

OFFICIAL STATEMENT

REFUNDING ISSUE

RATINGS: Moody's – Aaa
S&P - AAA

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 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; 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. (See Appendix B – "Opinion of Bond Counsel and Tax Exemption" herein)

TOWN OF AVON CONNECTICUT \$11,400,000

General Obligation Refunding Bonds, Issue of 2016 BOOK-ENTRY-ONLY

Dated: March 15, 2016

Due: As shown below

MATURITY SCHEDULE									
Due	Amount	Coupon (%)	Yield (%)	CUSIP ¹	Due	Amount	Coupon (%)	Yield (%)	CUSIP ¹
4/15/16	\$ 140,000	2.000	0.300	054033QK4	10/15/23	\$1,595,000	4.000	1.490	054033QP3
10/15/20	1,600,000	2.000	0.930	054033QL2	10/15/24	1,595,000	2.000	1.690	054033QQ1
10/15/21	1,595,000	3.000	1.110	054033QM0	10/15/25	1,635,000	4.000	1.830	054033QR9
10/15/22	1,590,000	3.000	1.300	054033QN8	10/15/26	1,650,000	4.000	1.950	054033QS7

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

The Bonds will be general obligations of the Town of Avon, Connecticut (the "Town") and the Town will pledge its full faith and credit to pay the principal of and interest on the Bonds when due (See "Security and Remedies" herein.)

Interest on the Bonds will be payable on the fifteenth day of April, 2016 and semiannually thereafter on the fifteenth day of October and April in each year until maturity. The Bonds will be issued by means of a book-entry-only system and registered in the name of Cede & Co., as nominee for The Depository Trust Company ("DTC"), New York, New York. The Beneficial Owners of the Bonds will not receive certificates representing their ownership interest in the Bonds. 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. Ownership of the Bonds may be in principal amounts of \$5,000 or integral multiples thereof.

The Bonds ARE NOT subject to redemption prior to maturity.

The Bonds will be certified by U.S. Bank National Association Corporate Trust, 225 Asylum Street, 23rd Floor, Goodwin Square, Hartford, CT 06103 which will also act as Registrar, Paying Agent, Escrow Agent, and Transfer Agent for the Bonds.

The Bonds are offered for delivery when, as and if issued, subject to the approving opinion of Day Pitney LLP, Bond Counsel, of Hartford, Connecticut. It is expected that delivery of the Bonds in definitive book-entry form will be made to DTC in New York, New York, or its agents, on or about March 15, 2016.

PiperJaffray.

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

Dated: March 2, 2016

TABLE OF CONTENTS

	<u>Page</u>		<u>Page</u>
Bond Issue Summary			
I. Bond Information			
Introduction.....	1	Property Taxes Receivable	23
Description of the Bonds	1	Ten Largest Taxpayers.....	23
Optional Redemption	2	V. Financial Administration	
Security and Remedies	2	Financial Reporting.....	24
Qualification for Financial Institutions	2	Fiscal Year	24
Availability of Continuing Disclosure	2	Measurement Focus and Basis of Accounting	24
Book-Entry-Only Transfer System.....	3	Budget Procedure.....	24
DTC Practices	4	Audit	25
Replacement Bonds.....	4	Investment Policies	25
Underwriting	5	Pensions	26
Authorization.....	5	Post Retirement Medical Benefits (OPEB)	28
Plan of Refunding	5	Fund Balance	30
Sources and Uses of Bond Proceeds.....	6	General Fund Balance Sheet.....	31
Verification of Mathematical Computations	6	General Fund Revenues and Expenditures.....	32
Ratings.....	6	Capital Improvement Program.....	33
II. The Issuer		VI. Debt Summary	
Description of the Municipality.....	7	Principal Amount of Indebtedness	36
Form of Government	8	Long-Term Debt	36
Principal Municipal Officials	8	Short-Term Debt	36
Municipal Services.....	8	Other Long-Term Commitments	36
Economy.....	13	Annual Bonded Debt Maturity Schedule	37
Employee Relations and Collective Bargaining.....	13	Overlapping/Underlying Debt.....	37
Municipal Employee Bargaining Units	14	Debt Statement	38
Educational Services	15	Current Debt Ratios	38
School Facilities	15	Bond Authorization Procedures.....	38
School Enrollment.....	15	Emergency Appropriations.....	38
III. Economic and Demographic Information		Maturities	39
Population and Density.....	16	Temporary Financing	39
Age Distribution of the Population	16	Debt and Lease Policies.....	39
Income Distribution	16	Limitation of Indebtedness	39
Income Levels	17	Statement of Statutory Debt Limitation	40
Educational Attainment	17	State of Connecticut School Building Grants.....	40
Major Employers.....	17	Authorized But Unissued Debt.....	41
Employment By Industry	18	Principal Amount of Outstanding Debt.....	41
Employment Data	18	Ratios of Direct Overall Long Term Debt to	
Age Distribution of Housing	19	Valuation, Population, and Income	41
Housing Inventory	19	Ratios of Annual Long Term Debt Service	
Owner-Occupied Housing Values	19	Expenditures to Total General Fund Expenditures	42
Building Permits	20	VII. Legal and Other Litigation	
Land Use Summary.....	20	Litigation	43
IV. Tax Base Data		Documents Furnished at Delivery	43
Assessments	21	Concluding Statement	43
Levy	21	Appendices	
Comparative Assessed Valuations	22	A. Basic Financial Statements	
Tax Exempt Property	22	B. Opinion of Bond Counsel and Tax Exemption	
Property Tax Levies and Collections.....	23	C. Form of Continuing Disclosure Agreement	

No dealer, broker, salesman, or other person has been authorized by the Town to give any information or to make any representations other than those contained in this Official Statement or any supplement which may be issued hereto, and if given or made, such other information or representations must not be relied upon as having been authorized by the Town. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of the Bonds by any person in any jurisdiction in which it is unlawful for such person to make such offer, solicitation or sale.

This Official Statement has been prepared only in connection with the initial offering and sale of the Bonds and may not be reproduced or used, in whole or in part, for any other purpose. This information, estimates and expressions of opinion in this Official Statement are subject to change without notice. Neither the delivery of this Official Statement nor any sale of the Bonds 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.



BOND ISSUE SUMMARY

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

Issuer:	Town of Avon, Connecticut (the "Town")
Issue:	\$11,400,000 General Obligation Refunding Bonds, Issue of 2016 (the "Bonds")
Dated Date:	March 15, 2016
Interest Due:	First on April 15, 2016 and then each October 15 and April 15 until maturity.
Principal Due:	First on April 15, 2016, then October 15, 2020 and each thereafter until maturity.
Purpose and Authority:	See "Authorization" and "Plan of Refunding" herein.
Redemption:	The Bonds <u>ARE NOT</u> subject to redemption prior to maturity.
Security:	The Bonds will be general obligations of the Town of Avon, Connecticut, and the Town will pledge its full faith and credit to the payment of principal of and interest on the Bonds when due.
Credit Rating:	The Town has applied for a rating on the Bonds from Moody's Investors Service, Inc. and Standard & Poor's Corporation. Moody's Investors Service, Inc. has rated the Town's Bonds as "Aaa". Standard & Poor's Corporation has rated Town's Bonds as "AAA".
Bond Insurance:	The Town does not expect to purchase a credit enhancement facility.
Tax Exemption:	Refer to Appendix B, "Opinion of Bond Counsel and Tax Exemption" herein.
Continuing Disclosure:	In accordance with the requirements of Rule 15c2-12(b)(5) promulgated by the Securities and Exchange Commission, the Town will agree to provide, or cause to be provided, annual financial information and operating data and notices of certain events with respect to the Bonds pursuant to a Continuing Disclosure Agreement to be executed by the Town in substantially the form attached as Appendix C to this Official Statement.
Bank Qualification:	The Bonds <u>shall not</u> be designated by the Town as qualified tax-exempt obligations under the provisions of Section 265(b) of the Internal Revenue Code of 1986, as amended, for purposes of the deduction by financial institutions for interest expense allocable to the Bonds.
Registrar, Transfer Agent, Escrow and Certifying Agent, Paying Agent:	U.S. Bank National Association, Goodwin Square, 225 Asylum Street, 23rd Floor, Hartford, CT 06103.
Delivery and Payment:	It is expected that delivery of the Bonds in book-entry-only form will be made to The Depository Trust Company on or about March 15, 2016. Delivery of the Bonds will be made against payment in Federal funds.
Bond Counsel:	Day Pitney LLP, 242 Trumbull Street, Hartford, Connecticut 06103 will serve as Bond Counsel. Contact: Douglas W. Gillette, Esq. Phone: (860) 275-0186. Fax: (860) 881-2453. Email: dwgillette@daypitney.com.
Issuer Official:	Questions concerning this Official Statement should be directed to: Ms. Margaret Colligan, Finance Director, Town of Avon Town Hall, 60 West Main Street, Avon, CT 06001. Telephone: (860) 409-4344. Fax: (860) 409-4366. Email: pcolligan@town.avon.ct.us.
Municipal Advisor:	DIXWORKS LLC, 241 Avon Mountain Road, Avon, CT 06001-3942. Contact: Dennis Dix, Jr., Principal. Phone: (860) 676-0609. Fax: (860) 676-1649. Email: dixworks@comcast.net.

I. BOND INFORMATION

Introduction

This Official Statement, including the cover page and appendices, is provided for the purpose of presenting certain information relating to the Town of Avon, Connecticut, (the "Town") in connection with the original sale of \$11,400,000 General Obligation Refunding Bonds, Issue of 2016 (the "Bonds") of the Town.

This Official Statement is not to be construed as a contract or agreement between the Town and the purchasers or holders of any of the Bonds. Any statement made in this Official Statement involving matters of opinion or estimates are not intended to be representations of fact, and no representation is made that any such opinion or estimate will be realized. 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. All quotations from and summaries and explanations of provisions of statutes, charters, or other laws and acts and proceedings of the Town contained herein do not purport to be complete and are qualified in their entirety by reference to the original official documents, and all references to the Bonds and the proceedings of the Town relating thereto are qualified in their entirety by reference to the definitive form of the Bonds and such proceedings.

The presentation of information is intended to show recent historical trends and is not intended to indicate future or continuing trends in the financial or other positions of the Town. The information in this Official Statement has been prepared by the Town's Municipal Advisor, DIXWORKS LLC, Avon, Connecticut (the "Municipal Advisor"), from information supplied by Town officials and other sources as indicated. The Municipal Advisor does not assume responsibility for the sufficiency, accuracy, or completeness of the statements made herein and makes no representation that it has independently verified the same. The Municipal Advisor is not a public accounting firm and has not been engaged by the Town to compile, review, examine or audit any information in the Official Statement in accordance with accounting standards. DIXWORKS LLC is an independent municipal bond advisory firm and is not engaged in the business of providing investment advice, or of underwriting, trading, or distributing municipal or other public securities. The Town and the Municipal Advisor have entered into a financial advisory agreement to conform to Municipal Securities Rulemaking Board (MSRB) Rule G-23.

Bond Counsel is not passing upon and does not assume responsibility for the accuracy, adequacy, or completeness of the statements made in this Official Statement (other than matters expressly set forth in Appendix B herein), and it makes no representations that it has independently verified the same.

The Town deems this Official Statement to be "final" for purposes of Securities and Exchange Commission Rule 15c2-12(b)(1), but it is subject to revision or amendment.

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

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

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

Description of the Bonds

The Bonds will be dated March 15, 2016 and will mature on the dates and in the principal amounts set forth on the cover page hereof. Interest on the Bonds will be payable on April 15, 2016 and semiannually thereafter on October 15 and April 15 in each year until the date of maturity. Interest is payable to the registered owners as of the close of business on the last day of March and September in each year or the preceding business day if such last day is not a business day. Interest will be calculated on the basis of a 360-day year consisting of twelve 30-day months. The Bonds will be issued as fully registered Bonds in denominations of \$5,000 or any integral multiple thereof. A book-

entry-only system will be employed evidencing ownership of the Bonds with transfers of ownership on the records of The Depository Trust Company, New York, New York (“DTC”), and its participants pursuant to the rules and procedures established by DTC and its participants. See “Book-Entry-Only Transfer System” herein.

Optional Redemption

The Bonds are **NOT** subject to redemption prior to maturity.

Security and Remedies

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

Unless paid from other sources, the Bonds are payable from general property tax revenues. The Town has the power under Connecticut General Statutes to levy ad valorem taxes on all taxable property in the Town without limit as to rate or amount, except as to certain classified property such as certified forest land taxable at a limited rate and dwelling houses of qualified elderly persons of low income or of qualified disabled persons taxable at limited amounts. On the last completed Grand List of the Town there were no acres of such classified forest land. Under existing statutes, the State of Connecticut is obligated to pay the Town the amount of tax revenue which the Town would have received except for the limitation upon its power to tax such dwelling houses.

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

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

The Town is subject to suit on its general obligation bonds and notes, and a court of competent jurisdiction has power in appropriate proceedings to render a judgment against the Town. Courts of competent jurisdiction also have power in appropriate proceedings to order payment of a judgment on such bonds or notes from funds lawfully available therefor 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 such debt 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, 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 or any other political subdivision of the State having the power to levy taxes and to issue bonds, notes, or other obligations.

Qualification for Financial Institutions

The Bonds **SHALL NOT** be designated qualified tax-exempt obligations by the Issuer 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 certain interest expense incurred to carry the Bonds.

Availability of Continuing Disclosure

The Town of Avon prepares, in accordance with State law, annual independently audited financial statements and files such annual report with the State Office of Policy and Management within six months of the end of its fiscal year. The Town provides, and will continue to provide, various municipal credit rating agencies ongoing disclosure in the form of annual audited financial statements, adopted budgets and other materials relating to its management and financial condition, as may be necessary or requested.

In accordance with the requirements of Rule 15c2-12(b)(5) promulgated by the Securities and Exchange Commission, the Town will enter into a Continuing Disclosure Agreement with respect to the Bonds, substantially in the form attached as Appendix C to this Official Statement (the “Continuing Disclosure Agreement”) to provide or cause to be provided, in accordance with the requirements of SEC Rule 15c2-12(b)(5) (i) annual financial information and operating data, (ii) timely notice of the occurrence of certain events not in excess of 10 business days after the occurrence of such events, and (iii) timely notice of failure by the Town to provide the required annual financial information and operating data on or before the date specified in the Continuing Disclosure

Agreement. The Underwriter's obligation to purchase the Bonds shall be conditioned upon it receiving, at or prior to the delivery of the Bonds, an executed copy of the Continuing Disclosure Agreement.

The Town has entered into prior Continuing Disclosure Agreements for the benefit of holders of its debt obligations to provide annual financial information and material event notices pursuant to SEC Rule 15c2-12(b)(5). In the past five years, the Town has not failed to meet any of its undertakings under such agreements except as noticed in a Material Event Notice filed with the MSRB's EMMA data port on February 28, 2013.

As a result of the implementation of a new financial system and personnel changes, the submission of the Town's financial statements for the fiscal year ending June 30, 2012 to the auditors for review was delayed. The Town's audited financial statements for the fiscal year ending June 30, 2012 were not then complete and the requisite annual financial information and operating data with respect to the Town for the fiscal year was not filed with the MSRB in accordance with the Agreements.

The Town requested an extension until March 31, 2013 from the State of Connecticut Office of Policy and Management for the filing with the State of the audited financial statements for the fiscal year ending June 30, 2012. The Town also requested an extension until March 31, 2013 from the Government Finance Officers Association for submitting its CAFR to the Certificate of Achievement for Excellence in Financial Reporting program. The audited financial statements and the requisite annual financial information and operating data for the Town were filed with the MSRB through its EMMA system on March 28, 2013.

Book-Entry-Only Transfer System

The information contained in the following paragraphs of this subsection "Book-Entry-Only Transfer System" has been provided by The Depository Trust Company, New York, New York ("DTC"). The Town makes no representation as to the completeness or the accuracy of such information or as to the absence of material adverse changes in such information subsequent to the date hereof.

DTC will act as securities depository for the Bonds. The Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered bond certificate will be issued for each maturity of the Bonds in the aggregate principal amount of each maturity 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 issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has a Standard & Poor's rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

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

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

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

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

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

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

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

The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the Town believes to be reliable, but the Town takes no responsibility for the accuracy thereof.

NEITHER THE TOWN, THE PAYING AGENT, NOR THE UNDERWRITER SHALL HAVE ANY RESPONSIBILITY OR OBLIGATION TO DTC, DIRECT PARTICIPANTS, INDIRECT PARTICIPANTS, OR ANY BENEFICIAL OWNER WITH RESPECT TO (1) THE ACCURACY OF ANY RECORDS MAINTAINED BY DTC, ANY DIRECT PARTICIPANT, OR ANY INDIRECT PARTICIPANT; (2) THE PAYMENT BY DTC, ANY DIRECT PARTICIPANT, OR ANY INDIRECT PARTICIPANT OF ANY AMOUNT WITH RESPECT TO THE PRINCIPAL OR INTEREST ON THE BONDS; (3) ANY NOTICE PERMITTED OR REQUIRED TO BE GIVEN BY DTC, ANY DIRECT PARTICIPANT, OR ANY INDIRECT PARTICIPANT, OR BENEFICIAL OWNER; OR (4) ANY CONSENT GIVEN BY DTC OR OTHER ACTION TAKEN BY DTC AS BOND HOLDER.

