted, the descriptions and statements in the Official Statement relating to the Town of Vernon 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. Receipts for the purchase price of the Bonds and the Notes;

4. The approving opinion of Day Piney LLP, Bond Counsel, of Hartford, Connecticut;
5. Executed Continuing Disclosure Agreements for the Bonds and the Notes in substantially the forms attached hereto as Appendices C and D, respectively; and
6. Within seven business days of the bid opening, the Town will furnish the purchaser of the Bonds 100 copies of the Official Statement, and each purchaser of the Notes, 15 copies of the Official Statement, as prepared by the Town. Additional copies and/or printing of underwriting information may be obtained by the original purchaser at its own expense by arrangement with the printer.

### **Concluding Statement**

This Official Statement is not to be construed as a contract or agreement between the Town and the purchaser or holders of any of the Bonds and 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.

No representation is made that past experience, as might be shown by financial or other information herein, will necessarily continue or be repeated in the future. Neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the Town since the date hereof. References to statutes, charters, or other laws herein may not be complete and such provisions of law are subject to repeal or amendment.

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.

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/ Jason L. McCoy  
**Jason L. McCoy**  
*Mayor*

BY: /s/ John D. Ward  
**John D. Ward**  
*Town Administrator*

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

**Dated: February 5, 2009**

**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, 2007 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 Auditors' Report

Honorable Mayor and  
Members of the Town Council  
Town of Vernon  
Vernon, Connecticut

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the Town of Vernon, Connecticut, as of and for the year ended June 30, 2007, which collectively comprise the Town's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Town of Vernon, Connecticut's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Town's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the Town of Vernon, Connecticut, as of June 30, 2007, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated May 23, 2008 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Management's discussion and analysis on pages 3 through 14 and budgetary comparison information on pages 58 through 68 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

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, combining and individual nonmajor fund financial statements and schedules, and statistical tables are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual nonmajor fund financial statements and schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory section and statistical tables have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

*Blum, Shapiro & Company, P.C.*

May 23, 2008

## TOWN OF VERNON, CONNECTICUT

### MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED JUNE 30, 2007

This discussion and analysis of the Town of Vernon, Connecticut's (Town) financial performance is provided by management to provide an overview of the Town's financial activities for the fiscal year ended June 30, 2007. Please read this MD&A in conjunction with the transmittal letter and the Town's financial statements, Exhibits I to IX.

#### FINANCIAL HIGHLIGHTS

- The Town's net assets increased as a result of this year's operations. Net assets of our business-type activities decreased by \$426 thousand, or nearly 2.84%; while net assets of our governmental activities increased by \$4.685 million, or 5.98%.
- During the year, the Town generated taxes and revenues that were \$4.685 million more than the \$83.5 million in expenses for governmental activities.
- In the Town's business-type activities, revenues increased to \$4.96 million (or by 0.51%) while expenses increased to \$5.39 million (or by 8.3%).
- Total combined cost of Town governmental and business activities increased by \$2.9 million from \$86.0 million to \$88.9 million.
- The General Fund reported a fund balance this year of \$9.14 million, inclusive of unreserved, undesignated fund balance in the amount of \$7.9 million.
- The Town issued a \$12.815 million general obligation bond on February 15, 2007 that retired one-year bond anticipation notes of \$10.3 million. The bond issue consisted of \$9.251 million for public improvements; \$2.515 million for school renovations; and \$1.049 million for sewer renovations. Also on February 15, 2007, one-year bond anticipation notes of \$20.986 million were issued, allocated as follows: \$4.986 million for public improvements and \$16 million for improvements to school facilities.
- The resources available were \$129 thousand more than expenses for the General Fund in an effort to provide interim funding flexibility for capital projects and equipment. This was accomplished by effectively managing appropriations, the collection of prior taxes, improvement in charges for services and increased investment income.
- The tax collection rate was 98.2%.

#### OVERVIEW OF THE FINANCIAL STATEMENTS

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

## ***Government-Wide Financial Statements***

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

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

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

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

## ***Fund Financial Statements***

The fund financial statements begin with Exhibit III 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 III and IV)* - Most of the Town's basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the Town's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the Town's programs. The relationship (or differences) between governmental activities (reported in the statement of net assets and the statement of activities) and governmental funds is described in a reconciliation at the bottom of the fund financial statements.
- *Proprietary Funds (Exhibits V, VI and VII)* - When the Town charges customers for the services it provides, whether to outside customers or to other units of the Town, these services are generally reported in proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the

statement of net assets and the statement of activities. In fact the Town’s enterprise funds (a component of proprietary funds) are the same as the business-type activities reported in the government-wide statements, but provide more detail and additional information, such as cash flows, for proprietary funds. Internal service funds (the other component of proprietary funds) are used to report activities that provide supplies and services for the Town’s other programs and activities - such as the Town’s Data Processing Internal Service Fund.

- *Fiduciary Funds (Exhibits VIII and IX)* - The Town is the trustee, or fiduciary, for its employees’ pension plans. It is also responsible for other assets that, because of a trust arrangement, can be used only for the trust beneficiaries. All of the Town’s fiduciary activities are reported in separate statements of fiduciary net assets and changes in fiduciary net assets. These activities are excluded from the Town’s other financial statements because the Town cannot use these assets to finance its operations. The Town is responsible for ensuring that the assets reported in these funds are used for their intended purposes.

**GOVERNMENT-WIDE FINANCIAL ANALYSIS**

The Town’s combined net assets increased from a year ago from \$93.3 million (as restated) to \$97.6 million. The analysis below focuses on the net assets (Table 1) and changes in net assets (Table 2) of the Town’s governmental and business-type activities.

**TABLE 1  
NET ASSETS  
In Thousands**

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Totals</u>	
	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>
Current and other assets	\$ 53,969	\$ 34,019	\$ 4,390	\$ 4,427	\$ 58,359	\$ 38,446
Capital assets, as restated	<u>96,187</u>	<u>87,843</u>	<u>10,949</u>	<u>11,345</u>	<u>107,136</u>	<u>99,188</u>
Total assets	<u>150,156</u>	<u>121,862</u>	<u>15,339</u>	<u>15,772</u>	<u>165,495</u>	<u>137,634</u>
Non-current liabilities outstanding	41,416	30,984	550	526	41,966	31,510
Other liabilities	<u>25,672</u>	<u>12,495</u>	<u>236</u>	<u>267</u>	<u>25,908</u>	<u>12,762</u>
Total liabilities	<u>67,088</u>	<u>43,479</u>	<u>786</u>	<u>793</u>	<u>67,874</u>	<u>44,272</u>
Net assets:						
Invested in capital assets, net of related debt, as restated	72,004	67,048	10,949	11,345	82,953	78,393
Restricted	2,327	2,150			2,327	2,150
Unrestricted	<u>8,737</u>	<u>9,185</u>	<u>3,604</u>	<u>3,634</u>	<u>12,341</u>	<u>12,819</u>
Total Net Assets, as Restated	\$ <u>83,068</u>	\$ <u>78,383</u>	\$ <u>14,553</u>	\$ <u>14,979</u>	\$ <u>97,621</u>	\$ <u>93,362</u>

## **Governmental Activities**

Net assets of the Town's *governmental activities* increased by \$4.685 million or 5.98%, (\$83.07 million compared to \$78.38 million, as restated). Unrestricted net assets - the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements - changed from \$9.19 million at June 30, 2006 to \$8.74 million at the end of this year. This change in unrestricted governmental net assets resulted primarily because of the following factors:

- The increase of \$19.95 million in current assets is primarily represented by proceeds of the \$20.986 million bond anticipation notes, as well as advanced funding for other capital projects.
- The capital assets increase of \$8.34 million is a combination of the addition of current year capital purchases and construction in progress, against the depreciation expense of existing assets.
- Long-term liabilities increased by \$10.43 million, reflecting the bond issuance of \$12.815 million; the retirement of principal on long-term debt of (\$2.55 million) and a net increase of \$300 thousand to retirement/compensated employee absences liabilities.
- Other liabilities increased by \$13.18 million, due mostly to the year end accounts payable for public bond and school bond improvements and the \$20.986 million due for bond anticipation notes.
- The largest portion of the Town's net assets, \$72.0 million or 86.7%, reflects its investment in capital assets, less any related debt used to acquire those assets that is still outstanding. The Town uses these capital assets to provide services to residents; consequently, these assets are not available for future spending. An additional portion of the Town's net assets, \$2.32 million or 2.8%, represents resources that are subject to restrictions on how they may be used by separate trusts established.

## **Business-Type Activities**

In 2007, the net assets of *business-type activities* decreased by \$426 thousand or 2.84%, (\$14.553 million compared to \$14.979 million, as restated). The majority of the decrease includes depreciation expense of \$275 thousand for contributed capital assets, which is not factored into the rates. Also sewer treatment expenses were \$92 thousand over budget, primarily due to utility costs; and Center 375 rental rates decreased by \$7 thousand from the prior year. Although there are unrestricted net assets of \$3.604 million, these funds, however, cannot be used to make up for the decrease reported in governmental activities. The Town generally can only use these net assets to finance the continuing operations of the wastewater treatment facility and Center 375.

**TABLE 2**  
**CHANGES IN NET ASSETS**  
**In Thousands**

	<u>Governmental</u> <u>Activities</u>		<u>Business-Type</u> <u>Activities</u>		<u>Totals</u>	
	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>
Revenues:						
Program revenues:						
Charges for services	\$ 5,869	\$ 5,123	\$ 4,772	\$ 4,781	\$ 10,641	\$ 9,904
Operating grants and contributions	26,166	26,018			26,166	26,018
Capital grants and contributions	3,908	863			3,908	863
General revenues:						
Property taxes	48,111	46,694			48,111	46,694
Grants and contributions not restricted to specific programs	1,991	1,629			1,991	1,629
Unrestricted investment earnings	2,009	1,092	187	153	2,196	1,245
Miscellaneous	111	145			111	145
Total revenues	<u>88,165</u>	<u>81,564</u>	<u>4,959</u>	<u>4,934</u>	<u>93,124</u>	<u>86,498</u>
Program expenses:						
General government	2,904	2,806			2,904	2,806
Community and development	335	430			335	430
Public safety	7,946	7,938			7,946	7,938
Maintenance and development	7,144	6,325			7,144	6,325
Human services	967	879			967	879
Park, recreation and culture	1,984	1,729			1,984	1,729
Town wide	7,528	7,559			7,528	7,559
Education	53,358	52,629			53,358	52,629
Interest on long-term debt	1,314	743			1,314	743
Sewer			5,170	4,792	5,170	4,792
Rental			215	176	215	176
Total program expenses	<u>83,480</u>	<u>81,038</u>	<u>5,385</u>	<u>4,968</u>	<u>88,865</u>	<u>86,006</u>
Increase (Decrease) in Net Assets	\$ <u>4,685</u>	\$ <u>526</u>	\$ <u>(426)</u>	\$ <u>(34)</u>	\$ <u>4,259</u>	\$ <u>492</u>

The Town's total revenues were \$93.1 million. The total cost of all programs and services was \$88.9 million. Our analysis below separately considers the operations of governmental and business-type activities.

***Governmental Activities***

As noted earlier, net assets from governmental activities increased \$4.685 million. Since the Town began preparing a statement of net assets as of June 30, 2003, this is the third increase in the five-year period.

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

- Property tax income, which comprises 54.6% of the Town's governmental activities revenues, includes the current levy, prior year levies and interest, increased by \$1.417 million or 3.03%. This is attributed to an increase in the tax rate, combined with effective collection measures on back taxes, inclusive of the sale of properties with chronic delinquent taxes; a strong collection rate of the current levy; and additions from constructions in progress.
- Charges for services increased by \$746 thousand, due to increased enrollment in vocational agriculture tuitions; expansion of recreation programs; the delivery of ambulance emergency medical services; and various Town services.
- Operating grants and contributions increased by \$148 thousand; and grants and contributions not restricted to specific programs increased by \$362 thousand.
- Capital grants and contributions increased by \$3.045 million due mostly to school construction progress payments of \$2.661 million; also, park improvements, infrastructure and building renovation grants of \$503 thousand were received.
- Unrestricted investment earnings increased by \$917 thousand, reflecting the positive growth in resources available and an increase in overall interest rates.

Revenue in the statement of activities differs considerably from fund revenue, as it has been recognized in the period when the receivable was established, rather than when actually received for current purposes. The result was a revenue reduction of \$1.299 million.

For governmental activities, expenses increased \$2.441 million or 3.01% over the previous year. Of the total expenditures of \$83.480 million, 63.9% are for educational services; 9.5% for public safety; 9.0% for town-wide costs that include benefits and insurance coverage; 8.6% for maintenance and development; and 3.5% for general government.

Major expense factors include:

- The cost of educational services increased by \$729 thousand due to wage adjustments, energy related costs, special education tuitions to other towns and transportation costs. Health plan revisions, a provider change, and self-insurance for prescriptions substantially reduced medical costs. Also, on-behalf payments by the State of Connecticut to the teacher's retirement system increased by \$5 thousand.
- General government costs increased by \$98 thousand, principally impacted by the remittance of surcharges associated with the implementation of the state farmland preservation act. Wage adjustments and election costs, inclusive of a primary and referenda also increased.
- Maintenance and development costs increased by \$819 thousand for road repairs, equipment maintenance, recycling hauling fees, building repairs and maintenance, and the recognition of depreciation expense for infrastructure.
- Employee wages for non-education employees, including overtime and compensated absences, increased approximately 0.64% over the prior year.
- Interest on long-term debt increased by \$142 thousand due to the February 2007 bond issue, and interest on short-term debt increased by \$429 thousand associated with the bond anticipation notes issued in February 2006 and 2007. The Town has reduced its debt steadily for several years in anticipation for the recently approved public and school bond projects that have a combined authorization of \$89.93 million. The public road projects began two years ago and the school renovations began last year. It is anticipated that the second bond issue will be during the fiscal year ending June 30, 2007, with the first principal payment from that issue due in fiscal year 2010.

Table 3 presents the cost of each of the Town's five largest programs - education, public safety, town wide, (which includes items such as benefits and property insurance), maintenance and development of streets and buildings, general government administration, and all other services - as well as each program's net cost (total cost less revenues generated by the activities). The net cost shows the financial burden that was placed on the Town's taxpayers by each of these functions.

**TABLE 3**  
**GOVERNMENTAL ACTIVITIES**  
**In Thousands**

	<u>Total Cost of Services</u>		<u>Net Cost of Services</u>	
	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>
Education	\$ 53,358	\$ 52,629	\$ 23,759	\$ 25,690
Public safety	7,946	7,938	6,733	6,677
Town wide	7,528	7,559	6,947	6,938
Maintenance and development	7,144	6,325	5,822	5,214
General government	2,904	2,806	1,217	1,516
All others	4,600	3,781	3,059	2,999
Totals	<u>\$ 83,480</u>	<u>\$ 81,038</u>	<u>\$ 47,537</u>	<u>\$ 49,034</u>

***Business-Type Activities***

Revenues of the Town's business-type activities (see Table 2) increased by 0.51%, or \$25 thousand (\$4.96 million in 2007 compared to \$4.93 million in 2006), and expenses increased by 8.4% or \$417 thousand. The factors influencing these results: There was an increase of 8.1% in sewer rates on October 1, 2006. Also, there was an increase of \$34 thousand in investment income and a rental fees at Center 375 were slightly reduced.

The increase in expenses of \$417 thousand is affected mainly by supply and material costs of \$72 thousand and \$186 thousand in utility costs; and an increase of \$153 thousand in depreciation expense.

**TOWN FUNDS FINANCIAL ANALYSIS**

***Governmental Funds***

As the Town completed the year, its governmental funds (as presented in the balance sheet - Exhibit III) reported a combined fund balance of \$19.5 million, which is an increase of \$8.2 million from last year's total. The fund balance deficit attributed to the bond projects is \$12.5 million and is offset by \$12.9 million in other unreserved fund balances. The balance of \$19.09 million is reserved because it has been committed to liquidate purchase orders, 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 \$129 thousand in the Town's General Fund. The unreserved and undesignated fund balance, which committed \$110 thousand for encumbrances less than the prior year, reflects an overall increase of \$239 thousand. The unreserved and undesignated fund balance of the General Fund at June 30, 2007 is \$7.90 million, which represents 10.86% of estimated revenues for the ensuing year. Maintaining adequate fund balance reserves allows the Town flexibility when budgets are restricted and prevents cash flow problems and the related costs that can result. It is essential to have reserves available to provide funding support for major capital projects that await reimbursement from grant or bond proceeds. Also, income earned by keeping the funds invested assists in limiting the need for future tax increases.

The primary reasons for the General Fund's increase include some of the areas discussed in the governmental activities analysis, highlights on the following page, and as reported in Exhibit IV. In addition, these other changes in fund balances should be noted: in the *Special Revenue Fund* there was an increase of \$1.954 million, with \$1.17 million attributable to the funding advanced for projects in the capital and non-recurring expenditure account. There were also decreases in special grants (ABE) for education; a reduction in the downstream fund for special projects; a loss in the dog license account due to a neighboring town developing their own program and no longer needing our services; and in the ambulance EMS account, increased coverage levels created costs in excess of current revenue; partially offsetting the overall decrease was an operational gain in the cafeteria fund; additional Town Aid for Roads funding and sewer assessment and connection revenue. There was a \$5.984 million increase in the Capital Projects Fund due to the receipt of bond proceeds and grants over project expenditures in conjunction with the public improvement projects and school additions and renovations; and the Permanent Trust Fund increased by \$178 thousand due to positive investment performance in the cemetery trust and new contributions to the school memorial trusts.

### ***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 V, VI and VII. The Sewer User Fund and Center 375 are established as self-supporting Business-Type activities that reported a change in assets that amounted to a \$426 thousand decrease. The **Sewer User Fund** is established for the operation and maintenance of the wastewater treatment plant. Quarterly bills for sewer usage and interest earned on investments generate its resources. The net decrease to the Sewer User Fund net assets is \$414 thousand. This decrease is a result of depreciation expense on assets formerly classified as contributed capital (\$65 thousand), which are not built into the sewer user rate; and the recognition of infrastructure depreciation (\$210 thousand). The sewer user rates increased on October 1, 2006 by 8.1%, from \$3.95 to \$4.27 per 1,000 gallons of metered water, yielding an additional \$319 thousand in revenue. Effective for the October 1, 2007 billing, sewer user rates increased again, by 11.0%, from \$4.27 to \$4.74, expecting to produce an additional \$466 thousand in revenue. The new plant is in the tenth year of operation, and transitional costs have leveled. The facility itself is reported in the General Government activities.

**Center 375** is a former elementary school renovated for the rental of office space to private firms and to Town departments. The renovation was conducted in a manner that would enable the Town to restore the building back to a school if enrollments so demanded. The result of the year's activity decreased net assets by \$12 thousand.

The **Internal Service Fund** is supported by department budgets. The **Data Processing Fund** serves both the Town and school administrations, which equally support its operating expenses. The future needs of the department require continual upgrades to the various computer systems, as well as maintaining a network for sharing common software and data bases. Net assets increased by \$80 thousand as a result of operations. 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 June 30, 2007, expenses exceeded revenues by \$77 thousand, decreasing the prior year net assets from \$298 thousand to \$221 thousand. Year-end estimates for both long-term claims and current claims decreased from the prior year. The allocation of adequate contributions in the next year to meet financial demands is based on actual experience. The **Medical Self-Insurance Fund**, which became effective January 1, 2006, provides medical prescription coverage for employees and retirees. 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 a third-party administrator processes the claims. At June 30, 2007, net assets were \$234 thousand.

## ***General Fund Budgetary Highlights***

Differences between the original budget and the final amended budget amounted to an increase of \$3.421 million. Included in this amount is \$.662 million of encumbrances carried forward from the previous fiscal year and \$2.759 million of current year budget amendments that can be classified as follows:

*Pass-through additional appropriations* are those supported by revenue and amounted to \$1.761 million during the year, with the majority of that amount, \$1.052 million related to excess special education grants and school use activities; \$218 thousand for capital projects and equipment provided by the liquidation of prior year encumbrances; \$184 thousand for recreation programs and equipment supported by the net revenue of expanded activities during the fiscal year; \$161 thousand for collections remitted to the state of Connecticut by the Town Clerk for the farmland and historic preservation act; and \$65 thousand in police special services pay.

*Other additional appropriations* amounting to \$998 thousand were taken from net assets for items such as capital improvements; leaf pick-up program; compensated absences; elections, primaries, and referenda; assessment software for revaluation phase-in; legal notices and special legal consultation; police and snow removal overtime; and other items.

Actual final expenditures totaled \$72.75 million and can be summarized as follows. The budgetary unexpended, unencumbered resulted in a favorable amount of \$466 thousand. Contained within this amount is \$40 thousand of unused additional appropriations and \$10 thousand returned from the school system comprised mainly of wages and benefits. With the Town facing costs in excess of the planned resources due to items referred to in the additional appropriations section, hiring deferrals were implemented as vacancies occurred during the year. This produced savings of \$98 thousand, which was complemented by \$318 thousand from non-wage budgets, most significantly medical insurance, utilities, fuel, repairs and other town wide accounts.

On the revenue side, final actual revenues exceeded the original budget by \$2.17 million due to favorable (unfavorable) variances in the following categories: special education excess grants of \$1.008 million; school transportation reimbursements of (\$18) thousand; and all other intergovernmental revenue exceeding original estimates by \$15 thousand. Other revenues in excess of estimates include \$200 thousand in tax collections due to effective pursuit of prior taxes and the additions to the taxable grand list of construction-in-progress, which helped to mitigate the tax appeals settlements; charges for services were above estimates by \$726 thousand due in most part to Town Clerk recording fees, the farmland preservation surcharge, police special services, recreation program income, school tuitions for vocational agriculture and special education, and fees generated by public works for recycling and bulky waste pickup. Licenses and permits exceed projections by \$18 thousand due mainly to increased development pertaining to building permits. The increase in interest rates produced \$238 thousand of investment income and transfers in from other funds above original estimates.

The Town's General Fund total of both revenue and expenditures differs from the amounts in Exhibit IV and as reported in the budgetary basis comparison in the required supplementary information by \$2.72 million. This amount represents the on-behalf payments of the State of Connecticut contributions to the Teachers' Retirement System.

## **CAPITAL ASSET AND DEBT ADMINISTRATION**

### ***Capital Assets***

At June 30, 2007, the Town had \$107.1 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 \$7.95 million, or 8.0%, over last year.

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

	<u>Governmental</u> <u>Activities</u>		<u>Business-Type</u> <u>Activities</u>		<u>Totals</u>	
	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>
Land	\$ 7,569	\$ 7,569	\$ 1,268	\$ 1,268	\$ 8,837	\$ 8,837
Buildings and improvements	25,050	25,731	1,781	1,882	26,831	27,613
Improvements other than buildings	1,690	1,829	77	82	1,767	1,911
Equipment	14,416	15,900	1,252	1,331	15,668	17,231
Infrastructure	30,141	30,860	6,571	6,782	36,712	37,642
Construction in progress	17,320	5,955			17,320	5,955
<b>Totals</b>	<b>\$ <u>96,186</u></b>	<b>\$ <u>87,844</u></b>	<b>\$ <u>10,949</u></b>	<b>\$ <u>11,345</u></b>	<b>\$ <u>107,135</u></b>	<b>\$ <u>99,189</u></b>

Additions to total capital assets for the 2006-07 year were \$12.5 million, net of construction-in-progress reductions. Construction-in-progress of \$17.32 million is for the following (in thousands):

Road and bridge reconstruction projects	\$ 9,444
Animal control facility expansion	38
School additions and renovations	6,179
Park improvements	218
Town office improvements	296
Sewer system improvements	869
Rockville Central Park improvements	276

The Town's fiscal year 2007-2008 capital plan includes a budget of \$443 thousand, with \$62 thousand of that amount dedicated to replacing rolling stock; and \$381 thousand to fund the second installment of the intermodal center, partial funding for renovations to the Town Clerk vault, road repair, a police lab and fire house improvements. Also, funding is included for a capital lease to purchase a street sweeper, vac-all and a refuse packer, for a combined cost of \$476 thousand.

From revenue generated by the EMS ambulance service, \$298 thousand is allocated in the special revenue fund for the replacement of two (2) ambulances.

Additionally, the Town is combining State grant money from various sources in the amount of \$1.87 million for the renovation of the memorial building. Grants have been approved in the amount of \$1.95 million to reconstruct the Spring Street and River Street bridges. State grant funds in the amount of \$962 thousand are approved for the reconstruction of the Vernon Avenue Bridge.

The replacement of lighting fixtures at the Henry Park Softball Field will be funded from special revenue dedicated for this purpose in the amount of \$131 thousand. The Horowitz and Community pools will receive \$79 thousand from sources available at year end for renovations. The Town Council also approved the

liquidation of prior year encumbrances in the amount of \$322 thousand to repair and resurface several town roads.

The public bond improvements for roads and bridges will continue with an estimated \$4.65 million of new construction; and we anticipate the school bond renovations to utilize \$16.4 million of bond proceeds.

More detailed information about the Town's capital assets is presented in Notes 1 and 7 to the financial statements.

**Long-Term Debt**

At June 30, 2007 the Town had \$32.4 million in bonds, notes, and lease purchase obligations outstanding versus \$22.2 million last year, an increase of \$10.26 million or 46.2% - as shown in Table 5.

**TABLE 5  
OUTSTANDING DEBT, AT YEAR-END  
In Thousands**

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Totals</u>	
	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>
General obligation bonds (backed by the Town)	\$ 16,875	\$ 5,015	\$ -	\$ -	\$ 16,875	\$ 5,015
Promissory notes	14,584	15,986	-	-	14,584	15,986
Lease purchases	996	1,193	-	-	996	1,193
Totals	<u>\$ 32,455</u>	<u>\$ 22,194</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 32,455</u>	<u>\$ 22,194</u>
Bond anticipation notes	<u>\$ 20,986</u>	<u>\$ 10,300</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 20,986</u>	<u>\$ 10,300</u>

Long-term debt principal payments of \$2.55 million were made during the year.

The Town's general obligation bond rating continues to carry the A-1 rating from Moody's Investors, a rating that has been assigned and re-affirmed 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 \$340.8 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 10 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 2007-2008 budget tax rates and fees that will be charged for the business-type activities. One of those factors is the economy. The unemployment rate for the Town at year end was 4.3%, which is an increase from a rate of 4.2% a year ago. This compares with the State's unemployment rate of 4.3% and the national rate of 4.5%.

Although inflation in the Northeast Urban area has consistently been more than the national Consumer Price Index (CPI) for all urban consumers, U.S. towns' rate increase; the Town's CPI increase was 2.3% for fiscal year 2007 compared with the average U.S. town rate of 2.7%.

These indicators were taken into account when adopting the General Fund budget for fiscal year 2008. Total appropriations in the General Fund budget are \$72.79 million, an increase of \$2.08 million over the original 2007 budget. Property taxes (supported by an "effective" mil rate increase of 0.37 and growth of 1.39% in the net taxable assessed valuation) total \$49.3 million, a revenue increase of \$841 thousand from 2007 levels. Factored into the estimated property tax collection is the implementation of an elderly/disabled tax credit for homeowners; and a three-year phase-in of the town wide revaluation. In the next fiscal year, the estimated aid from the State of Connecticut is expected to increase by \$1.47 million to \$20.02 million, representing 27.5% 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 inflation to have on program costs. Increased aid for the educational system, heating fuel, gasoline, electricity, wage adjustments, providing support to accounts that have been traditionally under funded, and increasing the debt service budget incrementally to provide a ladder approach to the issuance of new bonds in the future, all constituted the major increases in the 2007-2008 budget. There was little in the way of new programs in the General Fund, with the exception of the public works department reconstituting the leaf pickup program to shorten the time period, thereby allowing town crews to spend more time on road reconstruction. The savings generated will help to lessen the public bond improvement project costs. Health insurance plans for all employee bargaining groups have been redesigned to provide present and future budgetary relief by increasing the cost sharing to participants.

From a financial perspective and as detailed in this annual financial report, the Town of Vernon successfully addressed the many financial obstacles of 2006-07 through prudent, conservative fiscal management without a serious interruption of services. While the 2007-08 Town budget experienced an overall 2.95% increase in appropriations and a 1.14% "effective" tax increase, given the economic climate this budgetary increase was modest. 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.

As for the Town's business-type activities, we expect that the 2007-08 results will be favorable based on the resolve of sewer network maintenance cost sharing; the inclusion of sewer network depreciation in the sewer user rates; and the stabilization of the revenue stream. As in all areas, most especially the waste treatment facility, the elevated cost of energy resources is a major concern and negotiations to lock in rates for three to five year terms have been completed in an attempt to assure the future provision of utilities at a measured rate. In the past, the Town addressed the problem of delinquent sewer user receivables on mills that closed or were downsized by incorporating an allowance for uncollectible billings, and this effort provides further clarity in revenue projections. Much attention has been given in the past and will continue in the future in maintaining favorable unrestricted net assets.

## **CONTACTING THE TOWN'S FINANCIAL MANAGEMENT**

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

# **Basic Financial Statements**

## TOWN OF VERNON, CONNECTICUT

## STATEMENT OF NET ASSETS

JUNE 30, 2007

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Assets:			
Cash and cash equivalents	\$ 2,388,130	\$ 7,257	\$ 2,395,387
Investments	41,628,421	3,510,289	45,138,710
Receivables, net	9,894,236	897,395	10,791,631
Internal balances	24,905	(24,905)	-
Inventory	34,235		34,235
Capital assets:			
Capital assets not being depreciated	24,889,461	1,267,840	26,157,301
Capital assets being depreciated	71,297,120	9,681,508	80,978,628
Total assets	<u>150,156,508</u>	<u>15,339,384</u>	<u>165,495,892</u>
Liabilities:			
Accounts and other payables	4,362,452	235,575	4,598,027
Payroll liabilities	221,947		221,947
Bond anticipation note payable	20,986,000		20,986,000
Unearned revenue	101,867		101,867
Noncurrent liabilities:			
Due within one year	5,212,736	127,558	5,340,294
Due in more than one year	36,203,437	423,084	36,626,521
Total liabilities	<u>67,088,439</u>	<u>786,217</u>	<u>67,874,656</u>
Net Assets:			
Invested in capital assets, net of related debt	72,004,129	10,949,348	82,953,477
Restricted for:			
Trust purposes:			
Nonexpendable	2,327,444		2,327,444
Unrestricted	8,736,496	3,603,819	12,340,315
Total Net Assets	<u>\$ 83,068,069</u>	<u>\$ 14,553,167</u>	<u>\$ 97,621,236</u>

The accompanying notes are an integral part of the financial statements

## TOWN OF VERNON, CONNECTICUT

## STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2007

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Governmental activities:							
General government	\$ 2,904,104	\$ 1,447,763	\$ 26,589	\$ 212,658	\$ (1,217,094)		\$ (1,217,094)
Community development	335,054	58,142	413,021		136,109		136,109
Public safety	7,945,910	1,125,437	86,932		(6,733,541)		(6,733,541)
Maintenance and development	7,143,727	714,631	248,368	358,925	(5,821,803)		(5,821,803)
Human services	966,674	20,075	133,576		(813,023)		(813,023)
Parks, recreation and culture	1,983,538	576,551	128,722	109,406	(1,168,859)		(1,168,859)
Townwide	7,527,820	526,665	54,203		(6,946,952)		(6,946,952)
Education	53,358,397	1,399,682	24,973,363	3,226,705	(23,758,647)		(23,758,647)
Interest on long-term debt	1,314,382		101,013		(1,213,369)		(1,213,369)
Total governmental activities	83,479,606	5,868,946	26,165,787	3,907,694	(47,537,179)	-	(47,537,179)
Business-type activities:							
Sewer	5,170,053	4,633,831				(536,222)	(536,222)
Building rental	215,209	138,441				(76,768)	(76,768)
Total business-type activities	5,385,262	4,772,272	-	-	-	(612,990)	(612,990)
Total	\$ 88,864,868	\$ 10,641,218	\$ 26,165,787	\$ 3,907,694	(47,537,179)	(612,990)	(48,150,169)
General revenues:							
Property taxes					48,110,529		48,110,529
Grants and contributions not restricted to specific programs					1,991,397		1,991,397
Unrestricted investment earnings					2,009,214	187,249	2,196,463
Miscellaneous					110,570		110,570
Total general revenues					52,221,710	187,249	52,408,959
Change in Net Assets					4,684,531	(425,741)	4,258,790
Net Assets at Beginning of Year, as Restated					78,383,538	14,978,908	93,362,446
Net Assets at End of Year					\$ 83,068,069	\$ 14,553,167	\$ 97,621,236

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The accompanying notes are an integral part of the financial statements

## TOWN OF VERNON, CONNECTICUT

## GOVERNMENTAL FUNDS

## BALANCE SHEET

JUNE 30, 2007

	<u>General</u>	<u>Debt Service</u>	<u>Public Bond Improvements</u>	<u>School Bond Improvements</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>ASSETS</b>						
Cash and cash equivalents	\$ 323,970	\$	\$ 95,126	\$ 149,880	\$ 1,814,474	\$ 2,383,450
Investments	10,287,126	36,171	6,927,709	16,472,851	6,225,064	39,948,921
Receivables, net	3,125,991	3,092,945		1,183,108	1,910,092	9,312,136
Due from other funds	1,353,258		740,000		1,146,491	3,239,749
Inventories					34,235	34,235
Total Assets	<u>\$ 15,090,345</u>	<u>\$ 3,129,116</u>	<u>\$ 7,762,835</u>	<u>\$ 17,805,839</u>	<u>\$ 11,130,356</u>	<u>\$ 54,918,491</u>
<b>LIABILITIES AND FUND BALANCES</b>						
Liabilities:						
Accounts and other payables	\$ 927,733	\$	\$ 1,155,526	\$ 1,093,099	\$ 535,773	\$ 3,712,131
Payroll liabilities	221,947					221,947
Accrued interest payable			74,582	239,333		313,915
Due to other funds	1,886,412	36,171	35,804		1,255,044	3,213,431
Bond anticipation note payable			4,986,000	16,000,000		20,986,000
Deferred revenue	2,913,758	3,092,945			939,926	6,946,629
Total liabilities	<u>5,949,850</u>	<u>3,129,116</u>	<u>6,251,912</u>	<u>17,332,432</u>	<u>2,730,743</u>	<u>35,394,053</u>
Fund balances:						
Reserved:	916,263		5,245,308	9,228,698	3,702,972	19,093,241
Unreserved, reported in:						
General Fund	8,224,232					8,224,232
Special Revenue Funds					4,643,388	4,643,388
Capital Project Funds			(3,734,385)	(8,755,291)	53,253	(12,436,423)
Total fund balances	<u>9,140,495</u>	<u>-</u>	<u>1,510,923</u>	<u>473,407</u>	<u>8,399,613</u>	<u>19,524,438</u>
Total Liabilities and Fund Balances	<u>\$ 15,090,345</u>	<u>\$ 3,129,116</u>	<u>\$ 7,762,835</u>	<u>\$ 17,805,839</u>	<u>\$ 11,130,356</u>	
Amounts reported for governmental activities in the statement of net assets (Exhibit I) are different because:						
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.						96,145,400
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.						7,402,415
Internal service funds are used by management to charge the costs of risk management to individual funds. The assets and liabilities of the internal service fund are included in governmental activities in the statement of net assets.						1,159,901
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds.						<u>(41,164,085)</u>
Net Assets of Governmental Activities (Exhibit I)						<u>\$ 83,068,069</u>

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The accompanying notes are an integral part of the financial statements

## TOWN OF VERNON, CONNECTICUT

## STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS

FOR THE YEAR ENDED JUNE 30, 2007

	<u>General</u>	<u>Debt Service</u>	<u>Public Bond Improvements</u>	<u>School Bond Improvements</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues:						
Property taxes	\$ 48,717,250					\$ 48,717,250
Intergovernmental	22,279,357		178,876	3,226,705	5,566,432	31,251,370
Assessments					96,624	96,624
Charges for services	2,279,748				1,623,772	3,903,520
Licenses and permits	478,589				371,861	850,450
Gifts and contributions		357,752			904,864	1,262,616
Fines and penalties	19,711					19,711
Income on investments	871,920	36,171	307,338	280,541	448,855	1,944,825
Other	697,122		1,600		418,359	1,117,081
Total revenues	<u>75,343,697</u>	<u>393,923</u>	<u>487,814</u>	<u>3,507,246</u>	<u>9,430,767</u>	<u>89,163,447</u>
Expenditures:						
Current:						
General government	2,750,317				49,538	2,799,855
Community development	297,715				502,590	800,305
Public safety	6,952,435				754,694	7,707,129
Maintenance and development	5,162,350				459,784	5,622,134
Human services	824,362				97,401	921,763
Parks, recreation and culture	1,677,953				58,522	1,736,475
Townwide	6,002,591				69,461	6,072,052
Education	46,567,372				5,975,022	52,542,394
Capital outlay	63,015		6,161,561	5,055,548	673,663	11,953,787
Debt service	1,399,968	1,662,040	362,982	239,333	5,816	3,670,139
Total expenditures	<u>71,698,078</u>	<u>1,662,040</u>	<u>6,524,543</u>	<u>5,294,881</u>	<u>8,646,491</u>	<u>93,826,033</u>
Excess (Deficiency) of Revenues over Expenditures	<u>3,645,619</u>	<u>(1,268,117)</u>	<u>(6,036,729)</u>	<u>(1,787,635)</u>	<u>784,276</u>	<u>(4,662,586)</u>
Other Financing Sources (Uses):						
Bond proceeds			10,300,000	2,515,000		12,815,000
Bond anticipation note premium			92,720			92,720
Transfers in	250,827	1,304,288	891,000		1,723,341	4,169,456
Transfers out	<u>(3,767,629)</u>	<u>(36,171)</u>			<u>(365,656)</u>	<u>(4,169,456)</u>
Total other financing sources (uses)	<u>(3,516,802)</u>	<u>1,268,117</u>	<u>11,283,720</u>	<u>2,515,000</u>	<u>1,357,685</u>	<u>12,907,720</u>
Net Change in Fund Balances	128,817	-	5,246,991	727,365	2,141,961	8,245,134
Fund Balances at Beginning of Year	<u>9,011,678</u>	<u>-</u>	<u>(3,736,068)</u>	<u>(253,958)</u>	<u>6,257,652</u>	
Fund Balances at End of Year	<u>\$ 9,140,495</u>	<u>\$ -</u>	<u>\$ 1,510,923</u>	<u>\$ 473,407</u>	<u>\$ 8,399,613</u>	
Amounts reported for governmental activities in the statement of activities (Exhibit II) are different because:						
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.						8,359,822
In the statement of activities, only the gain on the sale of capital assets is reported, whereas in the governmental funds, the proceeds from the sale increases financial resources. Thus, the change in net assets differs from the change in fund balance by the cost of the asset sold.						(525)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.						(1,299,376)
Bond proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net assets. This is the amount by which proceeds exceeded repayments.						(10,261,347)
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.						(514,166)
Internal service funds are used by management to charge the costs of risk management to individual funds. The net revenue (expense) of the internal service fund is reported with governmental activities (Exhibit VI).						<u>154,989</u>
Change in Net Assets of Governmental Activities (Exhibit II)						<u>\$ 4,684,531</u>

The accompanying notes are an integral part of the financial statements

## TOWN OF VERNON, CONNECTICUT

## STATEMENT OF NET ASSETS - PROPRIETARY FUND

JUNE 30, 2007

	Business-Type Activities			Governmental
	Sewer User	Center 375	Total	Internal Service Fund
Assets:				
Current assets:				
Cash and cash equivalents	\$ 6,689	\$ 568	\$ 7,257	\$ 4,680
Investments	2,194,861	1,315,428	3,510,289	1,679,500
Receivables, net	897,395		897,395	25,900
Total current assets	<u>3,098,945</u>	<u>1,315,996</u>	<u>4,414,941</u>	<u>1,710,080</u>
Capital assets:				
Land and land improvements	838,180	645,711	1,483,891	
Buildings and plant	4,092,590	1,628,472	5,721,062	
Machinery and equipment	7,131,009	45,541	7,176,550	184,745
Infrastructure	10,519,700		10,519,700	
Less accumulated depreciation	(12,778,549)	(1,173,306)	(13,951,855)	(143,564)
Capital assets, net	<u>9,802,930</u>	<u>1,146,418</u>	<u>10,949,348</u>	<u>41,181</u>
Total assets	<u>12,901,875</u>	<u>2,462,414</u>	<u>15,364,289</u>	<u>1,751,261</u>
Liabilities:				
Current liabilities:				
Accounts and other payables	224,459	11,116	235,575	62,610
Claims payable				225,156
Due to other funds	24,905		24,905	1,413
Accrued compensated absences	127,558		127,558	13,743
Unearned revenue			-	1,453
Total current liabilities	<u>376,922</u>	<u>11,116</u>	<u>388,038</u>	<u>304,375</u>
Noncurrent liabilities:				
Claims payable				218,269
Accrued compensated absences	423,084		423,084	68,716
Total noncurrent liabilities	<u>423,084</u>	<u>-</u>	<u>423,084</u>	<u>286,985</u>
Total liabilities	<u>800,006</u>	<u>11,116</u>	<u>811,122</u>	<u>591,360</u>
Net Assets:				
Invested in capital assets	9,802,930	1,146,418	10,949,348	41,181
Unrestricted	<u>2,298,939</u>	<u>1,304,880</u>	<u>3,603,819</u>	<u>1,118,720</u>
Total Net Assets	<u>\$ 12,101,869</u>	<u>\$ 2,451,298</u>	<u>\$ 14,553,167</u>	<u>\$ 1,159,901</u>

The accompanying notes are an integral part of the financial statements

## TOWN OF VERNON, CONNECTICUT

STATEMENT OF REVENUES, EXPENSES AND CHANGES  
IN FUND NET ASSETS - PROPRIETARY FUNDS

FOR THE YEAR ENDED JUNE 30, 2007

	Business-Type Activities			Governmental
	Sewer User	Center 375	Total	Internal Service Funds
Operating Revenues:				
Charges for services	\$ 4,300,559	\$ 138,392	\$ 4,438,951	\$ 1,008,588
Gifts and contributions				1,814,201
Other:				
Miscellaneous fees	333,272	49	333,321	7,500
Total operating revenues	<u>4,633,831</u>	<u>138,441</u>	<u>4,772,272</u>	<u>2,830,289</u>
Operating Expenses:				
Wages and benefits	2,124,271	10,547	2,134,818	311,191
Repairs, maintenance and rentals	172,028	74,993	247,021	57,159
Utilities	1,824,795	41,316	1,866,111	14,276
Supplies and materials	396,411	39,314	435,725	15,061
General and administrative	267,719	4,850	272,569	136,160
Claims incurred				2,189,291
Depreciation	384,829	44,189	429,018	16,551
Total operating expenses	<u>5,170,053</u>	<u>215,209</u>	<u>5,385,262</u>	<u>2,739,689</u>
Operating Income (Loss)	(536,222)	(76,768)	(612,990)	90,600
Nonoperating Revenues:				
Investment income	122,629	64,620	187,249	64,389
Change in Net Assets	(413,593)	(12,148)	(425,741)	154,989
Net Assets at Beginning of Year, as Restated	<u>12,515,462</u>	<u>2,463,446</u>	<u>14,978,908</u>	<u>1,004,912</u>
Net Assets at End of Year	<u>\$ 12,101,869</u>	<u>\$ 2,451,298</u>	<u>\$ 14,553,167</u>	<u>\$ 1,159,901</u>