DTC Practices

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

Replacement Bonds

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

Underwriting

The Bonds are being purchased by Piper Jaffray & Co. (the "Underwriter"). The Underwriter has agreed, pursuant to the terms of a bond purchase agreement with the Town (the "Bond Purchase Agreement") subject to certain conditions, to purchase the Bonds from the Town at the net aggregate purchase price of \$12,713,357.55, (consisting of the principal amount of \$11,400,000.00, plus net original issue premium of \$1,367,507.55 and less Underwriter's discount of \$54,150.00). The Underwriter will be obligated to purchase all such Bonds, if any such Bonds are purchased. The Bonds may be offered and sold to certain dealers (including unit investment trusts and other affiliated portfolios of certain underwriters and other dealers depositing the Bonds into investment trusts) at prices lower than the initial public offering prices, and such public offering prices may be changed from time to time by the Underwriter.

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

Authorization

The Bonds are being issued pursuant to Section 7-370c of the General Statutes of Connecticut, as amended, and a refunding bond resolution adopted by the Town Council at a meeting held on February 4, 2016 authorizing the issuance and sale of refunding bonds of the Town in an amount not to exceed \$12,000,000. See "Plan of Refunding".

Plan of Refunding

The Bonds are being issued to refund at maturity all or any portion of the aggregate principal amount outstanding of the Town's general obligation bonds set forth below (the "Refunded Bonds"). The Refunded Bonds may be changed by the Town in its sole discretion due to market factors or other factors considered relevant by the Town at the time of pricing of the Bonds, and no assurance can be given that any particular series of bonds listed or that any particular maturity thereof will be refunded. The refunding is contingent upon delivery of the Bonds.

Refunded Bonds

<u>Issue</u>	<u>Dated Date</u>	<u>Maturity Date</u>	<u>Principal Amount Refunded</u>	<u>Interest Rate</u>	<u>Redemption Date</u>	<u>Redemption Price</u>	<u>CUSIP</u>
2009	10/15/09	10/15/20	\$ 1,650,000	3.000%	10/15/19	100.00%	054033 PJ8
2009	10/15/09	10/15/21	1,650,000	3.000	10/15/19	100.00	054033 PK5
2009	10/15/09	10/15/22	1,650,000	3.000	10/15/19	100.00	054033 PL3
2009	10/15/09	10/15/23	1,650,000	3.125	10/15/19	100.00	054033 PM1
2009	10/15/09	10/15/24	1,650,000	3.250	10/15/19	100.00	054033 PN9
2009	10/15/09	10/15/25	1,700,000	3.250	10/15/19	100.00	054033 PP4
2009	10/15/09	10/15/26	1,700,000	3.250	10/15/19	100.00	054033 PQ2
			\$11,650,000				

Upon delivery of the Bonds, a portion of the proceeds of the Bonds will be placed in an irrevocable escrow deposit fund (the "Escrow Deposit Fund") established with U.S. Bank National Association, as escrow agent (the "Escrow Agent") under an Escrow Agreement (the "Escrow Agreement") to be dated as of March 15, 2016 between the Escrow Agent and the Town. The Escrow Agent will use such proceeds to purchase a portfolio of non-callable direct obligations of, or obligations guaranteed by, the United States of America, including United States Treasury

State and Local Government Series (“SLGS”) securities, and of the Federal Home Loan Mortgage Corporation (“Freddie Mac”) all of which shall not be callable or prepayable at the option of the issuer thereof (the “Escrow Securities”). The principal of and interest on the Escrow Securities, when due, will provide amounts sufficient to meet principal and interest payments, and redemption prices of the Refunded Bonds, if any, when due. All investment income on and maturing principal of the Escrow Securities held in the Escrow Deposit Fund and needed to pay the principal of, interest, and redemption premium on the Refunded Bonds will be applied by the Town for payment of the Refunded Bonds. The balance of the proceeds of the Bonds will be used to pay costs of issuance, including underwriter’s discount. The Escrow Agreement requires that the Escrow Agent call for the redemption of the Refunded Bonds.

Sources and Uses of Bond Proceeds

Sources:

Par Amount	\$11,400,000.00
Net Original Issue Premium	1,367,507.55
Total Sources	<u>\$12,767,507.55</u>

Uses:

Refunding Escrow Deposits	
Cash Deposit	\$ 390.56
Open Market Purchases	12,602,915.52
	<u>12,603,306.08</u>
Delivery Date Expenses	
Costs of Issuance	110,000.00
Underwriter’s Discount	54,150.00
	<u>164,150.00</u>
Other Uses of Funds	
Additional Proceeds	51.47
Total Uses	<u>\$12,767,507.55</u>

Verification of Mathematical Computations

Causey Demgen and Moore, Inc. CPAs will verify from the information provided to them the mathematical accuracy as of the date of the closing on the Bonds of (1) the computations that the anticipated receipts from the Escrow Securities and cash deposits, if any, set forth in the Underwriter's schedules, will be sufficient to pay, when due, the principal, interest and applicable call premium, if any, of the Refunded Bonds, (2) the computations of yield on the Bonds and the Escrow Securities contained in the provided schedules and (3) the computations of net present value savings. Such verification will be based on information, assumptions, and calculations of net present value savings supplied by the Underwriter and such information will be relied on by Bond Counsel in rendering its opinion described herein. Causey Demgen and Moore, Inc. CPAs, will express no opinion on the assumptions provided to them.

Ratings

Moody’s Investors Service, Inc. (“Moody’s”) rates the Town’s outstanding bonds and the Bonds as “Aaa” and Standard & Poor’s Corporation (“S&P”) rates the Town’s outstanding bonds and the Bonds as “AAA”. Such ratings reflect only the view of such organizations and any explanation of the significance of such ratings should be obtained from the rating agency furnishing the same, at the following addresses: Moody’s Investors Service, Inc., 7 World Trade Center, 250 Greenwich Street, 23rd Floor, New York, NY 1007; Standard & Poor’s Corporation, 225 Franklin Street, 15th Floor, Boston, MA 02110. Generally, a rating agency bases its rating on the information and materials furnished to it and on investigations, studies and assumptions of its own. The Town may have furnished certain information and materials to the rating agency, some of which may not have been included in this Official Statement. There is no assurance that such rating will continue for any given period of time or that the rating will not be revised or withdrawn entirely by the agency if, in the judgment of such rating agency, circumstances so warrant. A revision or withdrawal of such rating may have an effect on the market price of the Town’s bonds.

II. THE ISSUER



Description of the Municipality

The Town of Avon, named for the Avon River in England, covers 22.6 square miles (14,454 acres) in central Connecticut along the Farmington River and was incorporated in 1830 from the Town of Farmington. The Town was originally settled around 1645 and before incorporation was known as Northington, the North Parish, or North District (often abbreviated as No. D. to later become Nod). During the early 1800's, Avon was a bustling inland port along the Towpath Canal which provided recreational and commercial barge services from New Haven to Albany. Lying ten miles west of the City of Hartford, the Town ranks forty-fourth in terms of the 2013 Equalized Net Taxable Grand List (\$3,656,295,571) as prepared by the State of Connecticut Office of Policy and Management. The 2014 American Community Survey Census reflects Avon's median household income of \$116,565, mean household income of \$167,001, and per capita income of \$66,365. Contiguous to the Towns of Canton and Simsbury to the north, Bloomfield and West Hartford to the east, Farmington to the south and Burlington to the west, Avon is primarily a suburban residential community. The Town's population growth has continued over the last three decades (11,201 in the 1980 Census; 13,937 in the 1990 Census; 15,832 in the 2000 census, 18,098 in the 2010 census, and 18,298 per the 2014 American Community Survey Census). Residents are predominately executive, professional, technical, and managerial people employed in the finance and insurance industries located in the Greater Hartford area. Most homes in Avon are single-family homes selling anywhere from \$300,000 to over \$1,000,000 with many new houses selling in the \$650,000 to \$850,000 range. Condominiums are generally valued between \$150,000 and \$500,000.

Roughly 7,775 acres of land have been developed for residential purposes resulting in 6,247 single family and 1,189 multifamily dwellings. Approximately 590 acres of land have been developed for commercial and industrial uses. At present, there are approximately 850 businesses located in Avon. The Town's two business parks still have remaining undeveloped land which can support about 400,000 square feet of additional office and industrial space and 150,000 thousand square feet of retail space.

Avon is served by Connecticut Routes 10, 44 (Albany Turnpike), 167, 177, and 202 (16 miles of state roads) that provide thoroughfare access to the 108 miles of Town roads and 23.3 miles of private roads. Interstate 84, a major east-west limited access highway, lies six miles to the south. Numerous public and private passenger and freight common carriers serve the Town. Bradley International Airport is a half-hour drive to the north. Passenger and freight rail service is available in Hartford ten miles to the east.

Form of Government

Avon is governed by a charter first adopted in 1959 (amended 1962, 1969, 1975, 1981, and 1998) under the Home Rule provisions of the Connecticut General Statutes. Under the present charter, the Town Manager serves at the pleasure of the Council and acts as the Chief Executive. The five-member Council serves as the Legislative body. The Board of Finance, in conjunction with the Town Manager, the Finance Director, and the appointed part-time Treasurer, are responsible for finances. A referendum must approve the budget under the latest Charter change. Local elections are held every odd-numbered year in November. There are three voting districts and all elected officials serve at-large. The Council assumes office January 1, elects its Chairman, and appoints members of various Town boards, commissions, and committees. The Town Manager appoints line department heads. The Board of Education appoints the Superintendent of Schools who is responsible for administering the Town's educational system.

Principal Municipal Officials

<u>Office</u>	<u>Name</u>	<u>Manner of Selection</u>	<u>Current Term</u>	<u>Length of Service</u>	<u>Principal Employment Last Five Years</u>
Chairman, Town Council	Mark W. Zacchio	Elected	1/1/16 - 12/31/17	11 years	Dir. of Fund Oper. Reconcil., Mass Mutual
Chairman, Board of Finance	Thomas F. Harrison	Elected	1/1/16 - 12/31/19	20 years	Attorney - Retired
Town Treasurer	James R. McCarthy	Appointed	1/1/16 - 12/31/17	17 years	Financial Consultant
Town Manager	Brandon L. Robertson	Appointed	Indefinite	6 years	Town Manager, Avon
Assessor	Harry R. DerAsadourian	Appointed	Indefinite	30 years	Assessor, Avon
Collector of Revenue	Deborah Fioretti	Appointed	Indefinite	9 years	Tax Collector, Avon
Dir. of Planning and Comm. Dev.	Hiram Peck	Appointed	Indefinite	1 years	Town Planner, Simsbury
Director of Finance	Margaret Colligan	Appointed	Indefinite	34 years	Director of Finance, Avon
Superintendent of Schools	Gary S. Mala	Appointed	Indefinite	5 years	Superintendent, RSD 17
Business Manager, Board of Education	Heather Michaud	Appointed	Indefinite	3 years	Manager of Accounting and Systems, Avon

Source: Town Clerk's Office, Town of Avon

Municipal Services

Police

The Avon Police Department is committed to positive community relations and embraces the community oriented policing philosophy. The Avon Police Department has an authorized full-time force of thirty-five sworn officers. The organization is a para-military structure consisting of a Chief, a Captain, two Lieutenants (one vacancy), eight Sergeants, three Detectives, nineteen sworn Patrol Officers, and a School Resource Officer. There is one FBI National Academy graduate. The Police Department employs six full-time and two part-time civilian dispatchers, one administrative secretary, and two full-time records aides.

The Department is equipped with marked and unmarked police vehicles, and all patrol vehicles are equipped with Mobile Data Terminals and Automatic External Defibrillators. Mobile Data Terminals allow police officers to instantly access the Connecticut Motor Vehicle Department, the National Crime Information Center (NCIC) in Washington D.C., the Connecticut Corrections Department, and the twenty-eight other towns in the capitol region. Avon Police Department officers are first responders to medical incidents.

The Avon Police Department has been nationally accredited by the Commission on Accreditation for Law Enforcement Agencies since 1993. The Department is among roughly 500 agencies nationwide to receive this distinction. In order to maintain this status, the Department is required to meet 459 internationally recognized professional standards of excellence.

Fire Department

The Avon Volunteer Fire Department, Inc. is a non-profit, state-chartered corporation established to provide fire and emergency services to the Town. There are seventy-two active members, thirteen fire police, eighteen administrative members, twenty active veteran members, twenty-five Explorers, fifteen senior members, thirty-three

lifetime members, and fourteen honorary members. Membership is open to anyone who is eighteen years or older and is a Town resident or who works in Town. A member must serve twenty years (or ten years and be at least fifty years old) as an active firefighter, administrative member, fire police, or any combination thereof, to be eligible to become a veteran member. The Department maintains six companies operating out of four fire-stations located strategically throughout Town which collectively house five engines, one tanker, one aerial ladder truck, one brush truck, one emergency rescue truck, three service vehicles, two fire police vehicles, two department staff vehicles, and one rescue boat. The Department is actively recruiting and developing retention programs in order to maintain an all-volunteer fire department. The Town's ISO rating is 4/9.

Public Works

The Town of Avon Public Works Department, in conjunction with the Town Engineer, is responsible for planning, design, construction, and maintenance of Town-owned roadways, drains, buildings, grounds, equipment, and services. The Town employs nineteen individuals in a comprehensive public works program covering over approximately 112 miles of road, 28 miles of storm sewer, more than 3,400 catch basins, 139,000 square feet of buildings, 1,162 acres of park and athletic fields, and 167 pieces of various types of motorized equipment. A conscious effort is made to train and utilize personnel in areas where there is a direct cost benefit in relationship to the job performed by the Town in comparison to using alternative service delivery methods. Alternative service delivery methods are used extensively where there is a proven cost savings. The Town currently contracts with private vendors for all or part of the following activities: paving, snow removal, line painting of streets, catch basin cleaning, street sweeping, landscaping and grounds maintenance, building maintenance, and certain equipment maintenance. Avon's Landfill Recycling Center is also under the direction of public works (See "Solid Waste").

Sewers

The Town of Avon is served by a combination of individual septic disposal systems and public sewers. The Town has no treatment facility of its own, but instead contracts with the neighboring towns of Canton, Farmington and Simsbury for treatment of sewage effluent. Approximately 52% of the Town's dwelling units are served by public sewers; 2,423 in the Farmington Sewer Shed, 1,612 in the Simsbury Sewer Shed and 120 in the Canton Sewer Shed. The contractual capacity of the Farmington Sewer Shed is 600,000 gallons per day, of which 85% is currently utilized. The contractual capacity of the Simsbury Sewer Shed is 980,000 gallons per day, of which 55% is currently utilized. The contractual capacity of the Canton Sewer Shed is 50,000 gallons per day, of which 48% is currently used. The Canton, Farmington and Simsbury Treatment Plants are licensed by the State of Connecticut.

The Town of Farmington completed an upgrade and expansion of the Farmington Water Pollution Control Plant in 1996. Avon's share of the project was \$989,926 in principal payments and \$198,616.60 (2%) in interest payments to be amortized over twenty (20) years. The nineteenth payment of \$66,030.05 was paid in fiscal year 2013/2014. The last payment of \$66,030.05 was made in July, 2015. They are **about to construct** a significant treatment plant upgrade, for which Avon's share has yet to be determined.

The Town of Simsbury completed the upgrade and expansion of the Simsbury Water Pollution Control plant in fiscal year 2007/2008. The final cost for the upgrade and expansion was \$26,840,083.00. The amount was reduced by Federal and State grants to \$21,037,216.20. The Town of Avon is responsible for 23.2% of the low-interest (2%) loan provided by the State of Connecticut. \$24,460.67 will be paid monthly through September 30, 2027. Additionally, Simsbury performed a major upgrade to their South Pump Station which was completed in fall 2009 for which Avon's share of the cost was \$118,322.

The Town maintains approximately 89.35 miles of gravity and pressure sanitary sewer lines with four pumping stations. Capital improvements to the systems are generally paid for by those that benefit from new sewers through special benefit assessments. Maintenance of the system and treatment of effluent is also paid for by users through the sewer use fee. The current annual sewer use fee is \$335/equivalent dwelling unit as of July 1, 2015. Commercial accounts are charged based upon the amount of water consumed by the facility. Residential accounts are charged a flat fee of one equivalent dwelling unit per living unit. The WPCA has considered a revision of the sewer use fee for residential accounts by basing it on water usage – similar to commercial accounts. This revision has been removed from consideration due to the complexity of determining non-sewer related residential use and sewer flows for homes on private wells.