The accompanying notes are an integral part of the financial statements

## TOWN OF VERNON, CONNECTICUT

## STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS

FOR THE YEAR ENDED JUNE 30, 2007

	Business-Type Activities			Governmental
	Sewer User	Center 375	Total	Internal Service Funds
Cash Flows from Operating Activities:				
Service charges collected	\$ 4,261,662	\$ 138,392	\$ 4,400,054	\$ 990,120
Contributions collected			-	1,814,201
Other operating revenues collected	294,316	49	294,365	7,500
Cash payments for employee wages and benefits	(2,056,035)		(2,056,035)	(334,420)
Cash payments for goods and services	(2,737,490)	(159,904)	(2,897,394)	(174,289)
Cash payments for other operating expenses			-	(2,394,183)
Cash payments of due to balance	(2,906)		(2,906)	
Net cash used in operating activities	<u>(240,453)</u>	<u>(21,463)</u>	<u>(261,916)</u>	<u>(91,071)</u>
Cash Flows from Capital Financing Activities:				
Purchase of capital assets	(21,036)	(12,241)	(33,277)	
Cash Flows from Investing Activities:				
Receipts of interest and dividends	122,629	64,620	187,249	64,389
Net Increase (Decrease) in Cash and Cash Equivalents	(138,860)	30,916	(107,944)	(26,682)
Cash and Cash Equivalents at Beginning of Year	<u>2,340,410</u>	<u>1,285,080</u>	<u>3,625,490</u>	<u>1,710,862</u>
Cash and Cash Equivalents at End of Year	2,201,550	1,315,996	3,517,546	1,684,180
Cash Equivalents Reported as Investments per GASB 31	<u>(2,194,861)</u>	<u>(1,315,428)</u>	<u>(3,510,289)</u>	<u>(1,679,500)</u>
Cash and Cash Equivalents, June 30, 2007	<u>\$ 6,689</u>	<u>\$ 568</u>	<u>\$ 7,257</u>	<u>\$ 4,680</u>
Reconciliation of Operating Income (Loss) to Net Cash Used in Operating Activities:				
Operating income (loss)	<u>\$ (536,222)</u>	<u>\$ (76,768)</u>	<u>\$ (612,990)</u>	<u>\$ 90,600</u>
Adjustments to reconcile operating income (loss) to net cash used in operating activities:				
Add:				
Depreciation expense	384,829	44,189	429,018	16,551
Increase in accounts payable		11,116	11,116	
Increase in accrued absences	24,607		24,607	
Increase in due to other funds	9,791		9,791	1,412
Increase in unearned revenue				1,453
Decrease in due from other funds				175
Deduct:				
Increase in accounts receivable	(81,302)		(81,302)	(25,900)
Decrease in accounts payable	(42,156)		(42,156)	(62,189)
Decrease in claims payable				(88,611)
Decrease in accrued absences				(24,562)
Net adjustments to operating income (loss)	<u>295,769</u>	<u>55,305</u>	<u>351,074</u>	<u>(181,671)</u>
Net Cash Used in Operating Activities	<u>\$ (240,453)</u>	<u>\$ (21,463)</u>	<u>\$ (261,916)</u>	<u>\$ (91,071)</u>

## Schedule of noncash capital financing activities:

\$399 of Sewer User Fund capital assets, gross of accumulated depreciation, were disposed of during the fiscal year.

The accompanying notes are an integral part of the financial statements

**TOWN OF VERNON, CONNECTICUT**  
**STATEMENT OF FIDUCIARY NET ASSETS - FIDUCIARY FUNDS**

**JUNE 30, 2007**

	<b>Pension Trust Funds <u>December 31, 2006</u></b>	<b>Agency Fund <u>June 30, 2007</u></b>
Assets:		
Cash and cash equivalents	\$	\$ 451,283
Investments, at fair value (pooled):		
Fixed income	15,252,470	
Equity	18,220,275	
Bond	4,615,396	
Other		124,340
	<hr/>	<hr/>
Total assets	38,088,141	\$ <u><u>575,623</u></u>
Liabilities:		
Accounts and other payables	13,893	\$ <u><u>575,623</u></u>
	<hr/>	<hr/>
Net Assets:		
Held in Trust for Pension Benefits	\$ <u><u>38,074,248</u></u>	

The accompanying notes are an integral part of the financial statements

**TOWN OF VERNON, CONNECTICUT**  
**STATEMENT OF CHANGES IN PLAN NET ASSETS - FIDUCIARY FUNDS**  
**PENSION TRUST FUNDS**  
**FOR THE YEAR ENDED DECEMBER 31, 2006**

Additions:	
Contributions:	
Employer	\$ 2,609,818
Employee	<u>1,133,129</u>
Total contributions	3,742,947
Net investment income	<u>3,384,945</u>
Total additions	<u>7,127,892</u>
Deductions:	
Benefit payments/annuity purchases	2,523,452
Refund of contributions	238,593
Administrative expense	<u>145,491</u>
Total deductions	<u>2,907,536</u>
Increase in Plan Net Assets	4,220,356
Net Assets Held in Trust for Pension Benefits at Beginning of Year	<u>33,853,892</u>
Net Assets Held in Trust for Pension Benefits at End of Year	<u>\$ 38,074,248</u>

The accompanying notes are an integral part of the financial statements

**TOWN OF VERNON, CONNECTICUT**

**NOTES TO FINANCIAL STATEMENTS**

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The financial statements of the Town of Vernon, Connecticut (the Town) have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The more significant policies of the Town are described below.

**A. Reporting Entity**

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.

Jointly Governed Organizations

The Town is a participating member in the following jointly governed organizations:

Greater Hartford Transit District provides transit services to member towns. Each participating town appoints at least one member to serve on the District’s Board of Directors. The Town contributed \$1,964 to the District in fiscal year 2006/07.

North Central District Health Department provides public health services to seven member towns. Each participating town appoints at least one member to serve on the District’s Board. The Town contributed \$104,150 to the District in fiscal year 2006/07.

The Connecticut Resources Recovery Authority (CRRA) provides solid waste disposal services to the Town and other surrounding municipalities. Each participating town appoints at least one member to serve on the Authority’s Board. During fiscal year 2006/07, the Town paid \$619,851 in tipping fees to CRRA for disposal services.

Related Organizations

The Vernon Housing Authority’s (VHA) governing body is appointed by Town Council. The VHA is considered a related organization because accountability does not extend beyond making such appointments.

**B. Government-Wide and Fund Financial Statements**

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the Town. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are 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 service and interest income.

*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 Fund* accounts for the accumulation of resources to be used for retirement annuity payments in accordance with contract amounts and times in the future.

*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.

### **C. 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 pension fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Town considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, charges for services, licenses and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received.

The Town reports the following major governmental funds:

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

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

The Public Bond Improvements Fund, a capital projects fund, accounts for costs to reconstruct certain town roads, sidewalks and bridges, and other improvements, as authorized by Town referendum.

The School Bond Improvements Fund, a capital projects fund, accounts for the costs associated with additions and renovation of Vernon schools, as authorized by Town referendum.

The Town reports the following major proprietary funds:

The Sewer User Fund accounts for the activity of the waste treatment plant.

The Center 375 Fund accounts for the rental of the former Vernon Elementary School.

Additionally, the Town reports the following fund types:

The Internal Service Funds account for the data processing function, workers' compensation risk management and self-insurance of prescription drug costs.

The Pension Trust Fund accounts for the activities of the Town's retirement system, which accumulates resources for pension benefit payments to qualified Town employees.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989 generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The Town has elected not to follow subsequent private-sector guidance.

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

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

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

When both restricted and unrestricted resources are available for use, it is the Town's policy to use restricted resources first, then unrestricted resources as they are needed.

#### **D. Deposits and Investments**

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

State statutes authorize the Town to invest in obligations of the U.S. Treasury, commercial paper, corporate bonds, repurchase agreements and certain other investments as described in Note 5.

Investments for the Town are reported at fair value.

#### **E. Receivables and Payables**

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

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

Property taxes receivable at June 30 are recorded in the General Fund as deferred revenue since they are not considered to be available to finance expenditures of the current fiscal year, except that receivables collected within 60 days after June 30 have been recorded as revenue. Taxes receivable are shown net of an allowance for uncollectible accounts of \$65,000.

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.

#### **F. 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.

#### **G. Capital Assets**

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

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

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

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

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

## I. 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, 2007 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.

## J. Long-Term Obligations

In the government-wide financial statements and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities or proprietary fund type statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of any significant applicable bond premium or discount. Significant bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

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

## K. Fund Equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

## 2. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

### A. Explanation of Certain Differences Between the Governmental Fund Balance Sheet and the Government-Wide Statement of Net Assets

The governmental fund balance sheet includes reconciliation between fund balance - total governmental funds and net assets of governmental activities as reported in the government-wide statement of net assets. One element of that reconciliation explains that long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds. The details of this \$41,164,085 difference are as follows:

Bonds and serial notes payable	\$ 31,445,600
Accrued interest payable	273,796
Capital leases payable	996,363
Early retirement and termination benefits	4,132,525
Compensated absences	<u>4,315,801</u>
Net Adjustment to Reduce Fund Balance - Total Governmental Funds to Arrive at Net Assets of Governmental Activities	\$ <u><u>41,164,085</u></u>

**B. Explanation of Certain Differences Between the Governmental Fund Statement of Revenues, Expenditures and Changes in Fund Balances and the Government-Wide Statement of Activities**

The governmental fund statement of revenues, expenditures and changes in fund balances includes reconciliation between net changes in fund balances - total governmental funds and changes in net assets of governmental activities as reported in the government-wide statement of activities. One element of that reconciliation explains that governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. The details of this \$8,359,822 difference are as follows:

Capital outlay	\$ 12,470,215
Depreciation expense	<u>(4,110,393)</u>
Net Adjustment to Increase Net Changes in Fund Balances - Total Governmental Funds to Arrive at Changes in Net Assets of Governmental Activities	<u>\$ 8,359,822</u>

Another element of that reconciliation states that the issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. The details of this \$10,261,347 difference are as follows:

Debt issued or incurred:	
Bond proceeds	\$ 12,815,000
Principal repayments:	
General obligation debt	(2,357,347)
Capital leases	<u>(196,306)</u>
Net Adjustment to Decrease Net Changes in Fund Balances - Total Governmental Funds to Arrive at Changes in Net Assets of Governmental Activities	<u>\$ 10,261,347</u>

Another element of that reconciliation states that 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. The details of this \$514,166 difference are as follows:

Compensated absences	\$ 263,077
Early retirement and termination benefits	53,193
Accrued interest	193,025
Amortization of deferred charge on refunding	<u>4,871</u>
Net Adjustment to Decrease Net Changes in Fund Balances - Total Governmental Funds to Arrive at Changes in Net Assets of Governmental Activities	<u>\$ 514,166</u>

**3. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

**Budgetary Information**

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

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

*Budgetary Policies* - The Town Council is authorized to transfer any unencumbered appropriation balance or portion thereof from one department to another; however, such transfers must occur subsequent to March 31. Transfers within account classifications of a single department are approved by the Town's Finance Officer. Individual additional appropriations of less than 1/10 of 1% of the total budgeted expenditures are approved by Town Council. The Vernon Board of Education is authorized, under State law, to make any transfers necessary within the education budget at their discretion. Authorization for additional appropriations exceeding 1/10 of 1% of total budgeted expenditures requires a public hearing followed by Town Council approval in a special Town meeting. Revised budget amounts are reported as amended by the Town Council during the course of the year. Additional appropriations of \$2,758,476 were authorized during the fiscal year. 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 reservations of fund balances and do not constitute expenditures or liabilities because the commitments will be reappropriated and honored during the subsequent year.

#### 4. CASH AND DEPOSITS

The deposit of public funds is controlled by the Connecticut General Statutes (Section 7-402). Deposits may be made in a "qualified public depository" as defined by Statute, or, in amounts not exceeding the Federal Deposit Insurance Corporation insurance limit in an "out of state bank", as defined by the Statutes, which is not a "qualified public depository."

The following is a summary of cash and deposits at June 30, 2007:

Deposits	\$ 2,822,981
Cash on hand	910
Cash equivalents:	
State Tax Exempt Proceeds Fund (TEPF)	108,531
Less certificates of deposit reported as investments	<u>(85,752)</u>
Total Cash and Cash Equivalents	<u>\$ 2,846,670</u>

#### **Deposits**

At June 30, 2007, the carrying amount of the Town deposits was \$2,846,670, and the bank balance was \$4,235,237 including \$85,752 of certificates of deposit classified as investments.

*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. Of the June 30, 2007 bank balance, \$303,656 was covered by federal depository insurance. Connecticut General Statutes require that each depository maintain segregated collateral (not required to be based on a security agreement between the depository and the municipality and, therefore, not perfected in accordance with federal law) in an amount equal to a defined percentage of its public deposits based upon the depository's risk based capital ratio. A minimum of \$233,594, based on June 30, 2007 deposits, was collateralized (collateral held by the pledging bank's trust department is not in the Town's name). The balance of deposits of \$3,697,987 was uninsured and uncollateralized.

### Cash Equivalents

Cash equivalents are short-term, highly liquid investments that are both readily convertible to known amounts of cash and purchased within 90 days of maturity. At June 30, 2007, the Town's cash equivalents amounted to \$108,531.

## 5. 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 share 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.

Investments as of June 30, 2007 in all funds are as follows:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Weighted Average Maturity (Years)</u>
Interest-bearing investments:		
Certificates of deposit*	\$ 85,752	.56
Other investments:		
MBIA, Inc. - Cooperative Liquid Asset Securities System (CLASS)	43,671,062	
Pooled open-end mutual fund accounts:		
Pension Trust Funds	38,088,141	
Permanent Funds	<u>1,506,236</u>	
Total	<u>\$ 83,351,191</u>	
Portfolio weighted average maturity for interest bearing investments		.56

\*Subject to coverage by federal depository insurance and collateralization as described under "Deposits" above.

*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 - Investments* - As indicated above, State Statutes limit the investment options of cities and towns. The Town has no investment policy that would further limit its investment choices. The following table provides a summary of the Town's investments (excluding U.S. government guaranteed obligations) as rated by nationally recognized statistical rating organizations.

	<u>Fitch Ratings</u>	<u>Not Rated</u>
MBIA, Inc. - Cooperative Liquid Asset Securities System (CLASS)	AAA	
Pooled open-end mutual funds:		
Pension Trust Funds		X
Permanent Funds		X

*Concentration of Credit Risk* - The Town does not have an investment policy that limits investments in any one issuer that is in excess of 5% of the Town's total investments.

*Custodial Credit Risk* - Custodial credit risk for an investment is the risk that, in the event of the failure of the counterparty (the institution that pledges collateral or repurchase agreement securities to the Town or that sells investments to or buys them for the Town), the Town will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. At June 30, 2007, the Town's investments were in open-end mutual funds and other pooled accounts that are not subject to categorization as to custodial credit risk.

At June 30, 2007, the Town's individual fund investments consisted of the following:

<u>Fund Type</u>	<u>Investment Type</u>	<u>Carrying (Fair) Value</u>
Governmental Funds:		
General Fund	Class Plus investment pool	\$ <u>10,287,126</u>
Special Revenue	Class Plus investment pool	4,215,534
Special Revenue	Certificates of deposit	<u>23,087</u>
Total Special Revenue		<u>4,238,621</u>
Debt Service	Class Plus investment pool	<u>36,171</u>
Capital Projects	Class Plus investment pool	<u>23,400,560</u>
Permanent Fund	Certificates of deposit	62,665
Permanent Fund	Bank of America Investment Fund	1,389,803
Permanent Fund	Class Plus investment pool	417,542
Permanent Fund	Eaton Vance Fund	<u>116,433</u>
Total Permanent Funds		<u>1,986,443</u>
Proprietary Funds:		
Enterprise	Class Plus investment pool	<u>3,510,289</u>
Internal Service	Class Plus investment pool	<u>1,679,500</u>

Fiduciary Funds:		
Pension Trust	Travelers' fixed income fund	6,067,622
Pension Trust	Prudential fixed income funds	9,184,842
Pension Trust	Prudential equity/bond funds	22,026,127
Pension Trust	Wachovia fixed income	6
Pension Trust	Wachovia equity funds	608,951
Pension Trust	Wachovia bond funds	200,593
Total Pension Trust		<u>38,088,141</u>
Agency Funds	Class Plus investment pool	<u>124,340</u>
Total Fiduciary Funds		<u>38,212,481</u>
Total All Investments		<u>\$ 83,351,191</u>

## 6. RECEIVABLES

Receivables as of year end for the Town's individual major funds and nonmajor, internal service and fiduciary funds in the aggregate, including the applicable allowances for uncollectible accounts, are as follows:

	Governmental Activities							Business-Type Activities	
	General	Debt Service	School Bond Improvements	Nonmajor Governmental			Total Nonmajor	Total	Sewer Use
				Special Revenue	Capital Projects	Permanent Funds			
Receivables:									
Interest*	\$	\$	\$	\$	\$	\$	\$	\$	\$ 135,070
Taxes	1,370,826							1,370,826	
Accounts	4,062			1,063,680		38,548	1,102,228	1,106,290	928,601
Special assessments				201,926			201,926	201,926	120
Inter-municipal	221,492	3,092,945		11,354			11,354	3,325,791	
Inter-governmental	<u>1,594,611</u>		<u>1,183,108</u>	<u>1,018,123</u>	<u>1,808</u>		<u>1,019,931</u>	<u>3,797,650</u>	
Gross receivables	3,190,991	3,092,945	1,183,108	2,295,083	1,808	38,548	2,335,439	9,802,483	1,063,791
Less allowance for uncollectibles	<u>(65,000)</u>			<u>(420,347)</u>		<u>(5,000)</u>	<u>(425,347)</u>	<u>(490,347)</u>	<u>(166,396)</u>
Net Receivables	<u>\$ 3,125,991</u>	<u>\$ 3,092,945</u>	<u>\$ 1,183,108</u>	<u>\$ 1,874,736</u>	<u>\$ 1,808</u>	<u>\$ 33,548</u>	<u>\$ 1,910,092</u>	<u>\$ 9,312,136</u>	<u>\$ 897,395</u>

\* Does not include accrued interest on property taxes of \$556,200.

Governmental funds report deferred revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned. At the end of the current fiscal year, the various components of deferred revenue and unearned revenue reported in the governmental funds were as follows:

	Unavailable	Unearned
Delinquent property taxes receivable	\$ 1,104,025	\$
School building grants	1,591,233	
Inter-municipal	3,311,445	1,500
Special assessments other long-term	839,512	
Intergovernmental (grants)		30,000
Other		70,367
Total Deferred/Unearned Revenue for Governmental Funds	<u>\$ 6,846,215</u>	<u>\$ 101,867</u>

## 7. CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2007 was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 7,569,425	\$	\$	\$ 7,569,425
Construction in progress	5,954,732	11,735,621	(370,317)	17,320,036
Total capital assets not being depreciated	<u>13,524,157</u>	<u>11,735,621</u>	<u>(370,317)</u>	<u>24,889,461</u>
Capital assets being depreciated:				
Buildings	45,518,263	254,751		45,773,014
Improvements other than buildings	4,398,568	41,801		4,440,369
Machinery and equipment	42,600,294	341,053	(5,918)	42,935,429
Infrastructure	51,155,499	467,306		51,622,805
Total capital assets being depreciated	<u>143,672,624</u>	<u>1,104,911</u>	<u>(5,918)</u>	<u>144,771,617</u>
Less accumulated depreciation for:				
Buildings	(19,787,093)	(935,660)		(20,722,753)
Improvements other than buildings	(2,569,361)	(181,266)		(2,750,627)
Machinery and equipment	(26,700,632)	(1,823,757)	5,393	(28,518,996)
Infrastructure	(20,295,860)	(1,186,261)		(21,482,121)
Total accumulated depreciation	<u>(69,352,946)</u>	<u>(4,126,944)</u>	<u>5,393</u>	<u>(73,474,497)</u>
Total capital assets being depreciated, net	<u>74,319,678</u>	<u>(3,022,033)</u>	<u>(525)</u>	<u>71,297,120</u>
Governmental Activities Capital Assets, Net	<u>\$ 87,843,835</u>	<u>\$ 8,713,588</u>	<u>\$ (370,842)</u>	<u>\$ 96,186,581</u>
Business-type activities:				
Capital assets not being depreciated:				
Land	\$ 1,267,840	\$	\$	\$ 1,267,840
Capital assets being depreciated:				
Buildings and system	5,710,491	10,571		5,721,062
Improvements other than buildings	216,051			216,051
Machinery and equipment	7,154,243	22,706	(399)	7,176,550
Infrastructure	10,519,700			10,519,700
Total capital assets being depreciated	<u>23,600,485</u>	<u>33,277</u>	<u>(399)</u>	<u>23,633,363</u>
Less accumulated depreciation for:				
Buildings and system	(3,828,914)	(111,273)		(3,940,187)
Improvements other than buildings	(133,813)	(5,279)		(139,092)
Machinery and equipment	(5,822,780)	(102,072)	399	(5,924,453)
Infrastructure	(3,737,729)	(210,394)		(3,948,123)
Total accumulated depreciation	<u>(13,523,236)</u>	<u>(429,018)</u>	<u>399</u>	<u>(13,951,855)</u>
Total capital assets being depreciated, net	<u>10,077,249</u>	<u>(395,741)</u>	<u>-</u>	<u>9,681,508</u>
Business-Type Activities Capital Assets, Net	<u>\$ 11,345,089</u>	<u>\$ (395,741)</u>	<u>\$ -</u>	<u>\$ 10,949,348</u>

In accordance with GASB Statement No. 34, the Town has implemented the retroactive reporting requirements related to infrastructure capital assets effective July 1, 2006. Beginning net assets of governmental activities and business-type activities were restated by \$30,795,537 and \$6,781,971, respectively, to include infrastructure capital assets, net of depreciation.

Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental activities:	
General government	\$ 52,966
Community development	741
Public safety	419,523
Maintenance and development	1,331,000
Human services	3,243
Parks and recreation	160,409
Townwide	1,455,768
Education	<u>703,294</u>
Total Depreciation Expense - Governmental Activities	<u>\$ 4,126,944</u>
Business-type activities:	
Sewer use	\$ 384,829
Rental of building	<u>44,189</u>
Total Depreciation Expense - Business-type Activities	<u>\$ 429,018</u>

### Construction Commitments

The Town has the following commitments on construction projects as of June 30, 2007:

<u>Project</u>	<u>Project Authorization</u>	<u>Expended To Date</u>	<u>Contract Commitments</u>	<u>Remaining Authorization</u>
General Government:				
Town Hall 3 <sup>rd</sup> floor renovations	\$ 496,344	\$ 249,099	\$ 15,503	\$ 231,742
ADA building improvements	167,984	14,116		153,868
Town Hall other renovations	439,723	32,985	29,400	377,338
Public Safety:				
Animal Control Shelter	75,000	37,790		37,210
Maintenance and Development:				
Road reconstruction	16,009,610	8,535,827	5,030,060	2,443,723
Storm drainage	204,000			204,000
Bridges	3,718,875	1,366,983	253,763	2,098,129
Sidewalks	125,000	8,614	6,612	109,774
Waste water treatment improvements	1,250,000			1,250,000
Sewer System improvements	1,148,257	869,133	16,789	262,335
Parks and recreation:				
Valley Falls Park improvement	187,000	129,477	16,800	40,723
Horowitz Pool Renovations	93,000	18,345	2,335	72,320
Rockville Central Park	729,097	275,715	371,720	81,662
Talcottville Enhancements	75,000	60,255	14,745	-
Fox Hill Tower renovation	9,754	9,754		-

<u>Project</u>	<u>Project Authorization</u>	<u>Expended To Date</u>	<u>Contract Commitments</u>	<u>Remaining Authorization</u>
Education:				
Photo lab	\$ 308,591	\$ 305,341	\$	\$ 3,250
RHS additions and renovations	34,657,000	2,405,243	1,752,194	30,499,563
VCMS renovations	11,519,000	2,028,515	6,103,892	3,386,593
Elementary school additions and renovations:				
Center Road School	4,420,600	190,626	321,571	3,908,403
Lake Street School	5,828,800	513,572	286,941	5,028,287
Maple Street School	3,743,200	164,164	272,523	3,306,513
Northeast School	3,556,000	158,294	261,491	3,136,215
Skinner Road School	4,597,400	413,494	230,086	3,953,820
Total	\$ <u>93,359,235</u>	\$ <u>17,787,342</u>	\$ <u>14,986,425</u>	\$ <u>60,585,468</u>

## 8. INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

At June 30, 2007, the amounts due to and from other funds were as follows:

	<u>Due from Other Funds</u>	<u>Due to Other Funds</u>
General Fund	\$ 1,353,258	\$ 1,886,412
Special Revenue Funds:		
Insurance Exchange		5,326
Town Aid Road		15,569
Ambulance Medical Services		8,822
Town Capital and Nonrecurring	685,503	40,000
Vernon Cemetery Commission		5,706
Special Education Grants		
Sewer Assessment	457,845	14,264
Miscellaneous Grants		47,308
Dog License	3,064	466
Board of Education Post Employment Fund	79	9,000
Medical Reserve Fund		
Public Safety Complex		1,107,500
Rockville Central Park		1,083
Debt Service Fund		36,171
Capital Projects Fund:		
Public Bond Improvements	740,000	35,804
Permanent Funds:		
Cemetery Trust Fund		
Proprietary Funds:		
Enterprise Funds:		
Sewer User Fund		24,905
Internal Service Funds:		
Medical Self-Insurance		79
Data Processing Fund		1,334
Total	\$ <u>3,239,749</u>	\$ <u>3,239,749</u>

Interfund balances are the result of interfund transfers, reimbursements or loans outstanding at June 30, 2007.

Interfund transfers:

	<b>Transfers In</b>				<b>Total Transfers Out</b>
	<b>General Fund</b>	<b>Debt Service Fund</b>	<b>Public Bond Improvements</b>	<b>Nonmajor Governmental</b>	
Transfers out:					
General Fund	\$	\$ 1,304,288	\$ 740,000	\$ 1,723,341	\$ 3,767,629
Debt Service		36,171			36,171
Nonmajor Governmental		214,656	151,000		365,656
<b>Total Transfers In</b>	<b>\$</b>	<b>250,827</b>	<b>\$ 1,304,288</b>	<b>\$ 891,000</b>	<b>\$ 1,723,341</b>
					<b>\$ 4,169,456</b>

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.

**9. LEASES**

**Capital Leases**

The Town has entered into various lease agreements for financing the acquisition of a fire aerial ladder, a pumper tanker, dump trucks and a refuse packer. The present value of future minimum lease payments amounts to \$996,363 at June 30, 2007. See Note 10 for the amortization requirements for the lease obligations.

## 10. LONG-TERM DEBT

### Changes in Long-Term Liabilities

Long-term liability activity for the year ended June 30, 2007 was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Governmental activities:					
Bonds:					
General purpose	\$	\$ 9,251,000	\$	\$ 9,251,000	\$ 342,000
Schools	3,286,000	2,515,000	(684,000)	5,117,000	764,000
Sewers	1,729,000	1,049,000	(271,000)	2,507,000	304,000
Total	<u>5,015,000</u>	<u>12,815,000</u>	<u>(955,000)</u>	<u>16,875,000</u>	<u>1,410,000</u>
Less deferred amounts on refunding	(18,507)		4,871	(13,636)	
Total bonds payable	<u>4,996,493</u>	<u>12,815,000</u>	<u>(950,129)</u>	<u>16,861,364</u>	<u>1,410,000</u>
Notes:					
State of Connecticut Clean Water Fund	<u>15,986,583</u>		<u>(1,402,347)</u>	<u>14,584,236</u>	<u>1,429,796</u>
Lease purchases:					
Fire Truck:					
Aerial ladder	520,602		(78,035)	442,567	81,335
Pumper tanker	195,787		(29,347)	166,440	30,588
Dump trucks/refuse packer	<u>476,280</u>		<u>(88,924)</u>	<u>387,356</u>	<u>91,983</u>
Total lease purchases	<u>1,192,669</u>		<u>(196,306)</u>	<u>996,363</u>	<u>203,906</u>
Compensated absences:					
Town employees	2,771,478	513,579	(298,879)	2,986,178	688,044
Board of Education Employees	1,281,246	50,197	(1,820)	1,329,623	257,808
Internal Service Fund	<u>107,021</u>	<u>63,383</u>	<u>(87,945)</u>	<u>82,459</u>	<u>13,743</u>
Total compensated absences	<u>4,159,745</u>	<u>627,159</u>	<u>(388,644)</u>	<u>4,398,260</u>	<u>959,595</u>
Risk management:					
Claims payable	<u>569,326</u>	<u>2,150,898</u>	<u>(2,276,799)</u>	<u>443,425</u>	<u>225,156</u>
Retirement obligations:					
Board of Education:					
Estimated retirement pay	2,395,666	421,989	(374,957)	2,442,698	425,106
Early retirement pay	1,667,871	531,330	(520,362)	1,678,839	554,804
Healthcare termination benefits	<u>15,795</u>		<u>(4,807)</u>	<u>10,988</u>	<u>4,373</u>
Total retirement obligations	<u>4,079,332</u>	<u>953,319</u>	<u>(900,126)</u>	<u>4,132,525</u>	<u>984,283</u>
Governmental Activity Long-Term Liabilities	<u>\$ 30,984,148</u>	<u>\$ 16,546,376</u>	<u>\$ (6,114,351)</u>	<u>\$ 41,416,173</u>	<u>\$ 5,212,736</u>
Business-Type Activities:					
Compensated absences	<u>\$ 458,842</u>	<u>\$ 150,622</u>	<u>\$ (58,822)</u>	<u>\$ 550,642</u>	<u>\$ 127,558</u>

Following is a summary of bonds, serial notes, and capital leases outstanding as of June 30, 2007:

<u>Debt Type</u>	<u>Issue Date</u>	<u>Maturity Date</u>	<u>Interest Rate%</u>	<u>Amount of Original Issue</u>	<u>Amount Outstanding June 30, 2007</u>
<u>Bonded Debt</u>					
General Purpose Bonds:					
Public Improvements	02/15/07	02/15/27	3.875-5.75	\$ 9,251,000	\$ 9,251,000
School Bonds:					
School renovations	10/15/88	10/15/08	6.80-7.10	5,000,000	500,000
School renovations	02/04/04	09/15/12	1.00-5.00	3,125,000	2,102,000
School renovations	02/15/07	02/15/27	3.875-5.75	2,515,000	2,515,000
Total school bonds					5,117,000
Sewer Bonds:					
Sewer Ordinance #167	02/04/04	09/15/12	1.00-5.00	2,085,000	1,458,000
Sewer Improvements	02/15/07	02/15/27	3.875-5.75	1,049,000	1,049,000
Total sewer bonds					2,507,000
Total Bonded Debt					\$ 16,875,000
<u>Notes Payable</u>					
State of Connecticut:					
Clean Water Fund 211-C	02/20/92	05/30/11	2.00	199,611	\$ 39,091
Clean Water Fund 244-C	05/28/93	11/30/12	2.00	649,740	175,971
Clean Water Fund 200-C	12/31/97	12/31/16	2.00	27,635,550	14,369,174
Total Notes Payable					\$ 14,584,236
<u>Lease Purchases</u>					
Aerial Ladder	09/15/01	09/15/11	4.23	802,330	\$ 442,567
Pumper tanker	12/15/01	12/15/11	4.23	301,739	166,440
Dump trucks/refuse packer	10/25/05	10/25/10	3.44	476,280	387,356
Total Lease Purchases					\$ 996,363

In prior years, the Town defeased General Obligation Bonds by creating a separate irrevocable trust. New debt has been issued and the proceeds have been used to purchase U.S. government securities that were placed in the trust. The investments and fixed earnings from the investments are sufficient to fully service the defeased debt until the debt is called or matures. For financial reporting purposes, the debt has been considered defeased and therefore is no longer counted in computing Town's debt for statutory debt limit purposes. As of June 30, 2007, the amount of defeased debt outstanding amounted to \$3,350,000.

#### Bond Anticipation Notes

<u>Description</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deductions</u>	<u>Ending Balance</u>	<u>Amount Due Within One Year</u>
Public Bond Improvements Fund	\$ 10,300,000	\$ 4,986,000	\$ (10,300,000)	\$ 4,986,000	\$ 4,986,000
School Bond Improvements Fund	-	16,000,000		16,000,000	16,000,000
Total Bond Anticipation Notes	\$ 10,300,000	\$ 20,986,000	\$ (10,300,000)	\$ 20,986,000	\$ 20,986,000

Bond anticipation notes (BANs) of \$10,300,000 were outstanding at June 30, 2006 and matured on February 15, 2007. On February 15, 2007, the Town issued \$12,815,000 in general obligation bonds which retired the matured BANs. The bonds mature on February 15, 2027 and were issued with interest rates ranging from 3.875-5.75%. Of the \$12,815,000, \$9,251,000 is considered general purpose bonded debt (road, bridge, sidewalk and drainage

improvements), \$1,049,000 is considered sewer debt (sewer system improvements) and \$2,515,000 is considered school bonded debt (school renovations).

Also on February 15, 2007, the Town issued BANs totaling \$20,986,000 at an interest rate of 4.00%, a yield of 3.56%, a maturity date of February 15, 2008 and at a premium of \$92,720. Of the \$20,986,000, \$4,986,000 was issued to fund short-term road, bridge, sidewalk and drainage improvements (general purpose) and \$16,000,000 was issued to fund short-term school renovation costs. The BAN issue is anticipated to be retired on February 15, 2008 with the issuance of permanent general purpose and school bond financing. The BAN premium is expected to be utilized to offset BAN interest expense.

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, \$10,300,000 of bonds has been issued and \$4,986,000 of BANs remain issued and outstanding. The remaining unissued public bond improvements authorization is \$6,323,000 as of June 30, 2007.

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, \$2,515,000 of bonds has been issued and \$16,000,000 of BANs remain issued and outstanding. The remaining unissued school bond improvements authorization is \$49,807,000 as of June 30, 2007.

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

Fiscal Year Ending June 30	General Purpose	Bonded Debt			Notes Payable	Lease Purchase	Total All Debt
		School	Sewer	Total			
2008	\$ 342,000	\$ 764,000	\$ 304,000	\$ 1,410,000	\$ 1,429,796	\$ 203,906	\$ 3,043,702
2009	342,000	750,000	298,000	1,390,000	1,457,797	211,805	3,059,602
2010	360,000	498,000	292,000	1,150,000	1,486,366	220,013	2,856,379
2011	360,000	491,000	289,000	1,140,000	1,514,678	228,542	2,883,220
2012	365,000	477,000	268,000	1,110,000	1,535,261	132,097	2,777,358
2013	384,000	233,000	258,000	875,000	1,546,643		2,421,643
2014	507,000	136,000	57,000	700,000	1,564,052		2,264,052
2015	507,000	136,000	57,000	700,000	1,595,621		2,295,621
2016	507,000	136,000	57,000	700,000	1,627,828		2,327,828
2017	507,000	136,000	57,000	700,000	826,194		1,526,194
2018	507,000	136,000	57,000	700,000			700,000
2019	507,000	136,000	57,000	700,000			700,000
2020	507,000	136,000	57,000	700,000			700,000
2021	507,000	136,000	57,000	700,000			700,000
2022	507,000	136,000	57,000	700,000			700,000
2023	507,000	136,000	57,000	700,000			700,000
2024	507,000	136,000	57,000	700,000			700,000
2025	507,000	136,000	57,000	700,000			700,000
2026	507,000	136,000	57,000	700,000			700,000
2027	507,000	136,000	57,000	700,000			700,000
Total	\$ <u>9,251,000</u>	\$ <u>5,117,000</u>	\$ <u>2,507,000</u>	\$ <u>16,875,000</u>	\$ <u>14,584,236</u>	\$ <u>996,363</u>	\$ <u>32,455,599</u>

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

Fiscal Year Ending June 30	Bonded Debt						
	General Purpose	School	Sewer	Total	Notes Payable	Lease Purchase	Total All Debt
2008	\$ 399,364	\$ 194,090	\$ 86,596	\$ 680,050	\$ 278,624	\$ 39,086	\$ 997,760
2009	381,409	162,669	78,954	623,032	249,773	31,188	903,993
2010	361,744	133,892	67,476	563,112	220,355	22,980	806,447
2011	341,044	112,835	55,434	509,313	190,362	14,450	714,125
2012	320,344	96,203	46,291	462,838	159,889	5,588	628,315
2013	301,181	83,252	37,316	421,749	129,001		550,750
2014	285,821	76,670	32,134	394,625	97,988		492,613
2015	265,541	71,230	29,854	366,625	66,419		433,044
2016	245,261	65,790	27,574	338,625	34,213		372,838
2017	224,981	60,350	25,294	310,625	4,826		315,451
2018	204,701	54,910	23,014	282,625			282,625
2019	185,055	49,640	20,805	255,500			255,500
2020	165,409	44,370	18,596	228,375			228,375
2021	145,129	38,930	16,316	200,375			200,375
2022	124,848	33,490	14,036	172,374			172,374
2023	104,569	28,050	11,756	144,375			144,375
2024	83,655	22,440	9,405	115,500			115,500
2025	62,741	16,830	7,054	86,625			86,625
2026	41,828	11,220	4,703	57,751			57,751
2027	20,914	5,610	2,351	28,875			28,875
Total	\$ <u>4,265,539</u>	\$ <u>1,362,471</u>	\$ <u>614,959</u>	\$ <u>6,242,969</u>	\$ <u>1,431,450</u>	\$ <u>113,292</u>	\$ <u>7,787,711</u>

All general long-term bonds are secured by the general revenue raising powers of the Town and payment will be primarily provided by General Fund revenues, including School Building Grants due from the State (\$1.59 million) and sewer assessments. Amounts due from other towns (\$3.09 million) will be used to retire a portion of CWF notes. Total indebtedness does not exceed the total debt limitation of \$340.8 million.

## 11. 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 \$500,000, with a \$10,000,000 aggregate maximum per 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. As of June 30, 2007, contract numbers 5, 7, 14, 15 and 21-24 were open. Claims outstanding at June 30 are based on the requirements of GASB Statements No. 10 and 30, which require that a liability for claims be reported if information prior to the issuance of the financial statements indicates that it is possible that a liability has been incurred at the date of the financial statements and the amount of the possible loss can be reasonably estimated. The amount of claim accrual is based on the ultimate costs of settling the claim, which include past experience data, inflation and other future economic and societal factors and incremental claim adjustment expenses, net of estimated subrogation recoveries. 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.

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

	<b>Fiscal Year Ending June 30,</b>		
	<b>2007</b>	<b>2006</b>	<b>2005</b>
Claims payable, July 1	\$ 460,422	\$ 367,124	\$ 336,115
Incurred claims, current year	405,032	272,148	158,589
Claims adjustments, prior years	(117,709)	255,925	308,012
Claims incurred for the fiscal year	287,323	528,073	466,601
Claims paid, current and prior years	(377,419)	(434,775)	(435,592)
Claims Payable, June 30	<u>\$ 370,326</u>	<u>\$ 460,422</u>	<u>\$ 367,124</u>

Based on historical payment data, approximately 41.06% of claims payable at June 30, 2007 will be paid during the following fiscal year. Thus, \$152,057 of claims payable at June 30, 2007 is considered as a current liability and the remaining \$218,269 is considered as a long-term liability. Claims payable at June 30, 2007 includes \$35,289 of estimated incremental claims adjustment expenses, net of estimated subrogation recoveries.

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

MedCo administers the claims processing for the Town for which the Town pays a fee. Claims incurred and paid data are provided to the Town, which reimburses MedCo for the costs of the claims and administrative expenses. As of June 30, 2007, claims payable represents the cost of claims incurred and paid by MedCo that require reimbursement from the Town.

Medical self-insurance claims transactions for the fiscal year 2006-07 is as follows:

	<b>Fiscal Year</b>		
	<b>2006-07</b>	<b>2005-06</b>	<b>2004-05</b>
Claims payable, January 1, 2007	\$ 108,904	\$ -	n/a
Incurred claims, current year	1,863,575	1,268,794	n/a
Claims adjustments, prior years	-	-	n/a
Claims incurred for the fiscal year	1,863,575	1,268,794	n/a
Claims paid, current and prior years	1,899,380	1,159,890	n/a
Claims payable, June 30, 2007	<u>\$ 73,099</u>	<u>\$ 108,904</u>	<u>n/a</u>

Only data for fiscal year 2005/06 and 2006/07 are depicted as the Medical Self-Insurance Fund was established effective January 1, 2006.

The entire portion of claims payable at June 30, 2007 is considered payable in the ensuing fiscal year.

Effective July 1, 2007, the Town will become self-insured for the cost of dental for its employees and retirees in the same manner as for its prescription costs. The Medical Self-Insurance Fund will also be utilized to transact dental contributions and costs.

## 12. FUND BALANCES/NET ASSETS AND DEFICIT FUND BALANCE

### A. Fund Balance and Net Assets Reserved

The following is a description of the various reserve accounts used to indicate that a portion of equity is legally segregated for a specific purpose and is unavailable for appropriation:

Reserved for Encumbrances - represents outstanding purchase orders at year end on contracts which the Town intends to honor.

Reserved for Inventory - the balance of inventory accounts has been reserved to indicate that the portion of fund balance represented is not available for appropriation or expenditure.

Reserved for Debt Service - represents the fund balance of the Sewer Assessment Fund which will be used for debt service.

Reserved for Permanent Trust - represents amounts in all Permanent Funds which are reserved to indicate that they are not available for appropriation or expenditure.

Reserved for Employees' Pension Benefits - represents the amount of funds accumulated in the Pension Trust Fund to pay for pension benefits.