In addition to sanitary sewers, the Town also maintains approximately 85 miles of storm sewers.

Utilities

Electric: Power is delivered by Eversource (formerly Connecticut Light and Power Company), a subsidiary of Northeast Utilities. Separately the Town contracts with TransCanada Power Marketing to supply power to most municipal locations in Town. Those locations not served by TransCanada are supplied by Eversource.

Natural Gas: Natural gas is supplied by the Connecticut Natural Gas Company (Yankee Gas) and Hess Corporation, bid through a consortium managed by the Capitol Region Council of Governments (CRCOG).

Water: Avon Water Company

Ten wells provide the Avon Water Company with a safe yield of 4,100 gallons per minute. The Company also maintains an emergency connection to the Metropolitan District Commission (“MDC”) raw water line running from the Barkhamsted Reservoir to the West Hartford MDC treatment facility.

The 95.42 mile distribution system is interconnected, divided into three pressure areas and serves 4,429 customers in Avon of the 4,859 total customers served. The Company’s total storage capacity is 2,780,000 gallons. Fire protection is provided through 605 fire hydrants. The Company maintains 7 booster pump stations in the Hunters Run, Northgate, Country Club Road, Highgate, West Hills Drive, Knoll Lane, and Brian Lane areas. Construction of the Fisher Meadows Well occurred in 2004. The current equipment installed is able to pump the approved rate of 2,083 GPM. Completion of this facility increases the water available to Avon customers by approximately 60%.

In 2011, the Company initiated an Infrastructure Replacement Program, which has improved fire protection and reduced potential leakage. To date, the Company has replaced 9,706 feet of 6” water main with 10” ductile iron water main on Haynes Road; replaced 3,814 feet of 6” water main with 8” ductile iron water main on Rosewood Road; replaced 2,306 feet of 1944 water main with 8” ductile iron water main on Simsbury Road/Woodford Avenue; replaced 1,151 of 6” cast iron water main with 8” ductile iron water main on Rockledge Road; replaced 4,963 of 8” water main with 12” ductile iron water main on West Avon Road; and replaced 2,419 feet of 10” water main with 12” ductile iron water main on Lovely Street.

Connecticut Water Company

The Unionville Water Company was purchased by the Connecticut Water Company in October, 2002, and operates as a wholly owned subsidiary of Connecticut Water Company. In 2006, the Unionville Water Company’s corporation was formally merged with Connecticut Water Company, and became the Unionville Division of the Connecticut Water Company. The Town of Avon is served by the Connecticut Water Company’s Collinsville and Unionville Divisions.

Connecticut Water Company – Collinsville Division

The Collinsville Division of the Connecticut Water Company has a total of 1,941 customers, of which 372 are in Avon. Water is supplied by Metropolitan District Commission’s Nepaug Reservoir through the Collinsville Water Treatment Plant on Torrington Avenue. They have three storage tanks with a combined capacity of 1.4 million gallons.

Fire protection is provided to the Town of Avon through 61 hydrants and 46,831 linear feet of water main. The Connecticut Water Company’s Collinsville Division maintains a local office at 25 New Britain Avenue in Unionville.

Connecticut Water Company – Unionville Division

The Unionville Division of the Connecticut Water Company has a total of 6,474 customers, of which 671 are in Avon. The system has 7 wells with a total safe yield of approximately 3,000,000 gallons per day (MGD), and an interconnection with the Metropolitan District Commission system with an available peak capacity of 2.14 MGD. Power outage-initiated generators are on standby at six of the wells. Three storage facilities provide combined full capacity of 3.2 million gallons. The Anvil Drive tank in Avon has a capacity of 1.3 million gallons.

Fire protection is provided to the Town of Avon through 97 fire hydrants and 66,524 linear feet of water main. The Connecticut Water Company's Unionville Division maintains a local office located at 25 New Britain Avenue in Unionville.

Emergency Medical Assistance

The Avon Police Department serves as first responders in medical emergencies. Officers are trained in advanced first aid. Paramedic service is provided by the University of Connecticut Medical Center and American Medical Response (AMR). Connecticut patient transport services are provided on a contractual basis through AMR.

Health Department

The Farmington Valley Health District is the local health department that provides public health services to Avon residents. This work includes promoting health programs and policies that support good health; preventing disease outbreaks and conditions that give rise to poor health; and protecting residents from health threats and public health emergencies. Avon's Town Manager and a citizen of the Town are active members of the District Board of Health.

Department of Planning and Community Development

Avon's development is defined and directed under comprehensive zoning, subdivision and wetlands regulations formulated and administered by the Planning and Zoning Commission, Inland Wetland Commission, and the Zoning Board of Appeals. Assisting these commissions is a full-time certified Director of Planning who heads the department. The Division of Building Inspection includes one full-time and two part-time licensed building officials.

In May 2006, Avon's Planning and Zoning Commission, in conjunction with the Planning and other departments, adopted a comprehensive Plan of Conservation and Development which is now again in the process of being updated. This document establishes goals for both growth and conservation policies for the next 10 year planning period.

Solid Waste

Service Contract - Solid Waste Disposal

The Town is under a Municipal Solid Waste Agreement ("MSA") with the Connecticut Resource Recovery Authority ("CRRA") until June 30, 2018, with an option to extend up to June 30, 2022, for the disposal of solid waste through the Mid-Connecticut System (the "System").

Per the MSA, the Town has agreed to cause to be delivered to the System all of the solid waste under its legal control. CRRA is required to impose service payments at a uniform rate per ton ("tipping fees") for all municipalities, such that the aggregate of all such service payments received by CRRA shall be sufficient to pay for the net cost of operation of the System as defined in the MSA. Prior to the start of each contract year, CRRA estimates (i) the service payments to be paid by each municipality for such contract year and (ii) the annual budget for the facility and submits such information to each municipality.

Each municipality is then required to make all provisions necessary so that it will be able to pay service payments on a timely basis. The service payments remain in effect for the contract year with differences between the aggregate of all such service payments and the net cost of operation for each contract year being settled in the following contract year. A municipality is obligated to make service payments only if CRRA accepts solid waste delivered by the municipality. CRRA is required to accept and dispose of solid waste in accordance with the MSA and with acceptable business standards. Each municipality retains the responsibility for the collection, disposal and treatment of solid waste which does not meet the requirements of or which CRRA refuses or is unable to accept under the MSA.

All municipalities, including the Town, pledge their full faith and credit for the payment of all service payments and any delayed-payment charges and costs and expenses of CRRA and its representatives in collecting overdue service payments. To the extent that a municipality does not make provisions or appropriations necessary to provide for and authorize the payment by such municipality to CRRA of the payments required to be made by it under the MSA, the remaining municipalities, including the Town, must levy and collect such general or special taxes or cost sharing or other assessments as may be necessary to make such payments in full when due thereunder.

The Town's tipping fees for fiscal year 2016 are \$62.00 per ton for solid waste and \$80.00 per ton for unprocessable waste. If the municipality delivers less than its minimum commitment of 9,000 tons per year, as defined in the MSA, such rates shall be applied to its minimum commitment amount. The Town does not provide refuse services to its residents, but private haulers deliver approximately 11,000 tons of refuse directly to the CRRA facility and are billed independently by CRRA. For fiscal year 2013, 10,922 tons were delivered; the three-year

average (fiscal years 2013 - 2015) was 11,026 tons. Private haulers recover their costs through fees charged to homeowners and businesses.

By ordinance adopted June 3, 2010, the Town became a member of the Central Connecticut Solid Waste Authority (“CCSWA”). CCSWA is a regional resource recovery authority established and operated under the provisions of Chapter 103b of the Connecticut General Statutes to jointly manage solid waste and recycling services on behalf of its member municipalities. As of January 13, 2011, the twenty-one member municipalities of CCSWA were Avon, Bloomfield, Bolton, Canton, Coventry, East Granby, East Hartford, Enfield, Farmington, Glastonbury, Granby, Hartford, Hebron, Manchester, Simsbury, Somers, South Windsor, Suffield, Tolland, Wethersfield and Windsor Locks. Chapter 103b of the Connecticut General Statutes does not require municipalities to wait until after their existing solid waste arrangements are completely terminated to begin making future alternative arrangements that take effect immediately upon the expiration of the former arrangements.

Town Landfill and Recycling

The Town closed the Municipal Solid Waste (“MSW”) portion of its landfill in October of 1994. The landfill remains open as a recycling center, a transfer station for MSW, and as a Bulky Waste Disposal Site. The landfill is managed by the Town's Public Works Department with technical support provided by the Town's Engineering Department and engineering consultants, when necessary. The Farmington Valley Health District and the Town's Engineering Department, in conjunction with a private consultant, monitor ground and surface water quality for contamination resulting from leachate down gradient of the landfill.

The Solid Waste Division provides a comprehensive recycling program, which has successfully surpassed the State mandate to recycle 25% of municipal solid waste. In order to reduce the amount of solid waste being processed and paid for by the Town, the Avon Landfill continues to increase its recycling efforts. With the enactment of the CT. Mattress Recycling Program as of May, 2015, the Town of Avon Landfill has implemented an initiative to help achieve this goal by becoming a Participating Collection Site. The Landfill also continues its prior initiatives: Electronics Recycling (E-Waste), Single Stream Recycling, the compaction of contents within containers and a paint program, initiated by the State, which the Town joined in order to assist the residents in disposing of their paint products. Outside vendors have been retained to provide these recycling services.

The Town does not provide solid waste curbside collection services. Residents either contract with a private refuse collector or bring the waste directly to the landfill. Of the Town's approximately 7,115 households, 1,637 (23%) deliver refuse directly to the landfill for transport to the CRRA plant in Hartford. It is anticipated that the transfer station and bulky waste site will remain open for the foreseeable future to accommodate these permit holders. 1,483 tons of waste was transported to the CRRA in fiscal year 2014/2015. The Fiscal Year 2014/2015 landfill operating budget of \$320,313 was funded by \$167,704 in fees and \$152,609 from the Town's General Fund.

Library

Avon's library building is owned by the Town and operated by the Avon Free Public Library. The library was constructed in 1982 on the present site and first renovated in 1997. An expansion and renovation that more than doubled the size of the existing building was completed in March 2012. The library has a collection of almost 106,000 items (print and other media) and more than 16,000 items in audio, video, and DVD format. Electronic reference services include an automated public access catalog, 20 on-line databases, wireless Internet access, a scanning service, and 52 public workstations, all of which have Microsoft Office Professional installed. Among the new services are a computer instruction lab, expanded teen room, preschool exploration area, and self-check out workstations. Annual circulation as of June 30, 2015 was 291,256. There are currently 8,5594 registered card holders or nearly 50% of the population. The library is open Monday through Saturday for a total of 55 hours and Sunday afternoons from December - April. The library maintains its own web site (www.avonctlibrary.info) and oversees the Town website (www.town.avon.ct.us).

Recreation and Parks

The Recreation and Park Department is responsible for the general administration of all park and recreation facilities and programs. Through long- and short-term planning that includes program, facility, and budget considerations, the department seeks to arrange activities of common interest in park, school, and private facilities. The department oversees thirteen park areas totaling 1,155 acres as well as the 4.5 mile Avon section of the Farmington Valley Greenway's (Rails to Trails) forty-mile trail network. In addition, the Director also administers the use of the Avon Senior Center/Community Room.

Avon's parks contain a variety of active recreation facilities. Sycamore Hills Recreation Area provides basketball, tennis, volleyball, playscapes, swimming, and summer programs along with a bath house and outdoor pool.

Countryside Park offers picnicking, fishing, and a multi-purpose building that is available to the public. Sperry Park contains three Little League fields, two of which are lighted. The Huckleberry Hill Recreation Area contains an all-purpose field and a trail system for walking, jogging, and camping. Hazen Park contains property used for hiking, jogging, and camping.

Fisher Meadows is the Town's 250-acre, community-wide park. Twenty-five acres of active recreation facilities include four regulation soccer fields and four regulation softball fields. Adjacent undeveloped areas in Fisher Meadows provide opportunities for hiking, fishing, and non-motorized boating. The Buckingham Road Recreation Area, a 17.73 acre parcel, features a regulation baseball field, two all-purpose fields, and a large, fully accessible, playground. Alsop Meadows, a 57-acre parcel located along the Farmington River, is used for hiking, walking, cross-country skiing, and camping. Two full-sized, all-purpose fields, garden plots, and canoe launch are also available at this site.

Economy

Avon has become the gateway community to the Farmington Valley, providing retail shopping, medical services, two business parks, and a variety of quality housing, all of which results in a varied tax base that promotes economic diversity. Major industries with headquarters or divisions located in Avon include: Old Castle, manufacturers of concrete products; Connecticut-On-Line Computer Center, a centralized computer facility for northeast banks; Coupons Inc., an Internet coupon service provider; Ironwood Capital Management; Petroleum Meter and Pump; Magellan Health; R.R. Donnelley, Inc.; Legere Group Ltd, woodworking; O.F.S. Fitel LLC (formerly Lucent Technologies), fiber optic manufacturing facility; and Orafol Americas, Inc. Several major insurance-related companies are also located in Avon, including Women’s Health USA, AUL Reinsurance Management, Ballentine Capital Management, Inc., Odyssey America Reinsurance, Apple Health Care, Adams and Knight Advertising, and ERC Long-Term Care Solutions.

Avon’s central business district currently enjoys a 95% occupancy rate with a variety of specialty shops and commercial businesses. A trend of steady growth has persisted for the last several years. Presently, there are more than 1,000,000 square feet of existing retail space, 950,000 square feet of office space, and 600,000 square feet of manufacturing space located primarily along Route 44 with traffic counts in the range of 30,000 vehicles per day. The Town estimates that there is roughly 400,000 square feet of future expansion availability evenly split between office and industrial, with about 150,000 square feet of possible future retail. There are nine bank-branch offices located in Town, including several national and community based banks. Avon is also home to three championship golf courses, two private and one public; and two of which offer 27 holes of play. The Blue Fox Run Golf Course has been voted one of the nation’s 10 best woman-friendly public courses. There is a wide array of medical services available in Town, including the Avon Wellness Center, a 75,000-square foot facility operated by Hartford Hospital; the Saint Francis Hospital and Medical Center, housed in a 25,000-square-foot facility; the 20,000 square foot Helen and Harry Gray Cancer Treatment Center, operated by Hartford Hospital, and the recently completed 20,000 square foot Hartford Hospital walk-in clinic on Route 44. A new Fresh Market grocery store has been completed and opened, and a new 20,000 square foot office building and new 53-lot residential development by Toll Brothers are currently under construction. The Planning and Zoning Commission’s 2012 plan for the Avon Town Center Plan moved forward in 2015 when a developer submitted plans for a mixed-use town center development. They then entered into a two part contract purchase agreement for 97 acres of property owned by Ensign-Bickford Realty Corporation. A sizable portion of this land (85%) was subsequently purchased in December 2015 by a developer who intends to create a new Village Center for Avon.

The Planning and Zoning Commission also approved a revised master plan for the conceptual development of the area. Several approvals remain to be granted by the Commission before the sizable development will be able to start construction. Development details are currently being worked out and finalized prior to the onset of actual construction. When complete the new Village Center will contain approximately 1,000,000 square feet of mixed use development.

Employee Relations and Collective Bargaining

The following table illustrates the full-time equivalent Town employment rolls for the last five fiscal years:

	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>
Board of Education	480.52	493.84	472.67	465.30	454.17
General Government.....	106.00	105.00	105.00	105.00	105.00
Total.....	<u>586.52</u>	<u>598.84</u>	<u>577.67</u>	<u>570.30</u>	<u>559.17</u>

Source: Town Manager’s Office and Superintendent's Office, Town of Avon

The following table shows the present breakdown of general government employees by department:

<u>Department</u>	<u>Full-Time</u>	<u>Regular Part-Time</u>
Administration	14.4	7.0
Public Safety	48.0	4.0
Public Works.....	28.0	7.0
Education and Culture (Library).....	8.0	28.0
Planning and Development	3.0	2.0
Parks and Recreation.....	3.0	3.0
Health and Social Services.....	1.6	0.0
Total	106.0	51.0

Source: Town Manager’s Office, Town of Avon

Municipal Employee Bargaining Units

<u>Board of Education</u>	<u>Positions Covered</u>	<u>Current Contract Expiration Date</u>
Teachers - Avon Education Association	281.3	6/30/19
Custodians - National Association of Municipal Employees, Local R1-270	30.0	6/30/18
Administrators and Supervisors - Avon Principals and Supervisors Association	16.0	6/30/18
Secretaries and Library Media Technicians - Avon Educational Secretaries Association. CSEA Local 760, SEIU	28.0	6/30/17
Paraprofessionals CSEA Local 760, SEIU	66.3	6/30/17
Avon Nurses Association	6.2	6/30/18
Organized	427.8	
Non-Union	52.7	
Sub-Total Board of Education.....	480.5	
General Government		
Police - IBPO, Local 541.....	31.0	6/30/15 ¹
Public Works - AFSCME, AFL-CIO, Local 1303, Council 4.....	17.0	6/30/17
Police Dispatchers - Connecticut Independent Labor Union	6.0	6/30/16 ²
Organized	54.0	
Non-Union	52.0	
Sub-Total General Government	106.0	
Total Board of Education and General Government.....	586.5	

¹ In arbitration

² In negotiation

Source: Town Manager’s Office and Superintendent’s Office, Town of Avon

General Statutes Sections 7-473c, 7-474, and 10-153a to 10-153n 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 municipality 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 of the parties. 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. 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.