A summary of reserved fund balances at June 30, 2007 is presented below:

General Fund:		
Reserved for encumbrances	\$	916,263
Special Revenue Funds:		
Reserved for encumbrances		535,350
Inventory		34,235
Debt service		770,665
Capital Projects Funds:		
Reserved for encumbrances		14,509,284
Permanent Funds:		
Reserved for Trust Funds		2,327,444
Fiduciary Funds:		
Reserved for pension benefits		<u>38,074,248</u>
Total	\$	<u><u>57,167,489</u></u>

### B. Deficit Fund Balance

The following fund had a deficit fund balance at June 30, 2007:

Nonmajor Funds:		
Special Revenue Fund:		
Public Safety Complex Grant-in-Aid Fund	\$	965,406

This deficit will be eliminated through the receipt of future transfers from other funds.

### 13. 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 judgement that would materially affect the Town's financial position.

#### State and Federal Assets

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

#### Solid Waste

The Town has entered into a Municipal Service Agreement (MSA) with the Connecticut Resources Recovery Authority (the Authority) for the disposal of solid waste at the Mid-Connecticut Resource Recovery Project (the Project) in Hartford, Connecticut. As part of this agreement, the Town is obligated to provide a minimum tonnage of acceptable solid waste. In the event that the Town does not deliver the minimum tonnage and the yearly aggregate minimum tonnage received by the facility from all participating municipalities is not met, the Town may be assessed a per ton tipping fee based upon the total tipping fees the Town would have paid had the minimum tonnage been delivered. The tipping fee, based upon the net cost of operating the Project, is subject to annual revision based upon the Authority's approved budget. As provided by the MSA, the tipping fee is a general obligation of the Town and full faith and credit of the Town has been pledged to the payment thereof. The yearly aggregate minimum tonnage delivered to the Project from all participating municipalities has been met.

#### Waste Treatment Plant Debt

As stated in Note 10, 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 \$14,369,174 due on the CWF loan as of June 30, 2007, the Town of Ellington, Manchester, South Windsor and Tolland are obligated to provide payments totaling \$3,092,945 to the Town of Vernon in installments through December 31, 2016. The Town of Vernon is responsible for debt service payments on the loan.

#### Bolton Lakes Wastewater Disposal

The Town of Vernon and the neighboring Town of Bolton entered into a consent order with the Connecticut Department of Environmental Protection (CTDEP) on October 14, 1999 requiring the towns to take the necessary steps to address wastewater disposal alternatives for the Bolton Lakes' area. Two State funded engineering studies have confirmed that specific areas around the middle and lower Bolton Lakes no longer meet the requirements of current health codes for septic systems and recommend the installation of a low-pressure sewer system with wastewater being pumped to the adjacent Town of Manchester Wastewater Treatment Facility. The most recent study was completed by Fuss & O'Neill, Inc., in May 2003 and was approved by both Vernon and Bolton. The study estimates that the design and construction of the sewer system will cost \$17,000,000, with 29% or \$4,930,000 attributable to Vernon and the remainder to Bolton. The project qualifies for an approximate 40% grant from USDA Rural Development; and a 25% grant from the Connecticut Clean Water Fund. In addition, the towns have secured Federal Special Appropriations Grant of \$650,000 to be shared equally between the two towns toward the sewer project. Voters in both towns approved a special referendum held on September 27, 2005 regarding ordinances that guarantee funding for the sewer project. The vote of approval in Bolton was 837-112, while in Vernon it was 687-216.

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, charge user fees, levy assessments, bill for hook-up fees and to operate and manage the sewer system. During the past fiscal year, the BLRWPCA has scheduled monthly meetings and worked closely with the CTDEP as well as the Office of Policy and Management (OPM), gaining approval of a Plan of Operations and By-Laws recommended by the Authority that will govern its operation as an entity separate from the town of Vernon and Bolton. OPM has approved revisions to the State's plan of conservation and development with respect to the project along Route 44 in Bolton.

Construction is expected to be phased in over a five-year period in order to maximize grant funding sources. Currently, the Connecticut DEP is conducting a required Environmental Impact Evaluation on this project and is reviewing a draft engineering agreement submitted by Fuss & O'Neill, Inc., for the design of the sewer project. Concurrent with this review, the BLRWPCA is in the process of applying for funding from USDA Rural Development and the Connecticut Clean Water Fund, as well as finalizing an intermunicipal sewer agreement with the Town of Manchester.

#### 14. OTHER POSTEMPLOYMENT BENEFITS

The Town provides health insurance for police officers who retire after July 1, 1988, at specified rates according to the following tables. Benefits and contributions, included as part of the police officers' bargaining agreement with the Town, require Town Council approval.

<b>Retirement Date July 1, 1988 - June 30, 1992</b>		
<b>Retirement Age</b>	<b>Town Paid Percentage of Premium</b>	<b>Number of Retirees Receiving Benefits</b>
Early Retirement *	50%	0
54 or less	50%	0
55 - 59	75%	0
60 - 65	100%	1
> 65	**	3

\* Officers are eligible for early retirement upon 10 years of credited service.

\*\* Once a retiree reaches age 65, the Town provides for the full cost of supplemental health insurance.

Currently, there are 4 eligible former employees who are receiving benefits under this provision. The cost to the Town, net of participant contributions, for the 2006/07 fiscal year was \$12,659.

#### Retirement Date July 1, 1992 and After

For police officers who retire after July 1, 1992, the Town provides for 50% of the retirees' health insurance premiums until age 65. Early retirees are not eligible for this benefit. Once the retiree reaches age 65, the retiree may purchase supplemental health insurance at his/her own expense.

Currently, there are 18 eligible former employees who are receiving benefits under this provision. The cost to the Town, net of participant contributions, for the 2006/07 fiscal year was \$55,891. The Town recognizes expenditures on a pay-as-you-go basis as monthly premiums are incurred.

## 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 would 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. To be eligible for these termination benefits, the employee must be hired prior to July 1, 2003, be age 55 and have worked for 20 years. Such benefit provisions, included in the school administrators' bargaining agreement with the Vernon Board of Education, require Town Council approval.

The following table identifies the healthcare benefit options available to early retirees:

<u>Option</u>	<u>Period of Years</u>	<u>Town Paid Percentage of Premium</u>	<u>Number of Early Retirees Receiving Benefits</u>
A	5	15%	4
B	3	20%	0
C	1	100%	0

Currently, there are 4 former school administrators receiving this benefit. The cost to the Town, net of participant contributions, for the 2006/07 fiscal year is \$5,806. A liability of \$10,988, presented in government-wide financial statements, for this benefit is calculated based upon the discounted present value of future unadjusted premiums and includes a healthcare cost trend of 11.4% and an investment yield of 5%.

In addition to healthcare termination benefits, the following table identifies cash payment options available to school administrator early retirees:

<u>Option</u>	<u>Number of Years</u>	<u>Town Paid Percentage of Premium</u>	<u>Number of Early Retirees Receiving Benefits</u>
A	7	12.5% of salary	13
B	5	15.0% of salary	0
C	1	50.0% of salary	0

There are 13 former school administrators receiving this benefit. The cost to the Town for the 2006/07 fiscal year is \$145,362. A liability of \$395,411, presented in government-wide financial statements, for this benefit is calculated based upon the discounted present value of expected future benefits and an 5% 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. To be eligible for this termination benefit, the employee must be employed by the Town for 13 continuous years, been hired prior to July 1, 1999 and have reached age 50. Benefit provisions, included in the school teachers' bargaining agreement with the Vernon Board of Education, require Town Council approval. Such eligible employee may elect to receive one of two payment options as follows:

<u>Option</u>	<u>Number of Years</u>	<u>Town Paid Percentage of Premium</u>	<u>Number of Early Retirees Receiving Benefits</u>
Deferred payment	6	\$ 5,000	94
Lump sum	1	15,000	0

There are 94 former teachers receiving this benefit. The cost to the Town for the 2006/07 fiscal year is \$375,000. A liability of \$1,283,428, presented in government-wide financial statements, for this benefit is calculated based upon the discounted present value of expected future benefits and an 5% yield of investments that are expected to be used to finance such benefit payments.

**15. EMPLOYEE RETIREMENT SYSTEMS AND PENSION PLANS**

Defined Benefit Plans

A. Plan Descriptions

1. Plan Type, Participating Employer and Employees Covered

The Town has established three single-employer contributory defined benefit plans which substantially cover all full-time employees, except certified employees of the Board of Education who are covered by the State Teachers' Retirement System, and members of the Town's Volunteer Fire Department (VFD) based upon certain service criterion. The pension plan for the VFD was established effective January 1, 2000. Although members of the VFD are not town employees, the Town has recognized the VFD's commitment to protecting the lives and property of Vernon's residents with the establishment of a retirement plan known as the Town of Vernon Length of Service Award Program (LOSAP). The LOSAP provides a financial reward as an incentive for recruiting and retaining fire department volunteers. The pension plans are reported in the Town's financial statements as separate pension trust funds; Police Pension Plan, Town Pension Plan and the Volunteer Firefighters LOSAP. Separate, stand-alone reports are not issued.

## 2. Participant Membership

Participant membership at January 1, 2007 was as follows:

	<u>Police Plan</u>	<u>Town Plan</u>	<u>LOSAP</u>
Retirees, disabled and beneficiaries currently receiving benefits	36	130	7
Terminated employees entitled to benefits, but not yet receiving them	2	125	26
Active employees: Vested, partially vested and nonvested	<u>47</u>	<u>361</u>	<u>124</u>
Total participant membership	<u><u>85</u></u>	<u><u>616</u></u>	<u><u>157</u></u>

## 3. Benefit Provisions

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

### a. Normal Retirement Date and Benefits

A participant who has attained his/her normal retirement date and/or required years of service is eligible for a normal retirement benefit. The benefit at normal retirement is equal to the employees' accrued benefit based on average monthly earnings and years of service.

#### Police Pension Plan

The normal retirement date for police officers is attained at the completion of 20 years service.

#### Town Pension Plan

The normal retirement date for members of the Public Works (P.W.) and Parks union is attained at age 55 and 5 years service or after 25 years of service. The normal retirement date for P.W. Supervisors is Rule 85. The normal retirement date for members of the Police Civilian Support union is attained at age 55 and 10 years service. The normal retirement date for non-bargaining Town Hall employees is age 62 and 10 years service or age 60 and 32 years of service. Professionals, Waste Treatment Plant (WTP) Supervisors, P.W. Clerical, Education Supervisors, Education Secretarial and Maintenance, Education Librarian and Education School Nurse union employees attain normal retirement age at age 62 and 10 years service. The normal retirement date for all other participants is attained at age 65 and 10 years of service.

#### LOSAP

The normal retirement date for volunteer firefighters is attained at age 65 with 10 years of credited service. A year of credited service is achieved based upon a point system established by the Fire Chief. The benefit at normal retirement is equal to \$8 per month for each year of credited service to a maximum of \$240 per month.

b. Early Retirement Date and Benefits

Participants of the Police and Town Pension Plans may, upon 10 years of service, elect early retirement on a date which shall be within 10 years of normal retirement age. The early retirement benefit is determined as for normal retirement, based on earnings and service to date of early retirement. Members of the Police Civilian Support union are ineligible for this benefit.

c. Death Benefits

Death benefits are payable to beneficiaries as determined by death before retirement or death after retirement provisions. For Police and Town participants, upon the death of a nonvested participant, there shall be payable to the beneficiary, a death benefit equal to the participant's contributions plus interest. A preretirement spousal death benefit is payable to vested participants who have been married five full years prior to death. The preretirement spousal death benefit is determined as for early retirement, based on earnings and credited service to the date of participant death. For VFD members, a preretirement spousal death benefit is payable to a member's surviving spouse in case of Death in the Line of Duty and is equal to the benefit the member would have received if the member had reached his normal retirement date.

d. Disability Benefit

In the event of participant Disability in the Line of Duty, VFD members may elect payment of an actuarial reduced retirement benefit commencing anytime prior to the date of normal retirement.

e. Deferred Vested Benefit

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

B. Summary of Significant Accounting Policies

1. Basis of Accounting

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

2. Valuation of Plan Investments

Pension Trust Fund investments are reported at fair value. Securities traded on national and international exchanges are valued at the last reported sales price. The composition of investments is disclosed in Note 5.

## C. Funding Policy

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

### 1. Employee

Required employee contributions to their respective plans are noted below.

#### Police Pension Plan

Police officers are required to contribute 6% of their W-2 earnings to the plan. Such contributions are credited with interest at a rate of 5.5% per annum.

#### Town Pension Plan

Non-bargaining Town Hall employees, P.W. Supervisors and Education Custodial, Secretarial and Maintenance union members are required to contribute 7% of their earnings (pre-tax). Police Civilian Support union members are required to contribute 7.9% of their earnings (post-tax). Effective February 23, 2007, such contributions will be made on a pre-tax basis. Professional union members are required to contribute 7.25% of earnings (pre-tax). Effective July 1, 2007, members of the Professional union will be required to contribute 8.15% of earnings (pre-tax). Members of the P.W. and Parks union, WTP Supervisors, P.W. Clerical, School Librarian and School Nurse union members are required to contribute 6.5% of their earnings (pre-tax). Effective, July 1, 2007, School Librarians will be required to contribute 7% of their earnings (pre-tax). All other participants are required to contribute 4% of their earnings (post-tax). Such contributions are credited with interest at a rate of 6% per annum.

#### LOSAP

Members of the VFD are not required to contribute to the plan.

### 2. Employer

#### Police and Town Pension Plans

The Town is required to contribute the remaining amounts necessary to finance plan benefits for its employees. Employer contributions to the pension plans (\$931,473, Police and \$1,583,333, Town) were determined based on actuarial valuations as of January 1, 2006, using the frozen entry age actuarial cost method. Employer contributions fund normal cost (after deducting expected employee contributions) on a current basis and the unfunded actuarial accrued liability over a maximum 30 year period. The Town's current required contributions as a percentage of annual covered plan payroll is 26.52% for the Police Plan and 12.7% for the Town Plan.

#### LOSAP

The Town shall contribute an actuarial determined amount necessary to fund current obligations of the LOSAP. In addition, employer contributions to fund the unfunded actuarial accrued liability are to be made over a maximum 10-year period. Employer contributions to the LOSAP (\$78,613) were determined based on an actuarial valuation as of January 1, 2006, using the frozen entry age actuarial cost method. The actuarially determined contribution specifically excludes the retirement benefit of seven volunteers who received retirement benefits in calendar year 2006.

D. Annual Pension Cost and Net Pension Obligations

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

	<u>Police Plan</u>	<u>Town Plan</u>	<u>LOSAP</u>
Annual required contribution (ARC)	\$ 931,473	\$ 1,583,333	\$ 78,613
Interest on net pension obligation (NPO)	-	-	-
Adjustment to ARC	-	-	-
Annual pension cost (APC)	931,473	1,583,333	78,613
Employer contributions made	(931,473)	(1,583,333)	(78,613)
Change in the NPO for the year	-	-	-
Net pension obligation, January 1, 2006	-	-	-
Net Pension Obligation, December 31, 2006	\$ -	\$ -	\$ -

In addition, Statement No. 27 requires the percentage of Annual Pension Cost contributed and Net Pension Obligations for the current and prior two years be reported:

<u>Police Plan</u>				
<u>Fiscal Year</u>	<u>Annual Pension Cost (APC)</u>	<u>Actual Employer Contribution</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
12/31/06	\$ 931,473	\$ 931,473	100%	\$ -
12/31/05	933,759	933,759	100	-
12/31/04	822,023	822,023	100	-
<u>Town Plan</u>				
<u>Fiscal Year</u>	<u>Annual Pension Cost (APC)</u>	<u>Actual Employer Contribution</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
12/31/06	\$ 1,583,333	\$ 1,583,333	100%	\$ -
12/31/05	1,190,512	1,190,512	100	-
12/31/04	1,118,434	1,118,434	100	-
<u>LOSAP</u>				
<u>Fiscal Year</u>	<u>Annual Pension Cost (APC)</u>	<u>Actual Employer Contribution</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
12/31/06	\$ 78,613	\$ 78,613	100%	\$ -
12/31/05	72,766	72,766	100	-
12/31/04	86,237	86,237	100	-

Schedule of Funding Progress

Police Plan						
January 1, Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability(AAL) (b)	Unfunded AAL (UAAL) (a-b)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a % of Covered Payroll ((a-b)/c)
2007	\$ 16,600,994	\$ 22,516,606	\$ 5,915,612	73.7%	\$ 3,701,061	159.8%
2006**	15,867,683	21,238,553	5,370,870	74.7	3,512,784	152.9
2005	15,110,913	20,331,260	5,220,347	74.3	3,739,097	139.6
2004*	14,427,483	19,176,780	4,749,297	75.2	3,500,324	135.7
2003	12,829,860	18,224,816	5,394,956	70.4	3,462,688	155.8
2002	13,658,449	17,137,120	3,478,671	79.7	3,531,705	98.5

Town Plan						
January 1, Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability(AAL) (b)	Unfunded AAL (UAAL) (a-b)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a % of Covered Payroll ((a-b)/c)
2007	\$ 21,441,511	\$ 35,308,131	\$ 13,866,620	60.7%	\$ 12,743,672	108.8%
2006	19,178,993	32,510,899	13,331,906	59.0	12,469,300	106.9
2005	17,319,759	27,219,959	9,900,200	63.6	11,910,153	83.1
2004*	15,650,167	25,169,684	9,519,517	62.2	11,438,585	83.2
2003	14,090,426	23,050,824	8,960,398	61.1	11,063,483	81.0
2002	12,773,124	20,188,513	7,415,389	63.3	10,853,090	68.3

LOSAP						
January 1, Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability(AAL) (b)	Unfunded AAL (UAAL) (a-b)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a % of Covered Payroll ((a-b)/c)
2007	\$ 809,550	\$ 990,973	\$ 181,423	81.7%	n/a	n/a
2006	656,023	890,692	234,669	73.7	n/a	n/a
2005	533,750	808,727	274,977	66.0	n/a	n/a
2004	396,249	716,573	320,324	55.3	n/a	n/a
2003	245,860	608,763	362,903	40.4	n/a	n/a
2002	177,911	580,795	402,884	30.6	n/a	n/a

\* Effective January 1, 2004, the salary scale assumption was changed from 5% to 4.5% increase per year.

\*\* Effective January 1, 2006, the Assumed Retirement Date was changed from age 48 to age 49.

Fiscal Year Ended December 31,	Police Pension		Town Pension		LOSAP	
	Annual Required Contribution	Percentage Contribution	Annual Required Contribution	Percentage Contribution	Annual Required Contribution	Percentage Contribution
2006	\$ 931,473	100.0%	\$ 1,583,333	100.0%	78,613	100.0%
2005	933,759	100.0	1,190,512	100.0	72,766	100.0
2004	822,023	100.0	1,118,434	100.0	86,237	100.0
2003	913,735	100.0	983,072	100.0	88,892	100.0
2002	672,768	100.0	776,575	100.0	85,997	100.0
2001	505,898	100.0	564,741	100.0	87,047	100.0
2000	407,632	100.0	472,887	100.0	93,373	100.0

The information presented in the required supplementary schedules was determined as part of the actuarial valuations at the dates indicated. Additional information as of the latest actuarial valuation follows:

The following is a summary of certain significant actuarial assumptions and other PERS information:

	<b>Police Pension Plan</b>	<b>Town Pension Plan</b>	<b>LOSAP</b>
Actuarial valuation date	01/01/07	01/01/07	01/01/07
Actuarial cost method	Frozen Entry	Frozen Entry	Frozen Entry
Amortization method	Level Dollar Closed	Level Dollar Closed	Level Dollar Closed
Remaining amortization period	10 years weighted ave	23 years weighted ave	10 years weighted ave
Asset valuation method	5-year smoothing	5-year smoothing	Market value
Actuarial assumptions:			
Investment rate of return	8.5%	8.5%	6.5%
Projected salary increases*	5.0%	4.5%	n/a
*Inflation rate included	3.5%	3.5%	n/a

A change in the maximum benefit allowed for qualified Police personnel, as specified by federal law, from \$170,000 to \$175,000 increased the 2006 required employer contribution of the Police Pension Plan by \$225. Also, the Assumed Retirement Data was changed from age 48 to age 49 reducing the 2006 required employer contribution of the Police Pension Plan by \$37,605.

Plan benefit changes that affected the 2006 required employer contribution of the Town Pension Plan include the enhancement of the School Custodial, Secretarial and Maintenance Union maximum retirement benefit from 1.85% of Average Monthly Earnings (AME) times 35 years of Credited Service (CS) to 2% of AME times 35 years of CS. Other plan benefit changes include the increase in the AME of the P.W. Line union from 1.85% to 2%; the increase in CS of Professional members from 30 to 35 years; the change in the Normal retirement Date for non-bargaining Town Hall employees from age 62 and 10 years of CS to age 62 and 10 year of CS or age 60 and 32 years of CS; the enhancement of the maximum retirement benefit of non-bargaining Town Hall employees from 2% AME times 30 years CS to 2.2% AME times 32 years of CS (capped at 70%); and the change in employee pre-tax contributions for the following groups: Education Custodial, Secretarial and Maintenance members from 6.5% to 7%; P.W. Supervisors 8.25% to 7%; Non-bargaining Town Hall employees from 6.5% to 7%; Professionals from 6.5% to 6.75%. These plan benefit changes increased the 2006 required employer contribution by \$299,409 from \$1,283,924 to \$1,583,333.