Educational Services

The Avon public school system is administered by a biennially elected, nine-member Board of Education which guarantees minority party representation. Members are elected for terms of four years in every other election, ensuring overlapping terms. The Board assumes office January 1 and elects its Chairman at the first meeting in January. School buildings consist of the Avon High School (grades 9-12, renovated in 1998 and 2006), the Avon Middle School (grades 6-8 built in 1970 and renovated in 1991), and two elementary schools (grades K-5), Pine Grove and Roaring Brook (renovated in 1994). The Pine Grove School opened in the fall of 1991 on a town-owned, 21-acre site in the southwest sector of Town. The recently completed grades 5/6 Thompson Brook School brings the total number of Avon schools to five.

School Facilities

School	Grades	Date of Construction (Additions/Renovations)	Class-rooms	Type of Construction	Enrollment ¹ 10/1/15	Town Maximum Capacity
Pine Grove	PreK-4	1991	42	Brick and cinderblock	599	520
Roaring Brook	PreK-4	1963 ('65, '94)	41	Brick and cinderblock	542	700
Thompson Brook	5-6	2002	42	Brick and cinderblock	550	700
Middle School	7-8	1970 ('91, '09)	41	Brick, cinderblock, concrete	545	700
High School	9-12	1958 ('62, '65, '81, '98, '06, '08)	61	Brick and cinderblock	1,037	1,300
Towpath/Annex	-	1948	--	Brick, cinderblock, wood frame	--	--
			227		3,273	3,920

¹ Excludes special education students tutored out and Pre-kindergarten students
Source: Superintendent's Office, Town of Avon Board of Education

School Enrollment

As of October 1¹

School Year	PreK-4	5-6	7-8	9-12	Total Enrollment ²
			Actual		
2006-2007	1,280	578	583	999	3,440
2007-2008	1,315	600	589	1,028	3,532
2008-2009	1,388	590	585	1,050	3,613
2009-2010	1,350	568	601	1,086	3,605
2010-2011	1,299	594	588	1,106	3,587
2011-2012	1,215	604	582	1,139	3,540
2012-2013	1,164	548	611	1,083	3,406
2013-2014	1,167	563	584	1,056	3,370
2014-2015	1,170	552	548	1,050	3,320
2015-2016	1,141	550	545	1,037	3,273
			Projected		
2016-2017	1,163	488	544	1,037	3,232
2017-2018	1,166	459	545	1,025	3,195
2018-2019	1,161	488	484	990	3,123
2019-2020	1,170	512	455	979	3,116
2020-2021	1,197	520	483	922	3,122

¹ Except 2010 which is as of 8/31/10

² Excludes special education students tutored out

Source: Superintendent's Office, Town of Avon Board of Education

In addition to the public school system, Avon has several private nursery schools to serve preschoolers. Three multi-grade private schools are located in Town. Avon Old Farms School serves boys in grades 9 – 12 in a boarding school/day school setting designed by America's first female architect, Theodate Pope Riddle, who used English country home design as a model. The Farmington Valley Academy Montessori is open to all grades emphasizing the inter-dependences of life. In the context of a mixed-age classroom, students pursue language, math, science, geography, history, art, music and theatre. The Talcott Mountain Science Center serves grades 4 – 8 as a science focused day school. Avon is also home to the Reggio Magnet School of the Arts that is majority funded by the State of Connecticut. The magnet school serves students from PreK – 5th grade with an arts integrated approach to acquiring reading, math, and science skills and expects to enroll up to 450 students.

III. ECONOMIC AND DEMOGRAPHIC INFORMATION

Population and Density

Year	Actual Population ¹	% Increase	Density ²
1950	3,171	40.4	140
1960	5,273	66.3	233
1970	8,352	58.4	370
1980	11,201	34.1	496
1990	13,937	24.4	617
2000	15,832	13.6	701
2010	18,098	14.3	801
2014	18,298	1.1	810

¹1950-2010 - U.S. Department of Commerce, Bureau of Census

2014 - U.S. Department of Commerce, Bureau of Census, American Community Survey, 2010 - 2014

²Per square mile: 22.6 square miles

Age Distribution of the Population

Age	Town of Avon		State of Connecticut	
	Number	Percent	Number	Percent
Under 5	766	4.19	194,338	5.41
5 - 19	4,140	22.63	707,656	19.70
20 - 34	1,812	9.90	667,627	18.59
35 - 44	2,160	11.80	459,130	12.78
45 - 54	3,584	19.59	563,772	15.69
55 - 64	2,682	14.66	468,451	13.04
65 and over	3,154	17.24	531,079	14.78
Total	18,298	100.00	3,592,053	100.00
Median Age (Years)	45.8		40.3	

Source: U.S. Department of Commerce, Bureau of Census, American Community Survey, 2010 - 2014

Income Distribution

Income Range	Town of Avon		State of Connecticut	
	Families	Percent	Families	Percent
Less than \$10,000	68	1.34	30,584	3.40
10,000 - 14,999	55	1.09	18,591	2.07
15,000 - 24,999	65	1.28	46,537	5.17
25,000 - 34,999	161	3.18	56,473	6.28
35,000 - 49,999	223	4.41	85,206	9.47
50,000 - 74,999	402	7.94	140,776	15.65
75,000 - 99,999	511	10.10	129,656	14.41
100,000 - 149,999	1,027	20.29	184,327	20.49
150,000 - 199,999	708	13.99	93,100	10.35
200,000 or more	1,841	36.38	114,307	12.71
Total	5,061	100.00	899,557	100.00

Source: U.S. Department of Commerce, Bureau of Census, American Community Survey, 2010 - 2014

Income Levels

	<u>Town of Avon</u>	<u>State of Connecticut</u>
Per Capita Income, 2014	\$66,365	\$38,480
Per Capita Income, 2010	\$55,879	\$35,932
Per Capita Income, 2000	\$51,706	\$28,766
Per Capita Income, 1989	\$34,204	\$20,189
Median Family Income, 2014	\$150,746	\$88,217
Median Family Income, 2010	\$129,651	\$83,106
Median Family Income, 2000	\$109,161	\$65,521
Median Family Income, 1989	\$ 79,278	\$49,199
Percent Below Poverty, 2014.....	4.4	10.5

Source: U.S. Department of Commerce, Bureau of Census, American Community Survey, 2010 - 2014

Educational Attainment

Years of School Completed Age 25 & Over

<u>Grade Levels</u>	<u>Town of Avon</u>		<u>State of Connecticut</u>	
	Number	Percent	Number	Percent
Less than 9th grade	117	0.91	105,940	4.31
9th to 12th grade	207	1.61	150,140	6.11
High school graduate	1,441	11.22	678,089	27.61
Some college, no degree	1,377	10.72	432,532	17.61
Associate's degree	888	6.91	179,607	7.31
Bachelor's degree	4,744	36.92	506,205	20.61
Graduate or professional degree	4,076	31.72	403,065	16.41
Total	<u>12,850</u>	<u>100.00</u>	<u>2,455,577</u>	<u>100.00</u>
Total high school graduate or higher (%)	97.5%		89.5%	
Total bachelor's degree or higher (%)	68.7%		37.0%	

Source: U.S. Department of Commerce, Bureau of Census, American Community Survey, 2010 - 2014

Major Employers

As of January, 2016

<u>Name</u>	<u>Business</u>	<u>Estimated Number of Employees</u>
Town of Avon	Municipality	559
Avon Health Center, Inc.....	Health care	207
Women's Health U.S.A.....	Health care	183
Big Y Supermarket.....	Retail food sales	166
Apple Health Care.....	Health care	147
O.F.S. Fitel LLC.....	Manufacturing	142
Legere Group.....	Manufacturing	136
Wal-Mart	Retail	134
Reflexite Tech Center.....	Manufacturing	134
Connecticut On-Line Computer Center.....	Computer service	72

Source: Finance Director's Office and Assessor's Office, Town of Avon

Employment by Industry
Employed Persons 16 Years and Over

<u>Sector</u>	<u>Town of Avon</u>		<u>State of Connecticut</u>	
	<u>Number</u>	<u>Percent</u>	<u>Number</u>	<u>Percent</u>
Agriculture, forestry, fisheries, mining	8	0.09	7,413	0.42
Construction	314	3.67	97,974	5.54
Manufacturing	649	7.58	191,057	10.81
Wholesale trade	277	3.24	44,195	2.50
Retail trade	875	10.22	191,267	10.82
Transportation, Warehousing, Utilities.....	188	2.20	65,068	3.68
Information	287	3.35	41,905	2.37
Finance, Insurance, Real Estate	1,525	17.81	161,926	9.16
Professional, Scientific, Management, Admin ..	1,520	17.75	197,880	11.20
Education, Health, Social Services	2,071	24.19	467,574	26.46
Arts, Entertainment, Recreation, Leisure Serv.	228	2.66	154,005	8.72
Other Services	374	4.37	80,179	4.54
Public administration	246	2.87	66,491	3.76
Total Labor Force, Employed	8,562	100.00	1,766,934	100.00

Source: U.S. Department of Commerce, Bureau of Census, American Community Survey, 2010 - 2014

Employment Data

<u>Period</u>	<u>Town of Avon</u>		<u>Percentage Unemployed</u>		
	<u>Employed</u>	<u>Unemployed</u>	<u>Town of Avon</u>	<u>Hartford Labor Market</u>	<u>State of Connecticut</u>
December, 2015 ¹	8,930	301	3.3	5.0	5.0
September, 2015 ¹	8,993	303	3.3	5.1	5.1
June, 2015 ¹	9,091	346	3.7	5.4	5.4
March, 2015 ¹	8,975	382	4.1	6.5	6.5
Annual Averages					
2014.....	8,791	400	4.4	6.6	6.6
2013.....	8,994	465	4.9	7.8	7.8
2012.....	8,952	509	5.4	8.4	8.4
2011.....	9,220	455	4.7	7.9	7.9
2010.....	8,727	558	6.0	9.2	9.1
2009.....	8,830	516	5.5	8.3	8.2
2008.....	8,967	332	3.6	5.8	5.7
2007.....	8,973	280	3.0	4.7	4.6
2006.....	8,829	263	2.9	4.4	1.3
2005.....	8,585	276	3.1	5.1	4.9

¹ Not seasonally adjusted

Source: Department of Labor, State of Connecticut.

Age Distribution of Housing

Year Built	Town of Avon		State of Connecticut	
	Units	Percent	Units	Percent
1939 or earlier	458	6.16	334,290	22.43
1940 to 1969	1,875	25.22	536,618	36.01
1970 to 1979	1,731	23.28	200,288	13.44
1980 to 1989	1,595	21.45	193,794	13.00
1990 to 1999	926	12.45	113,875	7.64
2000 to 2009	802	10.79	104,093	6.98
2010 or later	49	0.66	7,423	0.50
Total housing units, 2014	7,436	100.00	1,490,381	100.00
Percent Owner Occupied, 2014		85.9%		67.3%

Source: U.S. Department of Commerce, Bureau of Census, American Community Survey, 2010 - 2014

Housing Inventory

Type	Town of Avon		State of Connecticut	
	Units	Percent	Units	Percent
1-unit detached	5,280	71.01	882,955	59.24
1-unit attached	967	13.00	79,922	5.36
2 to 4 units	509	6.85	253,522	17.01
5 to 9 units	121	1.63	81,574	5.47
10 or more units	530	7.13	180,292	12.10
Mobile home, trailer, RV, other	29	0.39	12,116	0.81
Total Inventory	7,436	100.00	1,490,381	100.00

Source: U.S. Department of Commerce, Bureau of Census, American Community Survey, 2010 - 2014

Owner-Occupied Housing Values

Specified Owner-Occupied Units	Town of Avon		State of Connecticut	
	Number	Percent	Number	Percent
Less than \$50,000	107	1.73	24,122	2.64
\$ 50,000 to \$ 99,999	54	0.87	26,438	2.90
\$100,000 to \$149,999	157	2.54	72,756	7.97
\$150,000 to \$199,999	437	7.06	137,797	15.09
\$200,000 to \$299,999	1,332	21.52	257,364	28.19
\$300,000 to \$499,999	2,317	37.43	243,882	26.71
\$500,000 to \$999,999	1,506	24.33	109,918	12.04
\$1,000,000 or more	281	4.54	40,766	4.46
Total	6,191	100.00	913,043	100.00
Median Sales Price.....		\$379,000		\$274,500

Source: U.S. Department of Commerce, Bureau of Census, American Community Survey, 2010 - 2014

Building Permits

Fiscal Year Ending 6/30	Single Family		Condominiums		Commercial/Industrial		Total	
	No.	Value	No.	Value	No.	Value	No.	Value
2016 ¹	22	\$8,577,654	--	--	--	--	22	\$8,577,654
2015	23	9,505,372	--	--	1	\$ 988,108	24	10,493,480
2014	28	11,591,903	--	--	1	11,105,833	29	22,697,736
2013	46	17,127,912	--	--	2	13,555,211	48	30,683,123
2012	20	9,598,472	--	--	3	5,051,176	23	14,649,648
2011	32	14,779,974	--	--	1	479,400	33	15,259,374
2010	14	6,190,739	103	\$10,219,500	1	314,823	118	16,725,062
2009	12	5,672,470	4	84,000	1	225,925	17	5,982,395
2008	19	10,103,079	--	--	8	3,603,550	27	13,706,629
2007	25	11,409,199	--	--	3	683,392	28	12,092,591
2006	88	29,267,173	--	--	1	1,000,000	89	30,267,173

¹ July 1, 2015 – January 31, 2016

Source: Building Department, Town of Avon

Land Use Summary

Land Use Category	2004		1989		1979		1968	
	Acres	(%)	Acres	(%)	Acres	(%)	Acres	(%)
Single Family Residences	7,063	48.9	6,167	42.7	4,353	30.1	2,927	20.3
Multi Family Residences.....	710	4.9	650	4.5	321	2.2	16	0.1
Total Rec. Open Space.....	2,604	18.0	1,965	13.6	1,729	12.0	936	6.5
Business	399	2.8	366	2.5	177	1.2	45	0.3
Industry	191	1.4	181	1.3	156	1.1	140	1.0
Agriculture	210	1.4	527	3.6	517	3.6	575	4.0
Churches/Cemeteries.....	135	0.9	133	0.9	102	0.7	102	0.7
Schools, Public and Private.....	823	5.7	131	0.9	131	0.9	114	0.8
Utilities	138	0.9	171	1.2	140	1.0	34	0.2
Convalescent Homes.....	29	0.2	12	0.1	12	0.1	12	0.1
Vacant	2,152	14.9	4,151	28.7	6,816	47.1	9,553	66.0
Total	14,454	100.0	14,454	100.0	14,454	100.0	14,454	100.0

Source: Planning Department, Town of Avon

The Town Plan of Conservation and Development was adopted on May 2, 2006. The Plan of Conservation and Development is required by State Statute (Section 8-23) to be updated every ten years. In accordance with this Statute, an update is currently in progress.

IV. TAX BASE DATA

Assessments

The maintenance of an equitable tax base by locating and appraising all real and personal property within the Town for inclusion on the Grand List is the responsibility of the Assessor's Office. The Grand List represents the total assessed values for all taxable and tax exempt real estate, personal property, and motor vehicles located within the Town as of October 1. Grand List information is used by municipalities to set the mill rate which in turn becomes the basis for the Towns' annual tax levy. Assessments for real property are computed at seventy percent (70%) of the market value at the time of last revaluation, and at 70% of the annual approval of Motor Vehicles by the Office of Policy and Management. Section 12-62 of the Connecticut General Statutes governs real property assessments and provides that Connecticut municipalities must implement a revaluation every five years and, generally, a physical inspection of all real properties every ten years. For the list of October 1, 2014, Avon's net taxable Grand List amounted to \$2,577,798,250. The Town completed a general property revaluation effective October 1, 2013 for the fiscal year 2014 - 2015. The next revaluation is required to be completed on the list of October 1, 2018 for the fiscal year 2019 - 2020. Section 12-62 imposes a penalty on municipalities that fail to effect revaluations as required, with certain exceptions. However, the statute permits the phase-in of a real property assessment increase resulting from a revaluation over a period of up to five years. Any property owner may seek to appeal its assessment by filing a written appeal to a Town's Board of Assessment Appeals. The Board of Assessment Appeals elects to hear such appeals and determines whether adjustments to the Assessor's list relating to assessments under appeal are warranted. Under Connecticut law, taxpayers who are dissatisfied with a decision by a Town's Board of Assessment Appeals may appeal the decision to the Connecticut Superior Court.

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. Upon issuance of a certificate of completion. A physical inspection is then conducted and the structure classified and priced from a schedule developed as of the revaluation. Property depreciation and obsolescence factors are also considered when arriving at an equitable value.

Motor vehicle lists are furnished to municipalities by the State of Connecticut Department of Motor Vehicles. Appraisals of motor vehicles are accomplished in accordance with an automobile price schedule recommended by the State Office of Policy and Management (OPM). OPM has historically recommended the use of the National Dealers Association pricing schedules. Section 12-71b of the Connecticut General Statutes provides that motor vehicles which are registered with the Commissioner of Motor Vehicles after the October 1 assessment date but prior to the following August 1 are subject to property tax as follows: (1) vehicles registered subsequent to November 1 but prior to the following August 1, are subject to a prorated tax based on the period of time from the date of registration until the following October 1; (2) vehicles purchased in August and September are not taxed until the next October 1 grand list. With respect to replacement vehicles (as compared to additional vehicles) Section 12-71b provides for similar prorating of taxes on the new vehicle and a credit with respect to taxes due on the replaced vehicle during the assessment year.

All commercial personal property (furniture, fixtures, equipment, machinery and leased equipment) is revalued annually. An assessor's check and audit is completed periodically. Assessments for both personal property and motor vehicles are computed at seventy percent (70%) of the current fair market value.

Section 12-124a of the Connecticut General Statutes permits a municipality, upon approval by its legislative body, to abate property taxes on owner-occupied residences to the extent that the taxes exceed eight percent of the owner's total income, from any source, adjusted for self-employed persons to reflect expenses allowed in determining adjusted gross income. The owner must agree to pay the amount of taxes abated with interest at 6% per annum, or at such rate approved by the legislative body, at such time that the residence is sold or transferred or on the death of the last surviving owner. A lien for such amounts is recorded in the land records but does not take precedence over any mortgage recorded before the lien. The Town has not approved the use of this property tax abatement provision.

Section 12-170v of the Connecticut General Statutes permits a municipality, upon approval by its legislative body, to freeze the property taxes due for certain low-income elderly residents. Any municipality providing such property tax relief may place a lien upon such property in the amount of total tax relief granted plus interest. The Town has not approved the use of this property tax abatement provision.

Levy

Property taxes are levied on all assessed property on the Grand List of October 1 preceding the beginning of the fiscal year. Real estate tax bills are payable in two installments on July 1 and January 1. Real estate taxes of less than \$50 are due in full in July. Personal property and motor vehicle taxes on the Grand List of October 1 are due in full on July 1; motor vehicle taxes on the supplement to the October 1 Grand List are due in full on January 1. A margin against delinquencies, legal reductions, and Grand List adjustments such as Assessor Certificates of Correction, is provided by adjusting the Grand List when computing anticipated property tax revenue from the current levy. An estimate for delinquent taxes and outstanding interest and lien fees anticipated to be collected during the fiscal year is normally included as a revenue item in the budget. Delinquent taxes are billed monthly with interest charged at the rate of one and one-half percent per month with a minimum charge of \$2. In accordance with State statutes, the oldest outstanding tax is collected first. Outstanding real estate tax accounts are automatically lien-ed 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 deemed uncollectable are transferred to a suspense account after three years at which time they cease to be carried as receivables. Unpaid real estate accounts become uncollectable fifteen years after the due date in accordance with state statutes.

Comparative Assessed Valuations

Grand List as of 10/1	Residential Real Property (%)	Commercial/Industrial Real Property (%)	All Land (%)	Personal Property (%)	Motor Vehicle (%)	Gross Taxable Grand List	Less Exemptions	Net Taxable Grand List	% Change
2014	76.5	12.4	0.1	4.1	6.9	\$2,605,429,680	\$27,631,430	\$2,577,798,250	0.73
2013 ¹	76.6	11.4	1.4	3.8	6.8	2,579,014,630	19,934,100	2,559,080,530	(4.83)
2012	78.3	10.4	1.5	3.5	6.3	2,708,176,170	19,349,550	2,688,826,620	0.78
2011	78.2	10.3	1.6	3.4	6.5	2,689,181,750	21,074,960	2,668,106,790	1.12
2010	78.5	10.4	1.6	3.4	6.1	2,660,104,290	21,487,430	2,638,616,860	0.78
2009	78.6	10.7	1.3	3.6	5.8	2,640,077,270	21,923,610	2,618,153,660	0.48
2008 ¹	79.7	10.7	0.2	3.7	5.7	2,626,776,220	21,001,170	2,605,775,050	15.21
2007	76.4	11.0	1.3	4.3	7.0	2,279,275,160	17,466,950	2,261,808,210	1.56
2006	76.3	11.1	1.3	4.3	7.0	2,248,357,760	21,358,350	2,226,999,410	1.80
2005	76.0	11.6	0.9	4.4	7.1	2,209,565,740	21,970,750	2,187,594,990	2.76

¹ Revaluation

Source: Assessors' Office, Town of Avon

Tax Exempt Property

The following categories of exempt properties are not included in the Grand List.

	Assessed Value 10/1/14 ¹
Public	
Town of Avon.....	\$120,342,420
State of Connecticut.....	16,913,260
Sub-Total Public	137,255,680
Private	
Churches	20,235,240
Parish Houses.....	247,880
Volunteer Fire Companies	325,230
Cemeteries.....	1,853,010
Scientific, Educational, Historical, Charitable	76,726,350
Recreation Facilities.....	3,988,850
Sub-Total Private	103,376,560
Total Exempt	\$240,632,240
Percent Compared to Net Taxable Grand List	9.33%

¹ Net Taxable Grand List 10/1/14: 2,577,798,250

Source: Assessor's Office, Town of Avon

Property Tax Levies and Collections

Grand List of 10/1	Fiscal Year Ending 6/30	Net Taxable Grand List	Mill Rate	Adjusted Tax Levy	Percent Collected in Year Due	Uncollected (Pro Forma)	
						Percent Uncollected in Year Due	Percent Uncollected as of 1/31/16
2014 ¹	2016	\$2,577,798,250	28.80	\$74,590,776	-- In Process	--	12.63
2013 ²	2015	2,559,080,530	28.32	72,652,069	99.81	0.19	0.18
2012	2014	2,688,826,620	26.32	71,181,158	99.83	0.17	Nil
2011	2013	2,668,106,790	25.65	68,686,698	99.89	0.11	Nil
2010	2012	2,638,616,860	25.04	66,261,613	99.72	0.28	Nil
2009	2011	2,618,153,660	24.44	64,184,141	99.74	0.26	Nil
2008 ²	2010	2,605,775,050	23.41	61,073,939	99.90	0.10	Nil
2007	2009	2,261,808,210	26.53	60,286,570	99.92	0.08	Nil
2006	2008	2,226,999,410	25.55	57,350,435	99.99	0.01	Nil
2005	2007	2,187,594,990	24.85	54,780,632	99.88	0.12	Nil
2004	2006	2,128,900,570	24.16	51,864,797	99.90	0.10	Nil

¹ Subject to accrual and final audit.

² Revaluation

Source: Comprehensive Annual Financial Reports, Town of Avon, fiscal years 2006 – 15
Tax Collector and Assessor, Town of Avon, fiscal year ending June 30, 2016

Property Taxes Receivable

Fiscal Year Ending 6/30	Total	Current Year
2015	\$354,735	\$114,962
2014	243,647	167,548
2013	192,456	158,707
2012	230,450	188,704
2011	196,631	167,563

Source: Comprehensive Annual Financial Reports, 2011-2015, Town of Avon

Ten Largest Taxpayers

Name	Nature of Business	Assessed Value	Percent of Net Taxable Grand List ¹
Eversource	Utility	\$ 15,669,800	0.61
GAIA Avon Place LLC.....	Condominiums	15,287,990	0.59
Avon Marketplace Investors	Apartments	14,325,490	0.56
Two Fifty Five West Main LLC.....	Shopping center	14,052,020	0.55
Sixty Four Avonwood Road Associates	Apartments	13,674,330	0.53
Nod Brook LLC	Shopping center	12,482,220	0.48
Ensign-Bickford Realty Corp.	Mixed use	10,754,440	0.42
Toll CT Limited Partnership	Residential subdivision	10,636,210	0.41
Avon Water Company	Utility	9,836,930	0.38
Brightenti Family Wellness Center	Medical office building	9,175,050	0.36
	Total	\$125,894,480	4.88

¹Based on Net Taxable Grand List 10/1/14: \$2,577,798,250

Source: Assessor's Office, Town of Avon

V. FINANCIAL ADMINISTRATION

Financial Reporting

The financial statements of the Town are prepared in conformity with generally accepted accounting principles as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles.

In June 1999, GASB issued Statement 34, *Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments*. The statement established a new reporting model for governments that is substantially different from prior reporting standards. All financial statements for the fiscal year ended June 30, 2003 and thereafter have been prepared using the new model.

Fiscal Year

The Town's fiscal year begins July 1 and ends June 30.

Measurement Focus and Basis of Accounting

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the primary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of 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 are generally 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.

Budget Procedure

The Town Manager, the Finance Department, and Human Resources are responsible for preparing preliminary estimates for the Town budget. The Board of Finance presents the annual budget to the Annual Town Meeting, approves all transfers of appropriations in budget accounts, recommends all issues of bonds or notes, and votes to set the tax rate.

On or before February 15, all department, agency, and commission heads supported in whole or in part by Town funds, including the Chairman of the Board of Education, file expenditure requests and estimated revenue other than tax proceeds with the Town Manager.

On or before March 1, the Town Manager presents to the Town Council a budget consisting of:

1. A written statement outlining the important features of the budget plan;
2. Detailed estimates of revenue by source, itemized receipts collected in the last completed fiscal year, receipts estimated to be collected during the current fiscal year, and estimates of receipts to be collected in the ensuing fiscal year;
3. Estimates for expenditures in detail directed by the Town Council for each office or agency for the last fiscal year and expenditures for the current fiscal year to the time of preparing the estimates, total expenditures as estimated for the current fiscal year, the requests of the several offices and agencies for the ensuing fiscal year, and the Town Manager’s recommendations for the ensuing fiscal year. The Town Manager, at the request of the Town Council, presents reasons for any of his recommendations;
4. Proposed municipal capital improvement projects for the ensuing year and for the next four fiscal years thereafter with a recommendation for current expenditures and a method to finance them.

On or before April 1, the Town Council presents and recommends to the Board of Finance the budget for the ensuing fiscal year with such modifications as it deems appropriate. For the budget proposal of the Board of Education, such alterations or changes are in the form of recommendations.

The Board of Finance performs the following duties with respect to the budget:

1. The Board of Finance holds one or more public hearings not later than three weeks before the annual budget meeting;
2. After such hearings, and after consultation with the Town Council and the Board of Education, the Board of Finance makes such revisions in the budget as it deems desirable and recommends the same revised budget to the Annual Budget Meeting held on the first Monday in May;
3. At least five days prior to the Annual Budget Meeting, the Board of Finance publishes in a newspaper having a general circulation in the Town, a summary of the budget showing estimated revenues by major sources and recommended appropriations by office or agency;
4. The Annual Budget Meeting receives and considers adopting the budget recommended by the Board of Finance. The Annual Budget Meeting is adjourned to a referendum to be held not less than seven nor more than fourteen days thereafter;
5. Within 10 days after approval of the budget at referendum, the Board of Finance fixes the tax rate in mills which is levied on the taxable property in Town for the ensuing fiscal year; up to an additional 2 mills may be levied to fund a Capital and Non-Recurring Expenditure account to pay for capital improvements for which the Town is authorized to issue bonds;
6. If a referendum rejects the budget, within 20 days the Board of Finance consults with the Town Council and the Board of Education, makes any changes it deems appropriate, conducts a public hearing on the rejected budget and any modifications, and recommends a revised budget to the Town Council. The Town Council designates a referendum date not more than 30 days after the vote rejecting the budget. No more than three referenda may be conducted on the budget. More than 9% of the registered voters are required to reject the budget at referendum. Otherwise, the budget is deemed approved regardless of the outcome. If the budget is defeated by three successive referenda, the Town Council sets the budget.

Audit

The Town of Avon, pursuant to the provisions of Chapter 111 of the Connecticut General Statutes (Sec. 7-391 through 397), is required to undergo an annual audit by an independent public accountant. The auditor, appointed by the Board of Finance, is required to conduct the audit under the standards adopted by the Secretary of the Office of Policy and Management by regulation and approved by the Auditor of Public Accounts. For the fiscal year ending June 30, 2015, the books and records of the Town were audited by Blum Shapiro & Company, PC.

Investment Policies

Operating Funds - The Town currently operates under an investment policy which was approved by the Town Council at its November 2, 2000 meeting. In substance, the Town restricts its activities to instruments which provide the greatest safety, liquidity, and yield in that order. US Treasury obligations maturing in less than one year, overnight repurchase agreements, and a US government fund comprise the bulk of the operating investment portfolio. In addition, the Finance Director monitors the risk based capital ratios and collateral requirements (as defined in Connecticut General Statutes Section 36-382) of the qualified public depositories with which the Town does business.

Pension Funds - The Town's pension investments are governed by its *Statement of Investment Policies and Objectives*. The policy details asset mix ranges for the following classes of investments: core equities (40% - 50%), international equities (0% - 10%), small to mid-cap equities "SMIDs" (0% - 10%), fixed income investments (40% - 50%), and cash equivalents (0% - 10%). The overall investment return is expected to exceed the actuarial investment return assumption, the inflation rate as measured by the Consumer Price Index, and the return of a passively managed portfolio. Each portfolio has specific objectives as well. The annualized return of the Enhanced Core Equity portfolio is expected to exceed the return of the S & P 500 Stock Index by 1.5% and rank in the upper 40% of a broad universe of managers working under similar objectives. The annualized return of the Fixed Income portfolio is expected to exceed by 1% the Lehman Brothers Aggregate Note Index and rank in the upper 40% of a broad universe of managers with similar objectives.

Investment guidelines further spell out the parameters under which the plan's active managers must operate. Overall, no more than 5% of total assets can be invested in any one company's securities, and no more than 15% in any one

industry (except for US government securities). In addition, no more than 5% of a corporation's outstanding issues in a given security class may be purchased. Each portfolio has specific guidelines which reflect or further define the general guidelines.

Investment manager performance and compliance with the investment policy is reviewed periodically by a committee of Town officials and a pension consultant.

Post Retirement Medical Benefits Reserve Trust Fund – The Board of Finance may, from time to time, direct the Treasurer of the Town of Avon (the “Treasurer”) to invest such portion of the Reserve Fund as in the Treasurer’s opinion is advisable, provided: (1) not more than forty percent (40%) of the total amount invested shall be invested in equity securities and (2) not less than fifty percent (50%) of the total amount invested shall be invested in United States government obligations, United States agency obligations, United States postal service obligations, certificates of deposit, commercial paper, savings accounts and bank acceptances. The Treasurer may utilize the services of one or more custodians and/or investment managers to assist with respect to the investment of the Reserve Fund.

Pensions

Defined Benefit Plans

The Town of Avon administers two single-employer, contributory, defined benefit pension plans (Town and Board of Education) to provide pension benefits for its police officers, public works employees, management unclassified and classified non-organized employees, dispatch employees and Board of Education employees, except certified personnel who are eligible to participate in the State of Connecticut Teachers’ Retirement System. The police and non-organized portions of the Town plan closed to new entrants effective January 1, 1997, and public works and dispatchers closed to new entrants effective July 1, 1997. All new employees of the above classes become part of the Town’s defined contribution plan. The plans are considered to be part of the Town’s financial reporting entity and, therefore, are included in the Town’s financial reports as pension trust funds. Separate, standalone financial reports are not issued by the pension plans.

The Town of Avon has received from Milliman actuarial valuations prepared as of June 30, 2014 for the Town Retirement Plan and the Board of Education Retirement Plan. The Town anticipates receiving actuarial valuations prepared as of June 30, 2016 for the Town Retirement Plan and the Board of Education Retirement Plan in October 2016 and December 2016, respectively.