A change in the maximum benefit allowed for qualified police personnel as specified by federal law increased the 1/1/2007 Actuarial Accrued Liability (AAL) of the Police Pension Plan by \$1,292 from \$22,515,314 to \$22,516,606.

Plan benefit changes that affected the 01/01/2007 AAL of the Town Pension Plan include the enhancement to the School Librarians union maximum retirement benefit from 1.85% of Average Monthly Earnings (AME) times 30 years of Credited Service (CS) to 2.00% of AME times 35 years of CS and the enhancement to the P.W. Clerical union maximum retirement benefit from 1.85% of AME times 30 years of CS to 2% of AME times 30 years of CS. Other plan benefit changes include the increase in the employee pre-tax contributions for the following groups: Professional union from 6.75% to 7.25% and the School Librarians union from 6.5% to 7%. These plan benefit changes increased the 1/1/2007 Town Pension Plan AAL by \$21,932 from \$35,286,199 to \$35,308,131.

There were no plan benefit or assumption changes that affected either the required employer contribution for the LOSAP that was calculated on 1/1/2006 or the 1/1/2007 AAL of the LOSAP.

### Teachers' Retirement System

Teachers, principals and other eligible members of the Vernon Board of Education (BOE) participate in a contributory retirement plan administered by the State Teachers' Retirement Board. Participation in the system is required of all certified teachers in the State who are employed for at least an average of half-time. Teachers are vested 100% after completing 10 years of Connecticut teaching service, the last five of which must be consecutive if leaving Connecticut public service before age 60. Benefits provided by the Teachers' Retirement System are governed by State law. Neither the BOE nor the Town have a legal obligation to contribute to the retirement fund. Participants are required to contribute 7.25% of their annual salary to the plan. The State of Connecticut funds the remaining cost of plan benefits by making contributions to the plan based on an actuarial study performed utilizing the total payroll of covered participants in the State. The State's actuarial required contribution for the fiscal year ended June 30, 2007 was \$412,098,570. The Vernon BOE's total payroll for the fiscal year ended June 30, 2007 was \$27,208,057, covered payroll being \$21,859,034. Participant contributions totaled \$1,584,780. State contributions to the system were \$412,101,958, of which \$2,719,873 were contributed on behalf of Town employees.

In accordance with GASB Statement No. 24, *Accounting and Financial Reporting for Certain Grants and Other Financial Assistance*, the Town has recognized the amount of State pension contributions to the Teachers' Retirement System as on-behalf payments. On-behalf payments are direct payments of fringe benefits made by one entity (the State) to a third-party recipient (the Teachers' Retirement System) for the employees of another, legally separate entity (the Town of Vernon). The State of Connecticut funds plan benefit costs of Teachers' Retirement System participants. On-behalf payments of \$2,719,873 are recognized as revenues and expenditures of the Town's General Fund.

### Pension Trust Funds

The Town maintains three pension trust funds (Police Pension, Town Pension and Volunteer Firefighters Length of Service Award Program (LOSAP)) to account for its fiduciary responsibility. The following schedules present the net assets held in trust for pension benefits at December 31, 2006 and the changes in net assets for the year then ended.

**Schedule of Plan Net Assets**

	<b>Police Pension</b>	<b>Town Pension</b>	<b>Volunteer Firefighters Length of Service Award Program (LOSAP)</b>	<b>Total</b>
Assets:				
Investments, at fair value:				
Fixed income	\$ 5,645,454	\$ 9,607,010	\$ 6	\$ 15,252,470
International equity	1,982,040	2,444,130	205,558	4,631,728
International bonds			80,166	80,166
Domestic equity	7,060,015	6,101,511	403,392	13,564,918
Domestic bonds	1,391,934	3,046,497	120,428	4,558,859
Total assets	<u>16,079,443</u>	<u>21,199,148</u>	<u>809,550</u>	<u>38,088,141</u>
Liabilities:				
Accounts payables	<u>6,567</u>	<u>7,326</u>		<u>13,893</u>
Net Assets:				
Held in trust for pension benefits	<u>\$ 16,072,876</u>	<u>\$ 21,191,822</u>	<u>\$ 809,550</u>	<u>\$ 38,074,248</u>

**Schedule of Changes in Plan Net Assets**

	<b>Police Pension</b>	<b>Town Pension</b>	<b>Volunteer Firefighters Length of Service Award Program (LOSAP)</b>	<b>Total</b>
Additions:				
Contributions:				
Employer	\$ 931,473	\$ 1,583,333	\$ 95,012	\$ 2,609,818
Employee	<u>239,977</u>	<u>893,152</u>		<u>1,133,129</u>
Total contributions	1,171,450	2,476,485	95,012	3,742,947
Net investment income	<u>1,564,773</u>	<u>1,736,699</u>	<u>83,473</u>	<u>3,384,945</u>
Total additions	<u>2,736,223</u>	<u>4,213,184</u>	<u>178,485</u>	<u>7,127,892</u>
Deductions:				
Benefit payments/annuity				
Purchases	1,363,057	1,143,996	16,399	2,523,452
Refund of contributions	23,852	214,741		238,593
Administrative expense	<u>58,429</u>	<u>78,503</u>	<u>8,559</u>	<u>145,491</u>
Total deductions	<u>1,445,338</u>	<u>1,437,240</u>	<u>24,958</u>	<u>2,907,536</u>
Net increase	1,290,885	2,775,944	153,527	4,220,356
Net assets held in trust for pension benefits, January 1, 2006	<u>14,781,991</u>	<u>18,415,878</u>	<u>656,023</u>	<u>33,853,892</u>
Net assets held in trust for pension benefits, December 31, 2006	<u>\$ 16,072,876</u>	<u>\$ 21,191,822</u>	<u>\$ 809,550</u>	<u>\$ 38,074,248</u>

## 16. SUBSEQUENT EVENTS

On February 14, 2008, the Town issued \$21,040,000 of general obligation bonds to retire \$20,986,000 of bond anticipation notes (BANs) maturing on February 15, 2008. The bonds mature on February 1, 2028 and were issued with interest rates ranging from 3.5% to 5.5%. Of the \$21,040,000 issued, \$5,000,000 is considered general purpose bonded debt (road, bridge, sidewalk and drainage improvements), and \$16,040,000 is considered school bonded debt (school renovations).

Also on February 14, 2008, the Town issued BANs totaling \$11,925,000 at an interest rate of 3.0%, a yield of 1.49%, a maturity date of February 12, 2009 and at a premium of \$175,238. Of the \$11,925,000, \$720,000 was issued to fund short-term road, bridge, sidewalk and drainage improvements (general purposes) and \$11,205,000 was issued to fund short-term school renovation costs. The BANs are anticipated to be retired on February 12, 2009 with the issuance of permanent general purpose bond financing. The BAN premium is expected to be utilized of offset BAN interest expense.

## 17. RESTATEMENT OF NET ASSETS

Beginning net assets have been restated to adjust for infrastructure capital assets, net of depreciation, that were not included at June 30, 2006.

	<b>Amount as Reported June 30, 2006</b>	<b>Restatement Effective July 1, 2006</b>	<b>Amount as Restated July 1, 2006</b>
Governmental activities net assets	\$ 47,588,001	\$ 30,795,537	\$ 78,383,538
Business-type activities net assets	8,196,937	6,781,971	14,978,908

**Required Supplementary  
Information**

## TOWN OF VERNON, CONNECTICUT

## GENERAL FUND

SCHEDULE OF REVENUES AND OTHER FINANCING SOURCES  
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)

FOR THE YEAR ENDED JUNE 30, 2007

	Budgeted Amounts			Variance Over (Under)
	Original	Final	Actual	
Property taxes:				
Current year levy	\$ 47,207,722	\$ 47,207,722	\$ 47,043,010	\$ (164,712)
Prior year taxes	373,000	373,000	640,224	267,224
Supplemental motor vehicle	700,000	700,000	661,194	(38,806)
Interest and lien fees	231,000	231,000	368,007	137,007
Warrant revenue	200	200	362	162
Liens	5,000	5,000	4,453	(547)
Total property taxes	<u>48,516,922</u>	<u>48,516,922</u>	<u>48,717,250</u>	<u>200,328</u>
Intergovernmental revenues:				
Civil preparedness grant	8,400	8,400	7,261	(1,139)
Bullet proof vest grant	4,300	4,300	6,209	1,909
Community services block grant	21,532	21,532	21,532	-
Education cost sharing	15,445,222	15,445,222	15,481,919	36,697
Public pupil transportation	330,000	330,000	292,888	(37,112)
Nonpublic pupil transportation	26,000	26,000	44,933	18,933
Vocational Agriculture	78,200	78,200	77,195	(1,005)
Special education - excess cost equity			45,301	45,301
Special education - State agency placement			460,572	460,572
Special education - excess student based grant			342,305	342,305
Regular education - State agency placement			159,963	159,963
School construction grants - principal	412,443	412,443	412,443	-
School construction grants - interest	68,273	68,273	68,273	-
Medicaid reimbursement	70,000	70,000	92,250	22,250
Pilot - Colleges and hospitals	568,367	568,367	569,055	688
Pilot - State owned property	390,542	390,542	391,739	1,197
Pilot - Boat tax reimbursement	10,549	10,549	10,549	-
Pilot - Shelter rent	22,000	22,000	21,669	(331)
Tax relief - Elderly circuit breaker	140,000	140,000	157,591	17,591
Tax relief - Disability exemption	3,000	3,000	4,275	1,275
Tax relief - Veterans exemption	80,000	80,000	34,479	(45,521)
Tax relief - New manufacturing machinery and equipment	73,000	73,000	68,008	(4,992)
Mashantucket Pequot and Mohegan grant	366,062	366,062	339,954	(26,108)
Property Tax Relief grant	244,904	244,904	244,904	-
Telephone tax sharing	159,482	159,482	149,174	(10,308)

(Continued on next page)

## TOWN OF VERNON, CONNECTICUT

**SCHEDULE OF REVENUES AND OTHER FINANCING SOURCES  
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS) (CONTINUED)**

**FOR THE YEAR ENDED JUNE 30, 2007**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Intergovernmental revenues (continued):				
Judicial reimbursement - parking	\$ 140	\$ 140	\$ 130	\$ (10)
Judicial reimbursements			398	398
Special reimbursements - permits	200	200	158	(42)
Driving Under the Influence grant	10,000	10,000	15,156	5,156
Motor Vehicle Violation surcharge			12,770	12,770
Historic Document Preservation grant	12,000	12,000	12,000	-
Other - State grants	10,000	10,000	14,431	4,431
Total intergovernmental revenues	<u>18,554,616</u>	<u>18,554,616</u>	<u>19,559,484</u>	<u>1,004,868</u>
Charges for services:				
Town Clerk recording fees	510,000	510,000	677,438	167,438
Vital statistics	750	750	580	(170)
Historic document preservation	22,000	22,000	18,444	(3,556)
Farmland preservation surcharge			165,996	165,996
Finance administration fee	11,000	11,000	11,000	-
Planning and zoning fees	9,000	9,000	12,671	3,671
Conservation fees	2,000	2,000	1,762	(238)
Assessor fees	3,400	3,400	4,293	893
Tax collection fees	100	100	3,733	3,633
Police - special services	10,000	10,000	122,136	112,136
Fingerprint fees	2,500	2,500	-	(2,500)
Other - public safety	4,500	4,500	-	(4,500)
Fire Marshal services	200	200	386	186
Solid waste collection fee			12,510	12,510
Recycling	25,950	25,950	31,344	5,394
Bulky waste pickup	6,000	6,000	10,250	4,250
Other maintenance and development	14,000	14,000	19,232	5,232
Client reimbursements			843	843
Yankee Gas - Administrative allocation	900	900	1,800	900
Housing rehab administration	18,000	18,000	3,021	(14,979)
Programs - Aquatics	50,000	50,000	56,165	6,165
Programs - League fees	68,000	68,000	68,705	705
Programs - Camp Newhoca	60,000	60,000	54,347	(5,653)
Programs - Summer highlights	60,000	60,000	83,212	23,212
Recreation - Extended day	25,000	25,000	35,212	10,212
Programs - Instructor fees	90,000	90,000	212,379	122,379
Recreation - Special events	5,000	5,000	6,848	1,848
Recreation - Other	20,000	20,000	44,869	24,869
Tuition - Special education	15,000	15,000		(15,000)
Tuition - Vo-ag	480,000	480,000	489,420	9,420
Tuition - Special education Vo-ag	40,000	40,000	76,761	36,761
Tuition - Individual			1,500	1,500

(Continued on next page)

## TOWN OF VERNON, CONNECTICUT

**SCHEDULE OF REVENUES AND OTHER FINANCING SOURCES  
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS) (CONTINUED)**

**FOR THE YEAR ENDED JUNE 30, 2007**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Charges for services (continued):				
School use fee	\$	\$	\$ 52,086	\$ 52,086
Other - education community			805	805
Total charges for services	<u>1,553,300</u>	<u>1,553,300</u>	<u>2,279,748</u>	<u>726,448</u>
Licenses and Permits:				
Building permits	321,000	321,000	396,647	75,647
Town Clerk - license surcharge	3,000	3,000	3,092	92
Refuse licensing	5,000	5,000	5,600	600
Transfer station permits	127,000	127,000	69,725	(57,275)
Driveway and road cut permits	4,500	4,500	3,525	(975)
Total licenses and permits	<u>460,500</u>	<u>460,500</u>	<u>478,589</u>	<u>18,089</u>
Fines and Penalties:				
Parking tags	12,000	12,000	17,591	5,591
Returned check charge	330	330	570	240
Zoning citations	150	150	1,550	1,400
Total fines and penalties	<u>12,480</u>	<u>12,480</u>	<u>19,711</u>	<u>7,231</u>
Interest on investments				
General Fund	663,140	663,140	868,237	205,097
Teachers' Retirement Board	2,000	2,000	3,683	1,683
Total interest on investments	<u>665,140</u>	<u>665,140</u>	<u>871,920</u>	<u>206,780</u>
Other revenue:				
Rental income - Annex	24,000	24,000	24,000	-
Rental income - Senior Center			250	250
Rental management fee	50,000	50,000	50,000	-
Medical insurance reimbursement	517,560	517,560	499,039	(18,521)
Insurance reimbursement			5,632	5,632
Gasoline reimbursement	62,000	62,000	49,159	(12,841)
Refunds and reimbursements			556	556
Tolland - East/East Main Street Sewers	46,550	46,550	46,551	1
Lease - Ellington pump station	5,380	5,380	5,685	305
Miscellaneous	20,000	20,000	16,250	(3,750)
Total other revenue	<u>725,490</u>	<u>725,490</u>	<u>697,122</u>	<u>(28,368)</u>
Total revenues	<u>70,488,448</u>	<u>70,488,448</u>	<u>72,623,824</u>	<u>2,135,376</u>

(Continued on next page)

TOWN OF VERNON, CONNECTICUT

SCHEDULE OF REVENUES AND OTHER FINANCING SOURCES  
 BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS) (CONTINUED)

FOR THE YEAR ENDED JUNE 30, 2007

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Other financing sources:				
Transfers in:				
Special Revenue Funds:				
Sewer assessments - Ordinance #167	\$ 64,000	\$ 64,000	\$ 64,000	\$ -
Sewer assessments - Ordinance #201	22,000	22,000	22,000	-
Capital Projects			1,083	1,083
Ambulance services	82,000	82,000	82,000	-
Interest on investments - Insurance Exchange	2,400	2,400	5,542	3,142
Interest on investments - Town Aid Roads	6,000	6,000	15,783	9,783
Interest on investments - School Readiness	350	350	909	559
Interest on investments - Post Employment	6,800	6,800	9,000	2,200
Cultural Arts Program			86	86
Interest on investments - Sewer Assessments	9,200	9,200	14,253	5,053
Total special revenue funds	<u>192,750</u>	<u>192,750</u>	<u>214,656</u>	<u>21,906</u>
Debt service:				
Interest on investments	<u>26,000</u>	<u>26,000</u>	<u>36,171</u>	<u>10,171</u>
Total other financing sources	<u>218,750</u>	<u>218,750</u>	<u>250,827</u>	<u>32,077</u>
Total	<u>\$ 70,707,198</u>	<u>\$ 70,707,198</u>	72,874,651	<u>\$ 2,167,453</u>

Budgetary revenues are different than GAAP revenues because:

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

2,719,873

Total Revenues and Other Financing Sources as Reported on the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds - Exhibit IV

\$ 75,594,524

TOWN OF VERNON, CONNECTICUT

GENERAL FUND

SCHEDULE OF EXPENDITURES AND OTHER FINANCING USES  
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)

FOR THE YEAR ENDED JUNE 30, 2007

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	<u>Budgeted Amounts</u>		<u>Expenditure</u>	<u>Outstanding Encumbrances</u>	<u>Total Expenditures and Encumbrances</u>	<u>Variance Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>				
General Government:						
Town Council	\$ 16,604	\$ 21,057	\$ 13,436	\$ 7,280	\$ 20,716	\$ 341
Probate Court	15,202	22,719	12,672	10,046	22,718	1
Executive and administrative	585,962	677,018	652,151	17,098	669,249	7,769
Law	137,900	160,780	154,081	6,675	160,756	24
Registration	77,302	81,808	80,357	1,318	81,675	133
Elections - general	16,050	27,301	27,135		27,135	166
Elections - primary	1	12,862	12,859		12,859	3
Elections - referendum	5,050	26,680	26,242	223	26,465	215
Finance administration	399,683	467,496	427,725	36,317	464,042	3,454
Independent audit	37,666	41,986	37,566	4,420	41,986	-
Treasury	3,550	29,688	758	28,879	29,637	51
Purchasing	11,125	21,688	8,475	13,060	21,535	153
Assessment	265,921	326,325	265,762	54,103	319,865	6,460
Refunds - tax adjustments	39,400	38,527	22,084		22,084	16,443
Collector of Revenue	225,599	254,312	216,469	24,578	241,047	13,265
Revaluation	23,640	93,510	74,359	18,060	92,419	1,091
Town Clerk	272,966	483,190	432,071	48,219	480,290	2,900
Board of Assessment Appeals	2,200	2,200	2,194		2,194	6
Water Pollution Control Authority	12,428	12,428	12,416		12,416	12
Greater Hartford Transit District	1,964	1,964	1,964		1,964	-
Data processing	297,773	345,956	269,541	76,415	345,956	-
Total	<u>2,447,986</u>	<u>3,149,495</u>	<u>2,750,317</u>	<u>346,691</u>	<u>3,097,008</u>	<u>52,487</u>

(Continued on next page)

TOWN OF VERNON, CONNECTICUT

GENERAL FUND

SCHEDULE OF EXPENDITURES AND OTHER FINANCING USES  
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS) (CONTINUED)

FOR THE YEAR ENDED JUNE 30, 2007

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	<u>Budgeted Amounts</u>		<u>Expenditure</u>	<u>Outstanding Encumbrances</u>	<u>Total Expenditures and Encumbrances</u>	<u>Variance Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>				
Community Development:						
Town Planner - administration	\$ 177,263	\$ 206,897	\$ 197,715	\$ 8,976	\$ 206,691	\$ 206
Community and Economic Development	100,000	100,000	100,000	-	100,000	-
Total	<u>277,263</u>	<u>306,897</u>	<u>297,715</u>	<u>8,976</u>	<u>306,691</u>	<u>206</u>
Public Safety:						
Police	5,270,981	5,339,311	5,176,463	57,374	5,233,837	105,474
School crossing guards	60,202	61,717	61,214	500	61,714	3
Traffic authority	297,431	307,268	272,299	34,912	307,211	57
Fire fighting and administration	862,646	904,606	880,920	904	881,824	22,782
Fire Marshal	67,130	67,130	60,677	-	60,677	6,453
Building inspection	283,827	369,397	357,422	10,636	368,058	1,339
Emergency management	40,594	44,606	44,276	51	44,327	279
Animal control	97,742	99,242	99,164	-	99,164	78
Total	<u>6,980,553</u>	<u>7,193,277</u>	<u>6,952,435</u>	<u>104,377</u>	<u>7,056,812</u>	<u>136,465</u>
Maintenance and Development:						
Public Works administration	550,208	565,952	556,401	6,256	562,657	3,295
General maintenance	1,225,364	1,238,147	1,187,754	33,168	1,220,922	17,225
Equipment maintenance	715,626	697,726	663,421	1,441	664,862	32,864
Maintenance of government buildings	822,590	855,884	740,131	69,618	809,749	46,135
Snow removal	111,240	177,514	171,489	81	171,570	5,944
Refuse collection and disposal	1,224,592	1,240,883	1,211,437	1,122	1,212,559	28,324
Recycling	393,139	423,919	352,914	38,852	391,766	32,153

(Continued on next page)

TOWN OF VERNON, CONNECTICUT

GENERAL FUND

SCHEDULE OF EXPENDITURES AND OTHER FINANCING USES  
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS) (CONTINUED)