The June 30, 2014 actuarial valuations were prepared using the following actuarial assumptions, among others:

	<u>Town Employees Retirement Plan</u>	<u>Board of Education Retirement Plan</u>
Inflation	2.75%	3.00%
Salary Increase	3.50%, including inflation	3.75-7:00%, including inflation
Investment Rate of Return	7.375%	7.50%, net of pension plan investment expense, including inflation
Actuarial Cost Method	Entry Age Normal Cost	Entry Age Normal Cost
Amortization Method	Level percent, Closed	Level percent, Closed
Remaining Amortization Period as of 06-30-2015	13 Years	13 Years

Schedule of Funding Progress:

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL)	Funding Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll ¹
<u>Town</u>						
7/1/2010	\$ 18,850,238	\$ 39,782,064	\$ 20,931,826	47.4%	\$ 1,954,201	1,071.1%
7/1/2011	17,569,392	39,674,301	22,104,909	44.3%	1,540,675	1,434.8%
7/1/2012	16,337,932	40,387,075	24,049,143	40.5%	1,528,161	1,573.7%
7/1/2013	15,652,480	41,183,864	25,531,384	38.0%	1,244,618	2,051.3%
7/1/2014	16,497,771	41,928,462	25,430,691	39.3%	1,146,084	2,218.9%
7/1/2015	17,307,751	41,966,346	24,658,595	41.2%	1,008,320	2,445.5%
<u>Board of Ed.</u>						
7/1/2010	\$ 3,994,222	\$ 5,346,008	\$ 1,351,786	74.7%	\$ 3,880,490	34.8%
7/1/2011	4,428,951	5,708,745	1,279,794	77.6%	4,041,241	31.7%
7/1/2012	4,987,111	7,105,640	2,118,529	70.2%	4,234,029	50.0%
7/1/2013	5,673,965	7,819,165	2,145,200	72.6%	4,580,259	46.8%
7/1/2014	6,619,120	8,405,279	1,786,159	78.7%	4,872,609	36.7%
7/1/2015	7,629,852	9,429,173	1,799,321	80.9%	4,459,116	40.4%

¹ Per GASB standards relative to pension, this indicator is required to be calculated and disclosed. With GASB 67 and 68 reporting requirements, the percentage has grown larger, which could be misleading without knowledge of the background. The Town's plan is closed, currently with only 11 active individuals and 83 individuals collecting benefits. The covered payroll amounts will continue to decrease as individuals retire, eventually coming to zero, thus causing the UAAL as a Percentage of Covered Payroll to increase over that same time period (estimating more than 10 years), until the final active individual retires, at which point the percentage will no longer be applicable.

Schedule of Employer Contributions:

Year Ended	Annual Required Contribution	Actual Contribution	Percentage Contributed
<u>Town</u>			
6/30/2010	\$ 1,758,507	\$ 1,758,507	62.26%
6/30/2011	1,966,862	1,966,862	79.25%
6/30/2012	2,030,829	2,030,829	103.92%
6/30/2013	2,119,020	2,119,020	137.54%
6/30/2014	2,367,723	2,367,723	154.94%
6/30/2015	2,611,489	2,611,489	209.82%
6/30/2016 ¹	2,718,922	2,718,922	TBD
<u>Board of Ed</u>			
6/30/2010	\$ 210,811	\$ 210,811	6.05%
6/30/2011	283,245	283,000	7.54%
6/30/2012	318,093	318,093	8.20%
6/30/2013	330,426	480,000	11.88%
6/30/2014	480,771	507,738	11.99%
6/30/2015	506,967	506,967	11.07%
6/30/2016 ¹	504,392	508,433	TBD

¹ Budgeted. Figure provided by actuary and auditor at close of fiscal year.

GASB 67 Disclosure

Governmental Accounting Standards Board Statement No. 67 ("GASB 67") requires a determination of the Total Pension Liability ("TPL") for a plan using the Entry Age Normal actuarial funding method. The Net Pension Liability ("NPL") is then set equal to the TPL minus the plan's Fiduciary Net Position ("FNP") which, generally, is the market value of assets in the plan as of the measurement date. Among the assumptions needed for the liability calculation is a Single Equivalent Interest Rate ("SEIR"). To determine the SEIR, the FNP must be projected into the future for as long as there are anticipated benefits payable to the membership and beneficiaries of the system on the measurement date. If the FNP of the plan is not expected to be depleted at any point in the future, the plan may use its long-term expected rate of return as the SEIR. If, on the other hand, the FNP of the plan is expected to be depleted, then the SEIR is the single rate of interest that will generate a present value of benefits equal to the sum of

(i) the present value of all benefits through the date of depletion at a discount rate equal to the long-term expected rate of return, plus (ii) the present value of benefits after the date of depletion discounted at a rate based on 20-year, tax-exempt, general obligation municipal bonds, with an average credit rating of AA/Aa or higher.

The Town of Avon has received from Milliman reports prepared as of June 30, 2015 containing information to assist the Town in meeting the requirements of GASB 67. This reports indicated the following results as of June 30, 2015 in accordance with GASB 67:

	Town Employees Retirement Plan	Board of Education Retirement Plan
Total Pension Liability	\$41,627,700	\$9,329,316
Fiduciary Net Position	\$17,415,058	\$7,614,223
Net Pension Liability	\$24,212,642	\$1,715,093
Ratio of Fiduciary Net Position to Total Pension Liability	41.84%	81.62%

The report for the Town Employees Retirement Plan as of June 30, 2015 used its long term investment rate of 7.375% as the SEIR since the results currently indicate that the FNP will not be depleted at any point in the future. GASB 67 also requires sensitivity calculations based on a SEIR 1% in excess and 1% less than the SEIR used, which would decrease the NPL to \$21,080,916, or increase the NPL to \$27,832,731, respectively.

The report for the Board of Education Retirement Plan as of June 30, 2015 used its long term investment rate of 7.50% as the SEIR since the results currently indicate that the FNP will not be depleted at any point in the future. GASB 67 also requires sensitivity calculations based on a SEIR 1% in excess and 1% less than the SEIR used, which would decrease the NPL to \$707,968, or increase the NPL to \$2,736,896, respectively.

Defined Contribution Plans

The Town maintains two single-employer, defined contribution pension plans, the Avon 401(a) Management Money Purchase Plan and the Avon 401(a) Full-Time Employees' Plan. Both plans are administered by the International City/County Management Association (ICMA). The Town is required to contribute 2.5% of compensation for the Management Money Purchase Plan participants and 7.5% for the Full-Time Employees' Plan participants. In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. The Management Plan covers Town management employees hired prior to July 1, 1997, and the Full-Time Employees' Plan covers regular, full-time employees hired after July 1, 1997.

The total Town contributions for the Management Money Purchase Plan and Full-Time Employees' Plan during the year ended June 30, 2015 were \$13,915 and \$602,724, respectively. Members of the Management Money Purchase Plan are required to contribute 2.5% of their annual earnings, and members of the Full-Time Employees' Plan are required to contribute 7.5% of their annual earnings. The employees' contributions to each plan were \$13,915 and \$602,724, respectively.

Teachers' Retirement Plan

Teachers, principals, superintendents or supervisors engaged in service of public schools are provided with pensions through the Connecticut State Teachers' Retirement System, a cost sharing multiple employer defined benefit pension plan administered by the Teachers Retirement Board. Chapter 167a of the State Statutes grants authority to establish and amend the benefit terms to the Teachers Retirement Board. The Teachers Retirement Board issues a publicly available financial report that can be obtained at www.ct.gov. School District employers are not required to make contributions to the plan. Effective July 1, 1992, each teacher is required to contribute 6% of salary for the pension benefit. The Town is not required nor obligated to make contributions to the plan.

See Note 4, Employee Retirement Plans, in the Notes to Financial Statements for the fiscal year ended June 30, 2015 in Appendix A herein.

Post Retirement Medical Benefits (OPEB)

The OPEB is a single-employer defined benefit healthcare plan administered by the Town of Avon. The OPEB provides medical and dental benefits to eligible retirees and their spouses. All employees of the Town are eligible to participate in the plan. Benefit provisions are established through negotiations between the Town and the various unions representing the employees.

At the Town Council meeting of June 4, 2009, approval was sought and received to set up a trust fund for other post employment benefits which would allow the Town to invest more aggressively for this liability. The pension investment advisor will make recommendations as to how the money is invested. The pension benefit investment advisor builds strategic targets and allocations based upon the actuarial demographics. The Pension Investment

Advisory Committee reviews the recommendation before approval and implementation. The Retiree Medical Benefits Reserve Fund (the “Reserve Fund” or “Fund”) will continue to exist until exhausted with a portion transferred to the trust fund on an annual basis to supplement the budgeted amount. The plan is to phase-in over a period of seven years starting in fiscal year 2009/2010 increasing the contribution so that in the final year of the phase-in, fiscal year 2015/2016, the full amount of the annual required contribution would be met.

The Reserve Fund provides for the funding of retiree health benefits and related expenses that are incurred by the Town pursuant to authority granted under Section 7-403a of the Connecticut General Statutes. The Reserve Fund was created by a majority vote of the Town Council upon recommendation of the Town Manager and following approval by the Board of Finance. On January 1, 2011, the Town Council adopted a comprehensive OPEB policy which is on file with the Town Clerk’s office. Upon recommendation of the Town Manager and the Board of Finance and approval by the Town Council, principal and income from the Reserve Fund may be used and appropriated to pay only for retiree health benefit costs, and any expenses related thereto, including without limitation, direct administrative, actuarial, and investment management costs, incurred by the Town. Income generated by the Fund in excess of the liability and costs incurred by the Town in administering the Fund may not be used to pay for expanded medical benefits or to reduce retirees’ shares of medical expenses unless authorized by the Town Council.

The Reserve Fund is funded from any or all of the following sources: (1) amounts authorized to be transferred thereto from the general fund cash surplus available at the end of any fiscal year, or (2) amounts raised by the annual levy of a tax for the benefit of such Fund, and for no other purpose, provided such tax shall be levied and collected in the same manner and at the same time as the regular annual taxes of the Town of Avon. Any amounts authorized to be transferred hereunder shall be determined by the Town Council with reference to the recommendations of the actuary as set forth in the actuarial report provided to the Town of Avon. As of June 30, 2015, the Town has 65 retired members, 44 spouses of retired members, and 67 active plan members for a total of 176. The Board of Education has 33 retired members, 23 spouses of retired members, and 392 active plan members for a total of 448.

For the year ended June 30, 2015, plan members contributed \$-0-. The Town is required to contribute the balance of the current premium cost and may contribute an additional amount as determined by the Town in order to prefund benefits. Employer contributions to the plan of \$2,435,000 were made in accordance with actuarially determined requirements, including \$850,000 to fund future benefits. The Town has assigned a portion of the general fund balance to fund these benefits in the future. Net position available for future benefits at June 30, 2015 was \$799,785. The Town plans on transferring these monies into the OPEB Trust Fund in the future.

The Town of Avon has received from Milliman actuarial valuations prepared as of June 30, 2014 for the Town OPEB Plan and the Board of Education OPEB Plan. The Town anticipates receiving actuarial valuations prepared as of June 30, 2016 for the Town OPEB Plan and the Board of Education OPEB Plan in May 2017.

The June 30, 2014 actuarial valuations were prepared using the following actuarial assumptions, among others:

Inflation	2.70%
Salary Increase	3.50%
Healthcare Cost Trend	Ultimate rate of 4.6–4.7%
Investment Rate of Return	7.375%
Actuarial Cost Method	Projected Unit Credit
Amortization Method	Level percentage of projected payroll on a closed basis
Remaining Amortization Period as of 06-30-2015	23 Years

Schedule of Funding Progress:

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL)	Funding Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
<u>Town</u>						
7/1/2010	\$ 893,000	\$17,238,000	\$16,345,000	5.18%	N/A	N/A
7/1/2012	1,686,000	20,190,000	18,504,000	8.35%	N/A	N/A
7/1/2014	3,268,899	23,249,432	19,980,533	14.06%	\$4,848,188	(412.12%)
<u>Board of Ed.</u>						
7/1/2010	--	6,844,000	6,844,000	0.00%	N/A	N/A
7/1/2012	54,000	7,097,000	7,043,000	0.76%	25,533,000	(27.58%)
7/1/2014	122,172	7,411,679	7,289,507	1.65%	27,317,927	(26.6%8)

Schedule of Employer Contributions:

Year Ended	Annual Required Contribution	Actual Contribution	Percentage Contributed
<u>Town</u>			
6/30/2010	\$1,294,000	\$ 863,000	66.7%
6/30/2011	1,389,000	1,040,000	74.9%
6/30/2012	1,617,000	1,142,000	70.6%
6/30/2013	1,715,000	1,545,000	90.1%
6/30/2014	2,915,000	1,712,000	89.4%
6/30/2015	2,007,000	1,895,000	94.4%
6/30/2016 ¹	2,169,173	TBD	TBD
<u>Board of Ed</u>			
6/30/2010	1,093,000	664,000	60.8%
6/30/2011	825,000	714,000	86.5%
6/30/2012	854,000	607,000	71.1%
6/30/2013	913,000	601,000	65.8%
6/30/2014	935,000	507,000	54.2%
6/30/2015	1,016,000	540,000	53.1%
6/30/2016 ¹	974,866	TBD	TBD

¹ Budgeted. Figure provided by actuary and auditor at close of fiscal year

See Note 5, Postemployment Healthcare Plan – Other Post Employment Benefits Program, in the Notes to Financial Statements for the fiscal year ended June 30, 2015 in Appendix A herein.

Fund Balance

The Town has acted to establish policies regarding Fund Balance. On December 6, 2001, the following policy was adopted by the Town Council: “That the Town of Avon establish, as a goal, a 10% Unreserved Undesignated General Fund Balance”.

At its December, 2006 meeting, the Board of Finance adopted the following policy:

1. Any use of surplus should only be considered by the Board of Finance after a showing of substantial support for such use by the requesting authority (including the Town Council and the Board of Education). The Board of Finance shall exercise its discretion in finding whether or not there has been the requisite “substantial support” for such request. Demonstration of “substantial support” alone shall not be a sufficient basis to approve such request. The following additional criteria must also be met.
2. Approval of any request for the use of surplus shall only be given upon a finding by the Board of Finance that such use will meet an extraordinary need or unusual opportunity, which need or opportunity must be timely met. Such need or opportunity must have characteristics demonstrating real and immediate circumstances which compels the extraordinary measure of using surplus. The proponent of such use must demonstrate, and the Board of Finance must find, that such use will result in a tangible and significant benefit to the Town, which benefit outweighs the extraordinary process of utilizing surplus funds.

General Fund Balance Sheet

Five Year Summary of Actual Assets, Liabilities, and Fund Equity

	Actual 6/30/2015	Actual 6/30/2014	Actual 6/30/2013	Actual 6/30/2012	Actual 6/30/2011
ASSETS					
Cash and Cash Equivalents.....	\$31,430,424	\$30,860,201	\$25,113,015	\$20,836,904	\$20,774,034
Investments.....	1,346,232	1,311,312	1,217,064	865,482	1,075,571
Receivables (net).....	359,506	315,983	360,187	2,410,312	190,969
Due from other funds.....	170,010	99,203	106,473	124,764	133,830
Other.....	27,237	5,157	7,406	190,147	133,724
Total Assets	\$33,333,409	\$32,591,856	\$26,804,145	\$24,427,609	\$22,308,128
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES					
Liabilities					
Cash overdraft.....	--	--	--	--	\$ 12,115
Accounts payable.....	\$ 1,593,874	\$ 1,474,754	\$ 1,462,993	\$ 1,453,388	762,512
Accrued liabilities.....	450,621	--	354,978	433,688	286,448
Due to other funds.....	14,078,551	363,575	10,166,706	8,590,087	12,636,337
Unearned revenue.....	9,057	11,932,192	3,957,617	4,753,028	560,462
Other liabilities	--	90,831	154,678	78,178	45,000
Total Liabilities	16,132,103	13,861,352	16,096,972	15,308,369	14,302,874
Deferred Inflows of Resources					
Unavailable revenue – property taxes	228,445	150,841	--	--	--
Unavailable revenue – special assessments	--	--	--	--	--
Unavailable revenue – school bldg. P&I	68,070	68,070	--	--	--
Advance property tax collections.....	5,823,823	5,654,576	--	--	--
Advance sewer collections.....	--	--	--	--	--
Total deferred inflows of resources	6,120,338	5,873,487	--	--	--
Fund Balances					
Nonspendable.....	27,237	5,157	7,406	190,147	133,724
Restricted	--	--	--	--	--
Committed	--	--	--	--	--
Assigned.....	3,050,722	4,164,774	2,664,114	2,318,586	1,786,555
Unassigned	8,003,009	8,687,086	8,035,653	6,610,507	6,084,975
Total Fund Balances	11,080,968	12,857,017	10,707,173	9,119,240	8,005,254
TOTAL LIABILITIES AND FUND BALANCES	\$33,333,409	\$32,591,856	\$26,804,145	\$24,427,609	\$22,308,128

General Fund Revenues and Expenditures¹
Five Year Summary of Audited Revenues and Expenditures
and Current Year Adopted Budget

	Budget 2015-2016	Actual 6/30/15	Actual 6/30/14	Actual 6/30/13	Actual 6/30/12	Actual 6/30/11
REVENUES:						
Property Taxes	\$74,425,660	\$72,702,548	\$71,328,459	\$68,836,758	\$66,477,970	\$64,340,735
Intergovernmental.....	3,447,802	9,442,455	10,344,758	8,450,231	10,519,982	5,710,137
Charges for Services.....	--	2,654,210	2,666,035	3,116,720	--	--
Investment Income.....	--	87,036	135,483	130,767	--	--
Other Local Revenues	2,838,165	378,392	434,565	219,568	2,570,128	3,083,510
Total Revenues	<u>80,711,627</u>	<u>85,264,641</u>	<u>84,909,300</u>	<u>80,754,044</u>	<u>79,568,080</u>	<u>73,134,382</u>
EXPENDITURES:						
General Government.....	3,096,390	2,976,971	3,232,142	3,065,952	3,118,441	3,039,974
Public Safety	9,691,107	9,533,701	8,891,570	8,672,308	8,508,185	7,839,706
Public Works	5,469,394	5,235,745	4,785,662	4,303,899	6,543,749	3,768,746
Health and Social Services	483,568	502,740	486,497	453,173	434,439	427,990
Recreation and Parks	795,407	770,618	823,770	862,410	853,596	825,565
Education and Culture - Library.....	1,503,905	1,479,743	1,402,014	1,455,561	1,392,328	1,376,613
Conservation and Development	636,900	613,764	602,191	559,185	550,396	524,858
Miscellaneous	338,814	333,033	298,811	451,039	232,806	257,016
Total Town Council.....	<u>22,015,485</u>	<u>21,446,315</u>	<u>20,522,657</u>	<u>19,823,527</u>	<u>21,663,940</u>	<u>18,060,468</u>
Board of Education.....	52,797,999	58,148,061	56,632,683	53,396,764	51,292,289	46,977,726
Debt Service.....	3,300,940	3,647,488	3,858,788	4,437,321	4,658,237	4,776,412
Total Expenditures.....	<u>78,114,424</u>	<u>83,241,864</u>	<u>81,014,128</u>	<u>77,657,612</u>	<u>77,584,466</u>	<u>69,814,606</u>
Excess (Deficiency) of Revenues over Expenditures	<u>2,597,203</u>	<u>2,022,777</u>	<u>3,895,172</u>	<u>3,096,432</u>	<u>1,983,614</u>	<u>3,319,776</u>
Other Financing Sources (Uses):						
Proceeds from Sale of Capital Assets.....	--	--	--	--	--	--
Capital lease issuance	--	155,863	354,201	--	--	--
Capital Projects Funds	(2,597,203)	--	--	--	--	(818,177)
FEMA Reimbursement.....	--	--	--	--	--	--
Operating Transfers In.....	--	39,308	2,156	--	33,432	--
Operating Transfers Out	--	(3,993,997)	(210,168)	(1,508,499)	(903,060)	(736,975)
Net Other Financing Sources (Uses).....	<u>--</u>	<u>(3,798,826)</u>	<u>(1,745,328)</u>	<u>(1,508,499)</u>	<u>(869,628)</u>	<u>(1,555,152)</u>
Net Change in Fund Balances	--	(1,776,049)	2,149,844	1,587,933	1,113,986	1,764,624
Fund Balance Beginning of Year	--	12,857,017	10,707,173	9,119,240	8,005,254	6,240,630
Fund Balance End of Year	--	<u>\$11,080,968</u>	<u>\$12,857,017</u>	<u>\$10,707,173</u>	<u>\$ 9,119,240</u>	<u>\$ 8,005,254</u>

¹ GAAP basis, except budget 2015-2016.

**CAPITAL IMPROVEMENT PROGRAM
2016 - 2020 PROJECT SUMMARY**

	*Source of Funds	Total Cost	FY 16 **	FY 17	FY 18	FY 19	FY 20	5 Year Cost
I. GENERAL GOVERNMENT								
A. Vault Expansion	1,2	411,600	411,600	--	--	--	--	411,600
B. Building #1 Renovations	1,2,3	1,030,000	--	100,000	930,000	--	--	1,030,000
C. APD Radio System	1	60,000	60,000	--	--	--	--	60,000
D. APD Expansion of EOC	1	50,000	50,000	--	--	--	--	50,000
TOTAL GENERAL GOV.		1,551,600	521,600	100,000	930,000	--	--	1,551,600
II. PUBLIC SAFETY								
A. FIRE DEPARTMENT								
1. Capital Equipment								
(a) Fire Apparatus Replacement	1	2,250,000	450,000	450,000	450,000	450,000	450,000	2,250,000
(b) NW Fire Station	1,2	5,130,000	50,000	430,000	850,000	2,500,000	1,300,000	5,130,000
(c) Fire Station Facility Improvements	1	100,000	50,000	50,000	--	--	--	100,000
(d) Water Supply Installation & Upgrades	1	105,000	25,000	40,000	40,000	--	--	105,000
(e) Self-Contained Breathing Apparatus	1	730,000	--	--	--	365,000	365,000	730,000
TOTAL PUBLIC SAFETY		8,315,000	575,000	970,000	1,340,000	3,315,000	2,115,000	8,315,000
III. PUBLIC WORKS								
A. HIGHWAY DIVISION								
1. Facilities Improvement								
(a) Pavement Mngt. Program	1	7,012,234	1,412,234	1,400,000	1,400,000	1,400,000	1,400,000	7,012,234
(b) Municipal Parking Lot Improvements	1	987,000	100,000	310,000	250,000	165,000	162,000	987,000
(c) Secret Lake Road Improvements	1	226,403	77,000	63,000	41,403	45,000	--	226,403
(d) Fire Company 1 Building Improvements	1	42,500	42,500	--	--	--	--	42,500
(e) Old Farms Road Improvements	1	336,000	336,000	--	--	--	--	336,000
(f) Underground Fuel Storage Rpl.	1	100,000	100,000	--	--	--	--	100,000
(g) Replace Boiler Plant at Fire Co. #1	1	55,000	55,000	--	--	--	--	55,000
(h) Refurbish Metal Roofs, Bldgs. 1 & 2	1	75,000	75,000	--	--	--	--	75,000
(i) Patrol Building Improvements	1	225,000	225,000	--	--	--	--	225,000
(j) Infrastructure Security Improvements	1	350,000	75,000	75,000	75,000	75,000	50,000	350,000
(k) Sidewalk Improvement Plan	1	250,000	50,000	50,000	50,000	50,000	50,000	250,000
(l) Exhaust Extraction Sys. Fire Co. #3	1	45,000	45,000	--	--	--	--	45,000
(m) Town Wide Phone System Upgrade	1	100,000	100,000	--	--	--	--	100,000
TOTAL FACILITIES		9,804,137	2,692,734	1,898,000	1,816,403	1,735,000	1,662,000	9,804,137
2. Capital Equipment - Heavy Duty Dump Trucks	1	1,000,000	400,000	200,000	200,000	200,000	--	1,000,000
TOTAL EQUIPMENT		1,000,000	400,000	200,000	200,000	200,000	-	1,000,000
TOTAL HIGHWAY DIVISION		10,804,137	3,092,734	2,098,000	2,016,403	1,935,000	1,662,000	10,804,137
B. BUILDINGS & GROUNDS - Vehicles	1	246,000	186,000	60,000	--	--	--	246,000
TOTAL BLDG. & GROUND DEPT		246,000	186,000	60,000	--	--	--	246,000
C. ENGINEERING DIVISION								
1. Pub. Facility Improv.								
(a) Drainage & Roadway Improvements - Ciderbrook and Chidsey	1	630,000	20,000	250,000	--	10,000	350,000	630,000
(b) Reconstructn of Old Farms/Thompson Rd.	1,4,5,7	75,000	15,000	15,000	15,000	15,000	15,000	75,000
(c) Town Wide Aerial Mapping	1,7,8	220,000	95,000	125,000	--	--	--	220,000
(d) Farmington Interceptor Replacement	8	445,000	220,000	225,000	--	--	--	445,000
(e) Lateral Extension Program	6,8	2,519,000	657,000	882,000	395,000	165,000	420,000	2,519,000
(f) I&I Rehabilitation	4,8	820,000	100,000	405,000	105,000	105,000	105,000	820,000
(g) Rt. 44 Pump Station Rehabilitation	8	420,000	--	65,000	355,000	--	--	420,000
(h) Rpl. of Old Farms Bridge over Farmington River including Old Farms Road from Tillotson to Rt. 10	1	200,000	--	100,000	100,000	--	--	200,000
(i) Install Box Culvert - Tillotson Road	1	250,000	--	250,000	--	--	--	250,000
(j) Old Wheeler Ln Bridge over Roaring Brk	1,5	750,000	--	750,000	--	--	--	750,000
(k) Storm Drainage Secret Lake area roads	1	1,330,000	--	--	30,000	1,300,000	--	1,330,000
(l) Project to Drain and Dredge Secret Lake	1	50,000	--	--	--	25,000	25,000	50,000
(m) Raise portion of Secret Lake Road	1	335,000	--	--	--	305,000	305,000	335,000
(n) Road Impr. Arch/Darling Dr. Connectr	1	180,000	--	--	--	--	180,000	180,000
(o) Install Box Culvert - Thompson Road	1	235,000	--	--	--	--	235,000	235,000
TOTAL ENGINEERING		8,459,000	1,107,000	3,067,000	1,000,000	1,650,000	1,635,000	8,459,000
TOTAL PUBLIC WORKS		19,509,137	4,385,734	5,225,000	3,016,403	3,585,000	3,297,000	19,509,137

**CAPITAL IMPROVEMENT PROGRAM
2016 - 2020 PROJECT SUMMARY
(concluded)**

		*Source						
	of Funds	Total Cost	FY 16 **	FY 17	FY 18	FY 19	FY 20	5 Year Cost
IV. HEALTH & SOCIAL SERVICE								
	1	55,000	--	--	--	--	55,000	55,000
TOTAL HEALTH		55,000	--	--	--	--	55,000	55,000
V. RECREATION & PARKS								
A. FACILITIES IMPROVEMENTS								
	1,2,4,5,7	5,700,000	5,700,000	--	--	--	--	5,700,000
	1	195,400	170,400	--	--	25,000	--	195,400
	1,4,5,6,7	1,450,248	--	1,450,248	--	--	--	1,450,248
	1,4,5,7	160,000	--	160,000	--	--	--	160,000
	1,4,5,6,7	75,000	--	75,000	--	--	--	75,000
	1	27,000	--	27,000	--	--	--	27,000
	1	100,000	--	--	100,000	--	--	100,000
	1,4,5,7	100,000	--	--	--	100,000	--	100,000
TOTAL RECREATION		7,807,648	5,870,400	1,712,248	100,000	125,000	--	7,807,648
TOTAL TOWN		37,238,385	11,352,734	8,007,247	5,386,403	7,025,000	5,467,000	37,238,385
VI. BOARD OF EDUCATION								
A. EQUIPMENT - Vehicles								
	1	208,500	71,000	27,500	55,000	55,000	--	208,500
TOTAL BOE EQUIPMENT		208,500	71,000	27,500	55,000	55,000	--	208,500
B. PUBLIC BLDG. IMPROVEMENTS								
	1	657,000	429,000	228,000	--	--	--	657,000
	1	140,000	140,000	--	--	--	--	140,000
	1	85,000	85,000	--	--	--	--	85,000
	1	50,000	50,000	--	--	--	--	50,000
	1	380,000	190,000	190,000	--	--	--	380,000
	1	15,000	15,000	--	--	--	--	15,000
	1	110,000	110,000	--	--	--	--	110,000
	1	130,000	130,000	--	--	--	--	130,000
	1	236,000	236,000	--	--	--	--	236,000
	1	158,500	158,500	--	--	--	--	158,500
	1	25,000	25,000	--	--	--	--	25,000
	1	50,000	50,000	--	--	--	--	50,000
	1	80,000	--	80,000	--	--	--	80,000
	1	20,000	--	20,000	--	--	--	20,000
	1	313,000	--	313,000	--	--	--	313,000
	1	570,000	--	570,000	--	--	--	570,000
	1	229,000	--	229,000	--	--	--	229,000
	1	37,000	--	37,000	--	--	--	37,000
	1	30,000	--	30,000	--	--	--	30,000
	1	626,000	--	626,000	--	--	--	626,000
	1	154,500	--	154,500	--	--	--	154,500
	1	1,000,000	--	--	500,000	500,000	--	1,000,000
	1	276,000	--	--	--	276,000	--	276,000
	1	1,875,000	--	--	--	937,500	937,500	1,875,000
SUBTOTAL BOE FACILITIES		7,247,000	1,618,500	2,477,500	500,000	1,713,500	937,500	7,247,000
TOTAL BOARD OF EDUCATION		7,455,500	1,689,500	2,505,000	555,000	1,768,500	937,500	7,455,500
TOTAL TOWN AND BOE		44,693,885	13,042,234	10,512,247	5,941,403	8,793,500	6,404,500	44,693,885

* SOURCE OF FUNDS:

- | | | |
|----------------------|-------------------------|----------------|
| (1) General Revenues | (5) Federal Aid | (a) Facilities |
| (2) Long Term Bonds | (6) Special Assessments | (b) Equipment |
| (3) Short Term Notes | (7) Other | (c) CNREF |
| (4) State Aid | (8) Sewers | |

FISCAL YEAR 2015/2016		
CAPITAL BUDGET PROJECTS		
Account 485.01 CIP Facilities		
TOWN:		
Road Improvements		\$ 376,772
Lateral Extension Program*		\$ 500,000
Farmington Interceptor Replacement*		\$ 220,000
Sycamore Hills Improvements & Restoration		\$ 170,400
Underground Fuel Storage Tank Replacement		\$ 100,000
Infiltration & Inflow Study*		\$ 100,000
Infrastructure Security Improvements		\$ 75,000
Town Wide Phone System Upgrade		\$ 75,000
Secret Lake Road Improvements		\$ 70,000
Buckingham Park Batting Cage/Dugouts		\$ 27,000
Drainage & Road Improvements - Cider Brook and Chidsey Roads		\$ 20,000
TOTAL TOWN		\$ 1,734,172
BOARD OF EDUCATION:		
AMS Science Labs		\$ 429,000
RBS HVAC Units		\$ 190,000
AHS Flooring Replacement		\$ 140,000
PGS Flooring Replacement		\$ 85,000
AHS Entrance Repair		\$ 50,000
Upgrade Voicemail to Fiber Optics		\$ 50,000
TOTAL BOE		\$ 944,000
TOTAL		\$ 2,678,172
Account 485.03 CIP Equipment		
Town:		
Equipment Replacement Fund:		
Fire Apparatus Replacement		\$ 493,000
Rpl. 1994 Dump Truck #5AV		\$ 200,000
Rpl. 1992 Bobcat Skid Steer w/Trailer		\$ 100,000
Police Department Radio System		\$ 60,000
TOTAL TOWN		\$ 853,000
BOARD OF EDUCATION:		
TOTAL BOE		\$ -
TOTAL		\$ 853,000
Account 493 Capital & Nonrecurring Exp.		
Town:		
TOTAL TOWN		\$ -
BOARD OF EDUCATION:		
TOTAL BOE		\$ -
TOTAL		\$ -
TOTAL CASH CIP		\$ 3,531,172
Account 491 Bond & Notes		
Existing General Fund Debt		\$ 3,300,940
Sewer Debt		\$ -
TOTAL DEBT:		\$ 3,300,940
TOTAL CAPITAL PROGRAM		\$ 6,832,112

* Paid from Fund 05 - Sewer Operation & Maintenance Fund, does not affect tax rate.