FOR THE YEAR ENDED JUNE 30, 2007

	<u>Budgeted Amounts</u>		<u>Expenditure</u>	<u>Outstanding Encumbrances</u>	<u>Total Expenditures and Encumbrances</u>	<u>Variance Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>				
Maintenance and Development (continued):						
Condominium refuse	\$ 5,265	\$ 5,265	\$ 5,046	\$	\$ 5,046	\$ 219
Tree Warden	8,680	11,380	10,983		10,983	397
Engineering admin services	258,937	268,847	262,774	5,979	268,753	94
Total	<u>5,315,641</u>	<u>5,485,517</u>	<u>5,162,350</u>	<u>156,517</u>	<u>5,318,867</u>	<u>166,650</u>
Human Services:						
North Central Health District	104,150	104,150	104,150		104,150	-
Visiting Nurses and Health Services	21,304	21,304	19,922	1,382	21,304	-
Hockanum Valley Community Council	138,304	138,304	138,304		138,304	-
Child Guidance Clinic	11,000	11,000	11,000		11,000	-
Exchange Club - Prevent Child Abuse	8,000	8,000	8,000		8,000	-
Hockanum Industries	6,500	6,500	6,500		6,500	-
MARC, Inc. of Manchester	3,000	3,000	3,000		3,000	-
Tri-Town Shelter Services	10,000	10,000	10,000		10,000	-
Connecticut Legal Services	1,500	1,500	1,500		1,500	-
Hartford Interval House	2,500	2,500	2,500		2,500	-
YWCA Sexual Assault Services	1,500	1,500	1,500		1,500	-
Hockanum Valley School Readiness	2,500	2,500	2,500		2,500	-
Potter's House	6,000	6,000	6,000		6,000	-
Social Services Administration	209,257	218,308	212,477	4,805	217,282	1,026
Youth Services	187,254	187,614	184,172	3,175	187,347	267
Senior Center	113,491	114,191	112,837	112	112,949	1,242
Total	<u>826,260</u>	<u>836,371</u>	<u>824,362</u>	<u>9,474</u>	<u>833,836</u>	<u>2,535</u>

(Continued on next page)

TOWN OF VERNON, CONNECTICUT

GENERAL FUND

SCHEDULE OF EXPENDITURES AND OTHER FINANCING USES  
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS) (CONTINUED)

FOR THE YEAR ENDED JUNE 30, 2007

A-65

	<u>Budgeted Amounts</u>		<u>Expenditure</u>	<u>Outstanding Encumbrances</u>	<u>Total Expenditures and Encumbrances</u>	<u>Variance Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>				
Parks, Recreation and Culture:						
Recreation administration	\$ 395,652	\$ 409,313	\$ 408,106	\$ 1,108	\$ 409,214	\$ 99
Recreation programs	257,800	391,093	381,901	8,438	390,339	754
Recreation aquatics	105,300	102,737	102,736		102,736	1
Public celebration	4,400	4,400	4,281	119	4,400	-
Parks maintenance	521,211	550,569	539,700	9,106	548,806	1,763
Art Commission	8,432	13,824	8,799	4,991	13,790	34
Historical Society	4,430	4,430	4,430		4,430	-
Rockville Public Library	228,000	246,000	228,000	18,000	246,000	-
Total	<u>1,525,225</u>	<u>1,722,366</u>	<u>1,677,953</u>	<u>41,762</u>	<u>1,719,715</u>	<u>2,651</u>
Townwide:						
Social Security and Medicare	867,000	856,600	849,567		849,567	7,033
Pension	1,685,650	1,697,230	1,695,938	1,200	1,697,138	92
Group insurance	2,835,014	2,896,984	2,672,129	162,702	2,834,831	62,153
Unemployment compensation	9,850	25,850	25,118	732	25,850	-
Municipal insurance	699,610	724,610	718,006		718,006	6,604
Contingency	126,000	12,297	4,493		4,493	7,804
Housing Authority sewer subsidy	36,740	49,441	37,340	12,101	49,441	-
Total	<u>6,259,864</u>	<u>6,263,012</u>	<u>6,002,591</u>	<u>176,735</u>	<u>6,179,326</u>	<u>83,686</u>
Total General Government	<u>23,632,792</u>	<u>24,956,935</u>	<u>23,667,723</u>	<u>844,532</u>	<u>24,512,255</u>	<u>444,680</u>
Capital Improvements:						
Capital Improvements - Town	<u>33,000</u>	<u>68,000</u>	<u>63,015</u>		<u>63,015</u>	<u>4,985</u>

(Continued on next page)

TOWN OF VERNON, CONNECTICUT

GENERAL FUND

SCHEDULE OF EXPENDITURES AND OTHER FINANCING USES  
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS) (CONTINUED)

FOR THE YEAR ENDED JUNE 30, 2007

A-66

	<u>Budgeted Amounts</u>		<u>Expenditure</u>	<u>Outstanding Encumbrances</u>	<u>Total Expenditures and Encumbrances</u>	<u>Variance Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>				
Debt Service:						
Debt service - principal	\$ 1,193,774	\$ 1,193,774	\$ 1,187,957	\$ -	\$ 1,187,957	\$ 5,817
Debt service - interest	212,013	212,013	212,011	-	212,011	2
Total	<u>1,405,787</u>	<u>1,405,787</u>	<u>1,399,968</u>	<u>-</u>	<u>1,399,968</u>	<u>5,819</u>
Total Capital Improvement and Debt Service	<u>1,438,787</u>	<u>1,473,787</u>	<u>1,462,983</u>	<u>-</u>	<u>1,462,983</u>	<u>10,804</u>
Education:						
Regular instruction	18,138,744	18,169,074	18,127,327	21,759	18,149,086	19,988
Special education instruction	3,397,047	3,397,056	3,335,694	4,908	3,340,602	56,454
Continuing education	211,029	211,029	209,339	-	209,339	1,690
Special education program support	1,615,750	2,615,287	2,816,920	9,737	2,826,657	(211,370)
Social work services	431,276	431,276	426,754	128	426,882	4,394
Guidance services	569,981	569,981	579,430	45	579,475	(9,494)
Health services	333,728	338,728	361,893	5	361,898	(23,170)
Psychological services	514,007	514,007	538,495	-	538,495	(24,488)
Speech pathology and audio services	478,399	478,399	467,310	11	467,321	11,078
Instructional program support	21,813	22,078	15,533	100	15,633	6,445
Library/Media services	345,600	345,675	328,452	1,253	329,705	15,970
Curriculum development	975,856	1,001,080	898,281	11,682	909,963	91,117
Superintendent's Office	384,079	384,079	431,223	283	431,506	(47,427)
Board of Education - elected	81,286	81,286	54,688	-	54,688	26,598
Principal's Office services	1,775,502	1,775,502	1,813,024	1,193	1,814,217	(38,715)
Business Office	410,822	410,822	524,382	465	524,847	(114,025)

(Continued on next page)

TOWN OF VERNON, CONNECTICUT

GENERAL FUND

SCHEDULE OF EXPENDITURES AND OTHER FINANCING USES  
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS) (CONTINUED)

FOR THE YEAR ENDED JUNE 30, 2007

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	<u>Budgeted Amounts</u>		<u>Expenditure</u>	<u>Outstanding Encumbrances</u>	<u>Total Expenditures and Encumbrances</u>	<u>Variance Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>				
Education (continued):						
Building/plant operations	\$ 3,732,942	\$ 3,795,949	\$ 3,825,411	\$ 16,272	\$ 3,841,683	\$ (45,734)
Student transportation services	1,844,742	1,867,055	2,146,482	945	2,147,427	(280,372)
General control	148,234	148,234	149,507	1,376	150,883	(2,649)
Information systems	255,390	255,390	246,000		246,000	9,390
System-wide fringe benefits	6,585,634	6,526,901	6,139,368	1,538	6,140,906	385,995
Extra curricular student activities	421,716	421,818	411,986	31	412,017	9,801
Contingency	168,906	168,906			-	168,906
Total	<u>42,842,483</u>	<u>43,929,612</u>	<u>43,847,499</u>	<u>71,731</u>	<u>43,919,230</u>	<u>10,382</u>
Total Expenditures	<u>67,914,062</u>	<u>70,360,334</u>	<u>68,978,205</u>	<u>916,263</u>	<u>69,894,468</u>	<u>465,866</u>
Other Financing Uses:						
Transfers out:						
Special Revenue Funds:						
Town Clerk - Preservation surcharge		6,148	6,148		6,148	-
Planning - Open Space	10,000	10,000	10,000		10,000	-
Community and economic development - economic development	30,000	39,000	39,000		39,000	-
Fire Department - Ambulance vehicle	8,000	8,000	8,000		8,000	-
Animal Control	504	504	504		504	-
Social Services Administration	3,756	3,756	3,756		3,756	-
Public celebration - Bicentennial	8,000	30,000	30,000		30,000	-
Capital Improvements - Town	468,000	1,405,346	1,405,346		1,405,346	-
Capital Improvements - Education	63,000	63,000	63,000		63,000	-

(Continued on next page)

TOWN OF VERNON, CONNECTICUT

GENERAL FUND

SCHEDULE OF EXPENDITURES AND OTHER FINANCING USES  
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS) (CONTINUED)

FOR THE YEAR ENDED JUNE 30, 2007

	<u>Budgeted Amounts</u>		<u>Expenditure</u>	<u>Outstanding Encumbrances</u>	<u>Total Expenditures and Encumbrances</u>	<u>Variance Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>				
Other Financing Uses (continued):						
Vernon Cemetery Commission	\$ 157,587	\$ 157,587	\$ 157,587	\$ -	\$ 157,587	\$ -
Debt Service Fund:						
Debt service - principal	1,067,168	1,067,168	1,067,167		1,067,167	1
Debt service - interest	237,121	237,121	237,121		237,121	-
Capital Projects Fund:						
Debt service - principal	495,000	495,000	495,000		495,000	-
Debt service - interest	245,000	245,000	245,000		245,000	-
Total	<u>2,793,136</u>	<u>3,767,630</u>	<u>3,767,629</u>	<u>-</u>	<u>3,767,629</u>	<u>1</u>
Total	<u>\$ 70,707,198</u>	<u>\$ 74,127,964</u>	<u>\$ 72,745,834</u>	<u>\$ 916,263</u>	73,662,097	<u>\$ 465,867</u>

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.

2,719,873

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.

(916,263)

Total Expenditures and Other Financing Sources as Reported on the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds - Exhibit IV

\$ 75,465,707

**APPENDIX B - FORM 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 \$10,875,000 General Obligation Bonds, Issue of 2009, dated as of February 1, 2009, and \$3,710,000 Bond Anticipation Notes, dated as of February 12, 2009.

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 pursuant to Section 12-97 of the General Statutes of Connecticut, Revision of 1958, as amended, and dwelling houses of qualified elderly people of low income taxable at limited amounts pursuant to Section 12-129b of said General Statutes or Public Act No. 06-176.

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 75% of the excess of adjusted current earnings (which includes 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.

***Changes in Federal Tax Law.*** Legislation affecting municipal bonds is regularly under consideration by the United States Congress. There can be no assurance that legislation enacted or proposed after the date of issuance of the Bonds and Notes will not have an adverse effect on the tax-exempt status or market price of the Bonds and Notes.

## **ADDITIONAL FEDERAL INCOME TAX MATTERS.**

The following is a brief discussion of certain Federal income tax matters with respect to the Bonds and Notes under existing statutes. It does not purport to deal with all aspects of Federal 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 own tax advisors regarding the Federal tax consequences of owning and disposing of the Bonds and Notes.

As noted above, interest on the Bonds and Notes may be taken into account in computing the tax liability of corporations subject to the Federal alternative minimum tax imposed by Section 55 of the Code. Interest on the Bonds and Notes may also be taken into account in determining the tax liability of foreign corporations subject to the branch profits tax imposed by Section 884 of the Code.

Ownership of the Bonds and Notes may result in collateral Federal income tax consequences to various categories of persons, such as corporations (including S corporations and foreign corporations), financial institutions, property and casualty and life insurance companies, individual recipients of Social Security and railroad retirement benefits, and individuals otherwise eligible for the earned income credit, and to taxpayers deemed to have incurred or continued indebtedness to purchase or carry obligations the interest on which is not included in gross income for Federal income tax purposes.

#### **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 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 may be greater than the amount payable on the Bonds at maturity. The excess of the initial public offering price at which a substantial amount of such Bonds are sold over the amount payable thereon at maturity constitutes original issue premium. Any prices set forth on the cover page of the Official Statement may or may not reflect the prices at which a substantial amount of the Bonds were ultimately sold to the public.

The discussion in this paragraph applies to those Bonds having original issue premium. Under Sections 1016 and 171 of the Code, the amount of original issue premium treated as having amortized with respect to any bond during each day it is owned by a taxpayer is subtracted from the cost basis of such owner for purposes of determining gain or loss upon the sale or other disposition of such bond by such owner. Original issue premium on any bond is treated as amortizing on the basis of the taxpayer's yield to maturity on such bond using the taxpayer's cost basis and a constant semiannual compounding method. As a consequence of the resulting cost basis reduction, under certain circumstances an owner of a bond acquired with original issue premium may realize a taxable gain upon disposition thereof even though it is sold or redeemed for an amount equal to or less than such owner's original cost of acquiring the bond. Amortized original issue premium on a bond is not allowed as a deduction from gross income for Federal income tax purposes. Amortized original issue premium on a bond also does not reduce Connecticut taxable income for purposes of the Connecticut income tax on individuals, trusts and estates and does not reduce amounts on which the net Connecticut minimum tax is based in the case of individuals, trusts and estates required to pay the Federal alternative minimum tax. Owners of Bonds having original issue premium, and especially any owner who is not an original owner of a bond who bought the bond at its initial public offering price, should consult their tax advisors with respect to the Federal and state income tax consequences of the disposition of such Bonds.

\* \* \* \* \*

Bond Counsel has not undertaken to advise in the future whether any events after the date of issuance of the Bonds and Notes may affect the tax status of interest on the Bonds and Notes. No assurance can be given that future Federal legislation enacted or proposed after the date of issuance of the Bonds and Notes will not have an adverse effect on the tax-exempt status or market price of the Bonds and Notes or will not change the effect of other Federal tax law consequences discussed above of owning and disposing of the Bonds and Notes. No assurance can be given that future legislation, or amendments to the State income tax law, if enacted into law, will not contain provisions which 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.

The information above does not purport to deal with all aspects of Federal or State taxation that may be relevant to particular investors. Prospective investors, particularly those who may be subject to special rules, are advised to consult their own tax advisors regarding the Federal and state tax consequences of owning and disposing of the Bonds and Notes, including any tax consequences arising under the laws of any state or other taxing jurisdiction.

## APPENDIX C - FORM OF CONTINUING DISCLOSURE AGREEMENT FOR BONDS

*In accordance with the requirements of Rule 15c2-12 promulgated by the Securities and Exchange Commission, the Town will agree, pursuant to a Continuing Disclosure Agreement for Bonds to be executed by the Town substantially in the following form, to provide, or cause to be provided, (i) annual financial information and operating data, (ii) timely notice of the occurrence of certain material events with respect to the Bonds and (iii) timely notice of a failure by the Town to provide the required annual financial information on or before the date specified in the Continuing Disclosure Agreement for Bonds.*

### Continuing Disclosure Agreement for Bonds

This Continuing Disclosure Agreement for Bonds ("Agreement") is made as of February \_\_, 2009 by the Town of Vernon, Connecticut (the "Issuer") acting by its undersigned officers, duly authorized, in connection with the issuance of \$10,875,000 General Obligation Bonds, Issue of 2009, dated as of February 1, 2009 (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 February 5, 2009 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.

"NRMSIR" means any nationally recognized municipal securities information repository recognized by the SEC from time to time. As of the date of this Agreement the NRMSIRs are:

Bloomberg Municipal Repository  
100 Business Park Drive  
Skillman, NJ 08558  
Phone: (609) 279-3225  
Fax: (609) 279-5962

<http://www.bloomberg.com/markets/rates/municontacts.html>

Email: [Munis@Bloomberg.com](mailto:Munis@Bloomberg.com)

DPC Data Inc.  
One Executive Drive  
Fort Lee, NJ 07024  
Phone: (201) 346-0701  
Fax: (201) 947-0107

<http://www.MuniFILINGS.com>

Email: [nrmsir@dpcdata.com](mailto:nrmsir@dpcdata.com)

Interactive Data Pricing and Reference Data, Inc.

Attn: NRMSIR

100 William Street, 15th Floor  
New York, NY 10038

Phone: (212) 771-6999; (800) 689-8466

Fax: (212) 771-7390

<http://www.interactivedata-prd.com>

Email: [NRMSIR@interactivedata.com](mailto:NRMSIR@interactivedata.com)

Standard & Poor's Securities Evaluations, Inc.  
55 Water Street - 45th Floor  
New York, NY 10041  
Phone: (212) 438-4595  
Fax: (212) 438-3975  
<http://www.disclosuredirectory.standardandpoors.com>  
Email: [nrmsir\\_repository@sandp.com](mailto:nrmsir_repository@sandp.com)

"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.

"SID" means any state information depository established or designated by the State of Connecticut and recognized by the SEC from time to time. As of the date of this Agreement no SID has been established or designated by the State of Connecticut.

## **Section 2. Annual Financial Information.**

(a) The Issuer agrees to provide or cause to be provided to each NRMSIR and any SID, 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, 2008) as follows:

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

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

- (A) amounts of the net taxable grand list applicable to the fiscal year,
- (B) listing of the ten largest taxpayers on the applicable grand list, together with each such taxpayer's taxable valuation thereon,
- (C) percentage of the annual property tax levy uncollected as of the close of the fiscal year,
- (D) schedule of annual debt service on outstanding long-term bonded indebtedness as of the close of the fiscal year,
- (E) calculation of total direct debt and net direct debt as of the close of the fiscal year,
- (F) total direct debt and total net direct debt of the Issuer per capita,
- (G) ratios of the total direct debt and total 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 Issuer's fiscal year currently ends on June 30.

(c) Annual financial information and operating data may be provided in whole or in part by cross-reference to other documents previously provided to each NRMSIR and any SID, or filed with the SEC. If the document to be referenced is a final official statement, it must be available from the MSRB. 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. Material Events.**

The Issuer agrees to provide or cause to be provided, in a timely manner, to (i) each NRMSIR or the MSRB and (ii) any SID, notice of the occurrence of any of the following events with respect to the Bonds, if material:

- (a) principal and interest payment delinquencies;
- (b) non-payment related defaults;
- (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 or events affecting the tax-exempt status of the Bonds;
- (g) modifications to rights of holders of the Bonds;
- (h) Bond calls;
- (i) Bond defeasances;
- (j) release, substitution, or sale of property securing repayment of the Bonds; and
- (k) rating changes.

### **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 (i) each NRMSIR or the MSRB and (ii) any SID, 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 and Treasurer, or a successor, receives written notice from any beneficial owner of the Bonds of such failure. The present address of the Finance Officer and Treasurer 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) 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.

(b) This Agreement shall be governed by the laws of the State of Connecticut.

(c) 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 Agreement as so amended would have complied with the requirements of the Rule as of the date of the Agreement, taking into account any amendments or interpretations of the Rules as well as any changes in circumstances. A copy of any such amendment will be filed in a timely manner with (i) the NRMSIRs or the MSRB and (ii) any SID. 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.

(d) Any filing under this Agreement may be made solely by transmitting such filing to the Texas Municipal Advisory Council (“MAC”) as provided at <http://www.disclosureusa.org> unless the United States Securities and Exchange Commission has withdrawn the interpretive advice in its letter to MAC dated September 7, 2004.

TOWN OF VERNON

By \_\_\_\_\_  
Jason L. McCoy  
Mayor

By \_\_\_\_\_  
John D. Ward  
Town Administrator

By \_\_\_\_\_  
James M. Luddecke  
Finance Officer and Treasurer

## APPENDIX D - FORM OF CONTINUING DISCLOSURE AGREEMENT FOR 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, timely notice of the occurrence of certain material events with respect to the Notes:*

### Continuing Disclosure Agreement For Notes

This Continuing Disclosure Agreement for Notes ("Agreement") is made as of February \_\_, 2009 by the Town of Vernon, Connecticut (the "Issuer") acting by its undersigned officers, duly authorized, in connection with the issuance of \$3,710,000 Bond Anticipation Notes, dated as of February 12, 2009 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.

"NRMSIR" means any nationally recognized municipal securities information repository recognized by the SEC from time to time. As of the date of this Agreement the NRMSIRs are:

Bloomberg Municipal Repository  
100 Business Park Drive  
Skillman, NJ 08558  
Phone: (609) 279-3225  
Fax: (609) 279-5962

<http://www.bloomberg.com/markets/rates/municontacts.html>

Email: [Munis@Bloomberg.com](mailto:Munis@Bloomberg.com)

DPC Data Inc.  
One Executive Drive  
Fort Lee, NJ 07024  
Phone: (201) 346-0701  
Fax: (201) 947-0107

<http://www.MuniFILINGS.com>

Email: [nrmsir@dpcdata.com](mailto:nrmsir@dpcdata.com)

Interactive Data Pricing and Reference Data, Inc.

Attn: NRMSIR

100 William Street, 15th Floor  
New York, NY 10038

Phone: (212) 771-6999; (800) 689-8466

Fax: (212) 771-7390

<http://www.interactivedata-prd.com>

Email: [NRMSIR@interactivedata.com](mailto:NRMSIR@interactivedata.com)

Standard & Poor's Securities Evaluations, Inc.

55 Water Street - 45th Floor  
New York, NY 10041

Phone: (212) 438-4595

Fax: (212) 438-3975

<http://www.disclosuredirectory.standardandpoors.com/>

Email: [nrmsir\\_repository@sandp.com](mailto:nrmsir_repository@sandp.com)

"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.

"SID" means any state information depository established or designated by the State of Connecticut and recognized by the SEC from time to time. As of the date of this Agreement no SID has been established or designated by the State of Connecticut.

### **Section 2. Material Events.**

The Issuer agrees to provide or cause to be provided, in a timely manner, to (i) each NRMSIR or the MSRB and (ii) any SID, notice of the occurrence of any of the following events with respect to the Notes, if material:

- (a) principal and interest payment delinquencies;
- (b) non-payment related defaults;
- (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 or events affecting the tax-exempt status of the Notes;
- (g) modifications to rights of holders of the Notes;
- (h) Note calls;
- (i) Note defeasances;
- (j) release, substitution, or sale of property securing repayment of the Notes; and
- (k) rating changes.

### **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 and Treasurer, or a successor, receives written notice from any beneficial owner of the Notes of such failure. The present address of the Finance Officer and Treasurer 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) 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.

(b) This Agreement shall be governed by the laws of the State of Connecticut.

(c) 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 Agreement as so amended would have complied with the requirements of the Rule as of the date of the Agreement, taking into account any amendments or interpretations of the Rules as well as any changes in circumstances. A copy of any such amendment will be filed in a timely manner with (i) the NRMSIRs or the MSRB and (ii) any SID.

(d) Any filing under this Agreement may be made solely by transmitting such filing to the Texas Municipal Advisory Council (“MAC”) as provided at <http://www.disclosureusa.org> unless the United States Securities and Exchange Commission has withdrawn the interpretive advice in its letter to MAC dated September 7, 2004.

TOWN OF VERNON

By: \_\_\_\_\_  
Jason L. McCoy  
Mayor

By: \_\_\_\_\_  
John D. Ward  
Town Administrator

By: \_\_\_\_\_  
James M. Luddecke  
Finance Officer and Treasurer

**APPENDIX E - NOTICE OF SALE AND BID PROPOSAL - THE BONDS**

**NOTICE OF SALE \$10,875,000  
Town of Vernon, Connecticut  
General Obligation Bonds  
(BOOK-ENTRY)**

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

**FEBRUARY 5, 2009**

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

**\$10,875,000 General Obligation Bonds, Issue of 2009  
Payable annually on February 1 as follows:**

**\$675,000 in 2012 to 2016  
\$750,000 in 2017  
\$900,000 in 2018  
\$975,000 in 2019 to 2024**

The Bonds will be dated February 1, 2009, with interest payable on August 1, 2009 and thereafter semiannually on each February 1st and August 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 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 of 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 February 1, 2014 are subject to redemption prior to maturity, at the option of the Town, on or after February 1, 2014, 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>
February 1, 2014 and thereafter	100.0%

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

**Sealed Proposals Bidding Procedure.** All proposals for the purchase of Bonds 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 Bonds." All proposals should be addressed to Mr. James M. Luddecke, Finance Officer and Treasurer, Town of Vernon, c/o Day Pitney LLP, Deane Conference Room, 242 Trumbull Street, Hartford, Connecticut 06103.

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

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

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

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

**Basis of Award.** As between proposals which comply with this Notice, the Bonds will be sold to the responsible bidder offering to purchase the Bonds at the lowest true interest cost to the Town. For the purpose of determining the successful bidder, the true interest cost to the Town will be the annual interest rate, compounded semiannually, which, when used to discount all payments of principal and interest payable on the Bonds to February 1, 2009, the date of the Bonds, results in an amount equal to the purchase price for the Bonds, excluding interest accrued to the date of delivery. If there is more than one responsible bidder making said offer at the same lowest true interest cost, the Bonds will be sold to the responsible bidder whose proposal is selected by the Town by lot from among all such proposals. It is requested that each proposal be accompanied by a statement of the percentage of true interest cost completed to four decimal places. Such statement shall not be considered as part of the proposal.

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

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

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

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

**Bond Counsel Opinion.** The opinion of Bond Counsel will cover the following matters: (1) that the Bonds will be valid general obligations of the Town when duly certified; (2) that, assuming the accuracy of and compliance by the Town with its representations and covenants relating to certain requirements contained in the Internal Revenue Code of 1986, as amended, under existing statutes, interest on the Bonds is excluded from gross income for Federal income tax purposes pursuant to Section 103 of the Code; 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 February 2, 2009. 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 100 copies of the Official Statement as prepared by the Town at the Town's expense. The copies of the Official Statement will be made available to the winning purchaser at the office of the Town's financial advisor, Independent Bond and Investment Consultants LLC, Madison, Connecticut, by the delivery of the Bonds or by the seventh business day after the day bids on the Bonds are received if earlier. If the Town's financial advisor is provided with the necessary information from the winning purchaser by noon of the day following the day bids on the Bonds are received, the copies of the Official Statement will include an additional cover page and other pages indicating the interest rates, ratings, yields or reoffering prices, the name of the managing underwriter, the name of the insurer, if any, on the Bonds and any corrections. The purchaser shall arrange with the financial advisor the method of delivery of the copies of the Official Statement to the purchaser. Additional copies of the Official Statement may be obtained by the purchaser at its own expense by arrangement with the printer.

**Continuing Disclosure Agreement.** The Town will enter into a Continuing Disclosure Agreement with respect to the Bonds, substantially in the form attached as Appendix C to the Official Statement (the "Continuing Disclosure Agreement for Bonds"), to provide or cause to be provided, in accordance with the requirements of SEC Rule 15c2 12, (i) annual financial information and operating data, (ii) timely notice of the occurrence of certain material events with respect to the Bonds, and (iii) timely notice of a failure by the Town to provide the required annual financial information on or before the date specified in the Continuing Disclosure Agreement for Bonds. The winning bidder's obligation to purchase the Bonds shall be conditioned upon its receiving, at or prior to the delivery of the Bonds, an executed copy of the Continuing Disclosure Agreement for Bonds.

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

**Reoffering Prices.** **IT SHALL BE THE RESPONSIBILITY OF THE PURCHASER TO FURNISH TO THE TOWN IN WRITING BEFORE THE DELIVERY OF THE BONDS THE REOFFERING PRICES AT WHICH A SUBSTANTIAL PORTION OF EACH MATURITY OF THE BONDS WERE SOLD.**

**Delivery Date and Payment.** It is expected that the closing on the Bonds will occur on or about February 12, 2009 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 and Treasurer, Town of Vernon, Town Hall, 14 Park Place, Vernon, Connecticut 06066 (telephone: (860) 870-3690).

JASON L. MCCOY,  
*Mayor*

JOHN D. WARD,  
*Town Administrator*

JAMES M. LUDDECKE,  
*Finance Officer and Treasurer*

February 2, 2009

PROPOSAL FOR BONDS

February 5, 2009

Mr. James M. Luddecke  
 Finance Officer and Treasurer  
 Town of Vernon  
 c/o Day Pitney LLP  
 Municipal Finance Department  
 Deane 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 February 2, 2009 which is hereby made a part of this proposal, we hereby offer to purchase all of the aggregate principal amount of \$10,875,000 General Obligation Bonds, Issue of 2009, of the Town of Vernon described in said Notice of Sale, and to pay therefor the price of par plus a premium of \$\_\_\_\_\_ plus interest accrued on said Bonds to the date of their delivery, provided that the Bonds maturing in the several years set forth below shall bear interest from their date until maturity at the respective rates per annum stated in the following table:

<u>Year of Maturity</u>	<u>Amount</u>	<u>Interest Rate</u>	<u>Year of Maturity</u>	<u>Amount</u>	<u>Interest Rate</u>
2012	\$675,000	____%	2019	\$975,000	____%
2013	\$675,000	____%	2020	\$975,000	____%
2014	\$675,000	____%	2021	\$975,000	____%
2015	\$675,000	____%	2022	\$975,000	____%
2016	\$675,000	____%	2023	\$975,000	____%
2017	\$750,000	____%	2024	\$975,000	____%
2018	\$900,000	____%			

We acknowledge receipt of the Official Statement referred to in the Notice of Sale.

Name of Bidder: \_\_\_\_\_

Address of Bidder: \_\_\_\_\_

Signature of Officer or  
 Authorized Agent of Bidder: \_\_\_\_\_

Telephone Number: \_\_\_\_\_

The following is our computation of the percentage of true interest cost, made as provided in the above mentioned Notice of Sale, and certain other information, which is not part of the foregoing proposal.

Percent of True Interest Cost \_\_\_\_\_ %  
 (four decimals)

Gross Interest \$ \_\_\_\_\_

Accrued Interest from February 1, 2009  
 to February 12, 2009 \$ \_\_\_\_\_

Premium \$ \_\_\_\_\_

**APPENDIX F - NOTICE OF SALE AND BID PROPOSAL - THE NOTES**

**NOTICE OF SALE  
\$3,710,000  
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, Deane Conference Room, 242 Trumbull Street, Hartford, Connecticut until **11:00 A.M. (Eastern Standard Time) on THURSDAY,**

**FEBRUARY 5, 2009**

for the purchase of \$3,710,000 Bond Anticipation Notes of the Town of Vernon, dated February 12, 2009, maturing on February 11, 2010 (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 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 \$25,000 or any integral multiple thereof, plus any odd amount, with transfers of ownership effected on the records of DTC and its Participants pursuant to rules and procedures adopted by DTC and its Participants. The purchaser, as a condition to delivery of the Notes, will be required to deposit the note certificates with DTC, registered in the name of Cede & Co. Principal of and interest on the Notes will be payable by the Town or its agent to DTC or its nominee as registered owner of the Notes. Principal and interest payments by DTC to Participants of DTC will be the responsibility of DTC; principal and interest payments to Beneficial Owners by Participants of DTC will be the responsibility of such Participants and other nominees of Beneficial Owners. The Town will not be responsible or liable for payments by DTC to its Participants or by DTC Participants or Indirect Participants to Beneficial Owners or for maintaining, supervising or reviewing the records maintained by DTC, its Participants or persons acting through such Participants.

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

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

**Sealed Proposals Bidding Procedure.** All sealed proposals for the purchase of the Notes shall be submitted on forms furnished by the Town and submitted at the time and place indicated above. All proposals must be enclosed in sealed envelopes marked on the outside, in substance, "Proposal for Vernon Notes." All proposals should be addressed to Mr. James M. Luddecke, Finance Officer and Treasurer, Town of Vernon, c/o Day Pitney LLP, Deane 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 offering to purchase the Notes at the lowest net interest cost to the Town, which will be determined by computing the total interest to be payable and deducting therefrom any premium. If there is more than one responsible bidder making said offer to purchase at the same lowest net interest cost, the Notes will be sold to the responsible bidder whose proposal is selected by the Town by lot from among all such proposals.

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

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

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

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

**Bond Counsel Opinion.** The opinion of Bond Counsel will cover the following matters: (1) that the Notes will be valid general obligations of the Town when duly certified; (2) that, assuming the accuracy of and compliance by the Town with its representations and covenants relating to certain requirements contained in the Internal Revenue Code of 1986, as amended, under existing statutes, interest on the Notes is excluded from gross income for Federal income tax purposes pursuant to Section 103 of the Code; the Notes are not "private activity bonds" and interest on the Notes is not treated as a preference item for purposes of calculating the Federal alternative minimum tax, but in the case of corporations a portion of such interest may be included in alternative minimum taxable income for purposes of computing any Federal alternative minimum tax; and (3) that, under existing statutes, interest on the Notes is excluded from Connecticut taxable income for purposes of the Connecticut income tax on individuals, trusts and estates; and interest on the Notes is excluded from amounts on which the net Connecticut minimum tax is based in the case of individuals, trusts and estates required to pay the Federal alternative minimum tax. The Notes will *not* be "qualified tax-exempt obligations" for purposes of the deduction by financial institutions of interest expenses that is allocable to tax-exempt obligations.

**Official Statement.** The Town of Vernon has prepared a preliminary Official Statement for the Note issue which is dated February 2, 2009. 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 15 copies of the Official Statement as prepared by the Town at the Town's expense. The copies of the Official Statement will be made available to the winning purchaser(s) at the office of the Town's financial advisor, Independent Bond and Investment Consultants LLC, Madison, Connecticut, by the delivery of the Notes or by the seventh business day after the day bids on the Notes are received if earlier. The purchaser shall arrange with the financial advisor the method of delivery of the copies of the Official Statement to the purchaser. Additional copies of the Official Statement may be obtained by the purchaser at its own expense by arrangement with the printer.

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

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

**Reoffering Prices.** **IT SHALL BE THE RESPONSIBILITY OF THE PURCHASER TO FURNISH TO THE TOWN IN WRITING BEFORE THE DELIVERY OF THE NOTES THE REOFFERING PRICES AT WHICH A SUBSTANTIAL PORTION OF THE NOTES WERE SOLD.**

**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 February 12, 2009.

**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 and Treasurer, Town of Vernon, Town Hall, 14 Park Place, Vernon, Connecticut 06066 (telephone: (860) 870-3690).

JASON L. MCCOY,  
*Mayor*

JOHN D. WARD,  
*Town Administrator*

JAMES M. LUDDECKE,  
*Finance Officer and Treasurer*

February 2, 2009

**PROPOSAL FOR NOTES**

February 5, 2009

Mr. James M. Luddecke  
Finance Officer and Treasurer  
Town of Vernon  
c/o Municipal Finance Department  
Day Pitney LLP  
Deane 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 February 2, 2009 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 \$3,710,000 Bond Anticipation Notes of the Town of Vernon, dated February 12, 2009, maturing February 11, 2010, 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: \_\_\_\_\_

**Financial Guaranty Insurance Policy**

**Issuer:**

**Policy No.:**

**Obligations:**

**Premium:**

**Effective Date:**

Assured Guaranty Corp., a Maryland corporation ("**Assured Guaranty**"), in consideration of the payment of the Premium and on the terms and subject to the conditions of this Policy (which includes each endorsement hereto), hereby unconditionally and irrevocably agrees to pay to the trustee (the "**Trustee**") or the paying agent (the "**Paying Agent**") for the Obligations (as set forth in the documentation providing for the issuance of and securing the Obligations) for the benefit of the Holders, that portion of the Insured Payments which shall become Due for Payment but shall be unpaid by reason of Nonpayment.

Assured Guaranty will make such Insured Payments to the Trustee or the Paying Agent on the later to occur of (i) the date applicable principal or interest becomes Due for Payment, or (ii) the Business Day next following the day on which Assured Guaranty shall have Received a completed Notice of Nonpayment. If a Notice of Nonpayment by Assured Guaranty is incomplete or does not in any instance conform to the terms and conditions of this Policy, it shall be deemed not Received, and Assured Guaranty shall promptly give notice to the Trustee or the Paying Agent. Upon receipt of such notice, the Trustee or the Paying Agent may submit an amended Notice of Nonpayment. The Trustee or the Paying Agent will disburse the Insured Payments to the Holders only upon receipt by the Trustee or the Paying Agent, in form reasonably satisfactory to it of (i) evidence of the Holder's right to receive such payments, and (ii) evidence, including without limitation any appropriate instruments of assignment, that all of the Holder's rights to payment of such principal or interest Due for Payment shall thereupon vest in Assured Guaranty. Upon and to the extent of such disbursement, Assured Guaranty shall become the Holder of the Obligations, any appurtenant coupon thereto and right to receipt of payment of principal thereof or interest thereon, and shall be fully subrogated to all of the Holder's right, title and interest thereunder, including without limitation the right to receive payments in respect of the Obligations. Payment by Assured Guaranty to the Trustee or the Paying Agent for the benefit of the Holders shall discharge the obligation of Assured Guaranty under this Policy to the extent of such payment.

This Policy is non-cancelable by Assured Guaranty for any reason. The Premium on this Policy is not refundable for any reason. This Policy does not insure against loss of any prepayment premium or other acceleration payment which at any time may become due in respect of any Obligation, other than at the sole option of Assured Guaranty, nor against any risk other than Nonpayment.

Except to the extent expressly modified by any endorsement hereto, the following terms shall have the meanings specified for all purposes of this Policy. "**Avoided Payment**" means any amount previously distributed to a Holder in respect of any Insured Payment by or on behalf of the Issuer, which amount has been recovered from such Holder pursuant to the United States Bankruptcy Code in accordance with a final, nonappealable order of a court having competent jurisdiction that such payment constitutes an avoidable preference with respect to such Holder. "**Business Day**" means any day other than (i) a Saturday or Sunday, (ii) any day on which the offices of the Trustee, the Paying Agent or Assured Guaranty are closed, or (iii) any day on which banking institutions are authorized or required by law, executive order or governmental decree to be closed in the City of New York or in the State of Maryland. "**Due for Payment**" means (i) when referring to the principal of an Obligation, the stated maturity date thereof, or the date on which such Obligation shall have been duly called for mandatory sinking fund redemption, and does not refer to any earlier date on which payment is due by reason of a call for redemption (other than by mandatory sinking fund redemption), acceleration or other advancement of maturity (unless Assured Guaranty in its sole discretion elects to make any principal payment, in whole or in part, on such earlier date) and (ii) when referring to interest on an Obligation, the stated date for payment of such interest. "**Holder**" means, in respect of any Obligation, the person or entity who, at the time of Nonpayment, is entitled under the terms of such Obligation to payment of principal or interest thereunder, except that Holder shall not include the Issuer or any person or entity whose direct or indirect obligation constitutes the underlying security for the Obligations. "**Insured Payments**" means that portion of the principal of and interest on the Obligations that shall become Due for Payment but shall be unpaid by reason of Nonpayment. Insured Payments shall not include any additional amounts owing by the Issuer solely as a result of the failure by the Trustee or the Paying Agent to pay such amount when due and payable, including without limitation any such additional amounts as may be attributable to penalties or to interest accruing at a default rate, to amounts payable in respect of indemnification, or to any other additional amounts payable by the Trustee or the Paying Agent by reason of such failure. "**Nonpayment**" means, in respect of an Obligation, the failure of the Issuer to have provided sufficient funds to the Trustee or the Paying Agent for payment in full of all principal and interest Due for Payment on such Obligation. It is further understood that the term "Nonpayment" in respect of an Obligation includes any Avoided Payment. "**Receipt**" or "**Received**" means actual receipt or notice of or, if notice is given by overnight or other delivery service, or by certified or registered United States mail, by a delivery receipt signed by a person authorized to accept delivery on behalf of the person to whom the notice was given. Notices to Assured Guaranty may be mailed by registered mail or personally delivered or telecopied to it at 1325 Avenue of the Americas, New York, New York 10019, Telephone Number: (212) 974-0100, Facsimile Number: (212) 581-3268, Attention: Risk Management Department - Public Finance Surveillance, with a copy to the General Counsel, or to such other address as shall be specified by Assured Guaranty to the Trustee or the Paying Agent in writing. A Notice of Nonpayment will be deemed to be Received by Assured Guaranty on a given Business Day if it is Received prior to 12:00 noon (New York City time) on such Business Day; otherwise it will be deemed Received on the next Business Day. "**Term**" means the period from and including the Effective Date until the earlier of (i) the maturity date for the Obligations, or (ii) the date on which the Issuer has made all payments required to be made on the Obligations.

At any time during the Term of this Policy, Assured Guaranty may appoint a fiscal agent (the "Fiscal Agent") for purposes of this Policy by written notice to the Trustee or the Paying Agent, specifying the name and notice address of such Fiscal Agent. From and after the date of Receipt of such notice by the Trustee or the Paying Agent, copies of all notices and documents required to be delivered to Assured Guaranty pursuant to this Policy shall be delivered simultaneously to the Fiscal Agent and to Assured Guaranty. All payments required to be made by Assured Guaranty under this Policy may be made directly by Assured Guaranty or by the Fiscal Agent on behalf of Assured Guaranty. The Fiscal Agent is the agent of Assured Guaranty only, and the Fiscal Agent shall in no event be liable to the Trustee or the Paying Agent for any acts of the Fiscal Agent or any failure of Assured Guaranty to deposit, or cause to be deposited, sufficient funds to make payments due under this Policy.

To the fullest extent permitted by applicable law, Assured Guaranty hereby waives, in each case for the benefit of the Holders only, all rights and defenses of any kind (including, without limitation, the defense of fraud in the inducement or in fact or any other circumstance that would have the effect of discharging a surety, guarantor or any other person in law or in equity) that may be available to Assured Guaranty to deny or avoid payment of its obligations under this Policy in accordance with the express provisions hereof. Nothing in this paragraph will be construed (i) to waive, limit or otherwise impair, and Assured Guaranty expressly reserves, Assured Guaranty's rights and remedies, including, without limitation, its right to assert any claim or to pursue recoveries (based on contractual rights, securities law violations, fraud or other causes of action) against any person or entity, in each case, whether directly or acquired as a subrogee, assignee or otherwise, subsequent to making any payment to the Trustee or the Paying Agent, in accordance with the express provisions hereof, and/or (ii) to require payment by Assured Guaranty of any amounts that have been previously paid or that are not otherwise due in accordance with the express provisions of this Policy.

This Policy (which includes each endorsement hereto) sets forth in full the undertaking of Assured Guaranty with respect to the subject matter hereof, and may not be modified, altered or affected by any other agreement or instrument, including, without limitation, any modification thereto or amendment thereof. THIS POLICY IS NOT COVERED BY THE PROPERTY/CASUALTY INSURANCE SECURITY FUND SPECIFIED IN ARTICLE 76 OF THE NEW YORK INSURANCE LAW. This Policy will be governed by, and shall be construed in accordance with, the laws of the State of New York.

IN WITNESS WHEREOF, Assured Guaranty has caused this Policy to be affixed with its corporate seal, to be signed by its duly authorized officer, and to become effective and binding upon Assured Guaranty by virtue of such signature.

**ASSURED GUARANTY CORP.**

(SEAL)

By: \_\_\_\_\_  
[Insert Authorized Signatory Name]  
[Insert Authorized Signatory Title]

Signature attested to by:

\_\_\_\_\_  
Counsel