NOTE: Fund Balance Assigned to Capital Reserve in the General Fund in the amount of \$27,000 is budgeted to partially fund the proposed 2015/2016 Capital Budget

VI. DEBT SUMMARY

Principal Amount of Indebtedness

As of March 15, 2016

(Pro Forma)

Long-Term Debt

<u>Dated Date</u>	<u>Purpose</u> ¹	<u>Rate %</u>	<u>Original Issue</u>	<u>Debt Outstanding (Pro Forma)</u>	<u>Date of Fiscal Year Maturity</u>
7/15/02	School	3.00-5.00	\$14,245,000	\$ 918,000	2016
7/15/02	General Purpose	3.00-5.00	1,295,000	82,000	2016
10/15/09	School	2.00-3.25	25,590,000	6,820,000	2020
10/15/09	General Purpose	2.00-3.25	2,295,000	595,000	2020
10/30/12	General Purpose	2.00	7,100,000	6,150,000	2028
			<u>50,525,000</u>	<u>14,565,000</u>	
<u>This Issue</u>					
3/15/16	School – Refunding	2.00-4.00	10,436,000	10,436,000	2027
3/16/16	General Purpose – Refunding	2.00-4.00	964,000	964,000	2027
			<u>11,400,000</u>	<u>11,400,000</u>	
	Total Bonds		<u>\$61,925,000</u>	<u>\$25,965,000</u>	

¹ Excludes Refunded Bonds

Short-Term Debt

None

Other Long-Term Commitments

Leases

The Town has entered into a lease agreement as lessee for financing the acquisition of certain computer equipment. The lease qualifies as a capital lease for accounting purposes and, therefore, has been recorded at the present value of its future minimum lease payments as of the inception date. The assets acquired through the capital lease are as follows:

	<u>Governmental Activities</u>
Equipment	\$519,573
Less accumulated depreciation	(233,682)
Net Book Value	<u>\$285,891</u>

The future minimum lease obligation and the net present value of the minimum lease payments as of June 30, 2015 were as follows:

<u>Year Ending June 30</u>	<u>Governmental Activities</u>
2016	\$165,501
2017	41,343
2018	41,343
Less amount for interest	(15,703)
Minimum lease Payments	<u>\$232,484</u>

Annual Bonded Debt Maturity Schedule

As of March 15, 2016

(Pro Forma)

Fiscal Year Ending 6/30	Principal ²	Interest	Total	Pro Forma	
				This Issue	Cumulative Percent Principal Retired
2016 ¹	\$ 1,350,000	\$ 402,768	\$ 1,752,768	\$ 140,000	5.74
2017	2,365,000	310,100	2,675,100	--	14.85
2018	2,220,000	244,200	2,464,200	--	23.40
2019	2,220,000	181,100	2,401,100	--	31.95
2020	2,235,000	119,275	2,354,275	--	40.55
2021	525,000	83,500	608,500	1,600,000	48.74
2022	525,000	73,000	598,000	1,595,000	56.90
2023	525,000	62,500	587,500	1,590,000	65.05
2024	525,000	52,000	577,000	1,595,000	73.21
2025	525,000	41,500	566,500	1,595,000	81.38
2026	525,000	31,000	556,000	1,635,000	89.70
2027	525,000	20,500	545,500	1,650,000	98.07
2028	500,000	10,000	510,000	--	100.00
Total	\$14,565,000	\$1,631,443	\$16,196,443	\$11,400,000	

¹ Excludes \$1,420,000 of principal and \$378,168 of interest due and paid in fiscal year 2016.

² Excludes Refunded Bonds

Overlapping/Underlying Debt

The following table of jurisdictions with boundaries overlapping or underlying Town boundaries is based upon information received by the Town from sources specified below. The table does not reflect authorized but unissued indebtedness of those jurisdictions. Avon has not assumed responsibility to verify this information.

Overlapping Debt

The Town of Avon has no overlapping debt.

Underlying Debt

The below-listed Special Tax Districts coterminous with or within the Town may issue their own tax-exempt debt. Such indebtedness, if any, represents underlying debt to the Town of Avon.

Special Tax Districts	Outstanding Debt As of March 15, 2016
Farmington Woods Tax District	None
Hunter's Run Tax District	None
Pond Place Tax District	None
Secret Lake Association, Inc.	None

Farmington Woods Tax District lies within both the Towns of Avon and Farmington. As of the 10/1/14 assessment date, \$138,326,060 of the District's net taxable property was located in Avon and \$22,676,180 in Farmington. Consequently, 85.92% of any District indebtedness would be treated as underlying debt of the Town of Avon and 14.08% as underlying debt of the Town of Farmington.

Debt Statement
As of March 15, 2016
(Pro Forma)

LONG-TERM DEBT	
General Purpose (Includes \$964,000 of this issue)	\$ 7,791,000
Schools (Includes \$10,436,000 of this issue)	18,174,000
TOTAL LONG-TERM DEBT	25,965,000
SHORT-TERM DEBT	--
TOTAL DIRECT DEBT	25,965,000
Less: Amount due from State of Connecticut ¹	
Principal grants for Outstanding School Bonds (Prior program)	(67,044)
TOTAL NET DIRECT DEBT	25,897,956
Underlying Debt.....	None
TOTAL OVERALL NET DEBT	\$25,897,956

¹ For school construction projects approved prior to July 1, 1996, state reimbursement grants are receivable in substantially equal installments over the life of outstanding school bonds. For school building projects approved after July 1, 1996, the State will reimburse the Town for eligible Middle School roof costs at about 30% on a progress payment basis during the construction phase.

Current Debt Ratios
As of March 15, 2016
(Pro Forma)

Population ¹	18,098
Net Taxable Grand List (10/1/14) ²	\$2,577,798,250
Estimated Full Value (70%).....	\$3,682,568,929
Equalized Net Taxable Grand List (2013) ³	\$3,656,295,571
Money Income per Capita (2014) ⁴	\$66,365

	Total Direct Debt \$25,965,000	Total Net Direct Debt \$25,897,956	Total Overall Net Debt \$25,897,956
Per Capita.....	\$1,419.01	\$1,415.34	\$1,415.34
Ratio to Net Taxable Grand List	1.01%	1.00%	1.00%
Ratio to Estimated Full Value	0.71%	0.70%	0.70%
Ratio to Equalized Net Taxable Grand List	0.71%	0.71%	0.71%
Debt per Capita to Money Income per Capita	2.14%	2.13%	2.13%

¹ US Department of Commerce, Bureau of Census, 2010

² Revalued 10/1/13

³ Office of Policy and Management, State of Connecticut; Assessor's Office, Town of Avon

⁴ US Department of Commerce, Bureau of Census, American Fact Finder, 2014

Bond Authorization Procedure

Any appropriation and authorization for bonds must be approved by the Town Council and the Board of Finance. The Board of Finance recommends action to a Town Meeting which must approve the resolution by a majority of those qualified voters present. If the resolution calls for an appropriation less than 1/10 of one percent (0.1%) of the current Grand List, the vote of the Town Meeting is sufficient for passage. If the appropriation equals or exceeds 1/10 of one percent (0.1%) of the current Grand List, a machine vote by qualified voters is required. The resolution must be passed by a majority of those voting.

Emergency Appropriations

To meet a public emergency affecting life, health, property, or the public peace, a public emergency ordinance, stating the facts constituting such public emergency, becomes effective upon enactment. No public hearing or notice of public hearing is required for any public emergency ordinance. A public emergency ordinance must be advertised in one or more newspapers having a circulation in the Town within five days of adoption. Every such public emergency ordinance, including any amendments thereto, is automatically repealed at the termination of the sixty-first day following adoption; provided, however, that if action has been initiated on the same subject matter

providing for a permanent ordinance prior to the sixty-first day, then the public emergency ordinance remains in full force until final action is taken on the permanent ordinance.

Maturities

General obligation bonds (serial and term) are required to be payable in maturities wherein a succeeding maturity may not exceed any prior maturity by more than fifty percent or aggregate annual principal and interest payments must be substantially equal. The term of the issue may not exceed twenty years, except in the case of sewer bonds and certain school bonds which may mature in up to thirty years.

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 temporary notes when they become due and payable, and the legislative body schedules principal reductions by the end of the third and each subsequent year in an amount equal to a minimum of 1/20th (1/30th for water and sewer 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, or, for sewer projects, by the amount of time temporary financing has been outstanding.

Temporary notes must be permanently funded no later than ten years from the initial borrowing date except for sewer notes issued in anticipation of State and/or Federal grants. If a written commitment exists, the municipality may renew the 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 fifteen 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 (whichever is sooner), and in each year thereafter, the notes may be issued in one year maturities for up to fifteen years in anticipation of water or sewer assessments receivable, such notes to be reduced annually by the amount of assessments received during the preceding year (CGS Sec. 7-269a).

Debt and Lease Policies

On April 9, 2008, the Town Council, and on April 23, 2008, the Board of Finance approved an operating policy defining the conditions under which the Town would enter into operating leases (as opposed to capital leases). On April 28, 2008, the Board of Finance, and on May 1, 2008, the Town Council adopted a comprehensive debt policy that defines under what circumstances and under what limitations the Town would issue short-term and/or long-term debt.

Limitation of Indebtedness

Municipalities shall not incur indebtedness through the issuance of notes or bonds which will cause aggregate indebtedness by class to exceed the following:

General Purposes:	2.25 times annual receipts from taxation
School Purposes:	4.50 times annual receipts from taxation
Sewer Purposes:	3.75 times annual receipts from taxation
Urban Renewal Purposes:	3.25 times annual receipts from taxation
Pension Obligation Purposes:	3.00 times annual receipts from taxation

In no case however, shall total indebtedness exceed seven times the annual receipts from taxation.

"Annual receipts from taxation," (the "base") are defined as total tax collections (including interest and penalties) and state payments for revenue loss under CGS Sections 12-129d and 7-528.

The statutes also provide for exclusion from the debt limit calculation debt issued in anticipation of taxes; for the supply of water, gas, electricity; for the construction of subways for cables, wires, and pipes; for the construction of underground conduits for cables, wires, and pipes; and for two or more of such purposes. There are additional exclusions for indebtedness issued in anticipation of the receipt of proceeds from assessments levied upon property benefited by any public improvement and for indebtedness issued in anticipation of the receipt of proceeds from State or Federal grants evidenced by a written commitment or contract but only to the extent such indebtedness can be paid from such proceeds. The statutes also permit the exclusion of debt authorized but unissued in the case where there are no borrowings outstanding against an authorization.

Statement of Statutory Debt Limitation

As of March 15, 2016

(Pro Forma)

Total Tax Collections (Including interest and lien fees) received by Town for fiscal year ended June 30, 2015	\$72,647,752
Total Tax Collections (Including interest and lien fees) received by all taxing districts within Town for fiscal year ended June 30, 2015	3,393,354
Reimbursement for revenue loss – Tax Relief for the Elderly	87,645
BASE.....	<u>\$76,128,751</u>

	<u>General Purposes</u>	<u>Schools</u>	<u>Sewers</u>	<u>Urban Renewal</u>	<u>Pension Obligation</u>
DEBT LIMITATION:					
2.25 times base.....	\$171,289,690	--	--	--	--
4.50 times base.....	--	\$342,579,380	--	--	--
3.75 times base.....	--	--	\$285,482,816	--	--
3.25 times base.....	--	--	--	\$247,418,441	--
3.00 times base.....	--	--	--	--	\$228,386,253
Total debt limitation	<u>171,289,690</u>	<u>342,579,380</u>	<u>285,482,816</u>	<u>247,418,441</u>	<u>228,386,253</u>
INDEBTEDNESS:					
Bonds Outstanding.....	6,827,000	7,738,000	--	--	--
Bonds – This Issue	964,000	10,436,000	--	--	--
Authorized but Unissued	--	--	--	--	--
Total Indebtedness.....	<u>7,791,000</u>	<u>18,174,000</u>	--	--	--
Less:					
School Construction Grants ¹	--	(67,044)	--	--	--
Total Net Indebtedness for Debt Limitation Calculation	<u>7,791,000</u>	<u>18,106,956</u>	--	--	--
DEBT LIMITATION IN EXCESS OF OUTSTANDING INDEBTEDNESS					
	<u>\$163,498,690</u>	<u>\$324,472,424</u>	<u>\$285,482,816</u>	<u>\$247,418,441</u>	<u>\$228,386,253</u>

¹ For school construction projects approved prior to July 1, 1996, state reimbursement grants are receivable in substantially equal installments over the life of outstanding school bonds.

Note: Although total net indebtedness for the purpose of calculating the Debt Limit amounts to \$25,897,956, total indebtedness for all classes cannot exceed seven times the base or \$532,901,257.

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

State of Connecticut School Building Grants

Pursuant to Public Act No. 97-11, the State of Connecticut will provide proportional progress payments for eligible school construction expenses on projects approved after July 1, 1996. Debt service reimbursement will continue under the prior program for all projects approved prior to July 1, 1996. Under the prior 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 school projects. As of June 30, 2015 the Town expects to receive principal grant reimbursements under the prior program in an aggregate amount of \$67,044.

Authorized but Unissued Debt

As of March 15, 2016

(Pro Forma)

The Town of Avon has no debt authorized but unissued.

Principal Amount of Outstanding Debt

Last Five Fiscal Years

As of June 30

(Pro Forma)

	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>
Long-Term Debt					
Bonds	\$27,635,000	\$30,410,000	\$33,305,000	\$29,570,000	\$33,120,000
Short-Term Debt					
Bond Anticipation Notes...	--	--	--	7,000,000	7,000,000
Totals	\$27,635,000	\$30,410,000	\$33,305,000	\$36,570,000	\$40,120,000

Ratios of Net Direct Overall Long-Term Debt to Valuation, Population, and Income

Fiscal Year Ended 6/30	Net Assessed Value	Estimated Full Value ¹	Net Direct Long-Term Debt	Ratio of Direct Long-Term Debt to Assessed Value (%)	Ratio of Direct Long-Term Debt to Estimated Full Value (%)	Population Estimate ²	Net Direct Long Term Debt per Capita	Ratio of Direct Long-Term Debt per Capita to per Capita Income (%) ³
2015	\$2,559,080,530	\$3,655,829,329	\$27,567,956	1.08	0.75	18,298	\$1,506.61	2.27
2014	2,688,826,620	3,841,180,886	30,342,956	1.13	0.79	18,298	1,658.27	2.50
2013	2,668,106,790	3,811,581,129	33,237,956	1.25	0.87	18,298	1,816.48	2.74
2012	2,668,107,050	3,811,581,500	29,502,956	1.11	0.77	18,298	1,612.36	2.43
2011	2,618,153,660	3,740,219,514	32,864,000	1.26	0.88	18,298	1,796.04	2.71
2010	2,605,775,050	3,722,535,786	36,342,378	1.39	0.98	18,298	1,986.14	2.99
2009	2,261,808,210	3,231,154,585	12,185,000	0.54	0.38	17,328	703.20	1.26
2008	2,226,999,410	3,181,427,729	15,285,000	0.69	0.48	17,328	882.10	1.58
2007	2,187,594,990	3,125,135,700	18,785,000	0.86	0.60	17,342	1,083.21	1.94
2006	2,128,900,570	3,041,286,528	21,560,000	1.01	0.71	17,342	1,243.22	2.23

¹ Assessment Ratio: 70%.

² Population: State of Connecticut, Department of Health Services estimates, 2002 – 2009; US Department of Commerce, Bureau of Census, 2010 - 2015

³ Money Income per Capita 2014: \$66,365

Note: Excludes capital lease payments.

**Ratios of Annual Long-Term General Fund Debt
Service Expenditures to General Fund Expenditures ¹**

Fiscal Year Ended 6/30	Long-Term General Fund Debt Service	Total General Fund Expenditures	Ratio of Long-Term General Fund Debt Service To Total General Fund Expenditures (%)
2015	\$3,647,488	\$87,235,861	4.18
2014	3,858,788	83,115,813	4.64
2013	4,511,052	73,903,075	6.10
2012	4,648,029	73,665,989	6.31
2011	4,776,412	69,814,606	6.84
2010	5,080,764	68,955,268	7.37
2009	4,738,189	69,213,929	6.85
2008	4,960,243	79,975,846 ²	6.20
2007	4,575,704	62,894,721	7.28
2006	4,315,098	59,806,970	7.22

¹ Also includes Transfers Out.

² Includes \$16,039,746 of State of Connecticut on-behalf-of payments made to State Teachers' Retirement Fund in fiscal year 2008.

Note: Excludes capital lease payments.

VII. LEGAL AND OTHER INFORMATION

Litigation

The Town Attorney has advised that the Town of Avon, its officers, employees, boards and commissions are named defendants in a number of lawsuits, tax appeals, administrative proceedings, and other miscellaneous claims. After consultation with Town officials and with other attorneys with regard to these pending lawsuits, it is the opinion of the Town Attorney that such pending litigation will not be finally determined so as to result individually or in the aggregate in final judgments against the Town which would materially adversely affect its financial position.

Documents Furnished at Delivery

The Underwriter will be furnished the following documents when the Bonds are delivered:

1. A Signature and No Litigation Certificate stating that at the time of delivery no litigation is pending or threatened affecting the validity of the Bonds or the levy or collection of taxes to pay them.
2. A Certificate on behalf of the Town signed by the Town Manager, Treasurer, and Director of Finance which will be dated the date of delivery and attached to a signed copy of the Official Statement and which will certify, to the best of said officials' knowledge and belief, that at the time the Bond Purchase Agreement was executed the description and statements in the Official Statement relating to the Town and its finances were true and correct in all material respects and did not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements therein, in light of the circumstances under which they were made, not misleading, and that there has been no material adverse change in the financial condition of the Town from that set forth in or contemplated by the Official Statement.
3. A receipt for the purchase price of the Bonds.
4. The approving opinion of Day Pitney LLP, Bond Counsel, of Hartford, Connecticut substantially in the form set out in Appendix B herein.
5. An executed Continuing Disclosure Agreement for Bonds substantially in the form attached as Appendix C hereto.
6. The Town of Avon, Connecticut has prepared an Official Statement for the Bond issue which is dated March 2, 2016. The Town deems such Official Statement final as of its date for purposes of SEC Rule 15c2-12(b)(5), but it is subject to revision or amendment. The Town will make available a reasonable number of copies of the Official Statement to the Underwriter at the Town's expense no later than seven business days from the date of the Bond Purchase Agreement.
7. Any other documents required by the Bond Purchase Agreement.

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. Any statements made in this Official Statement involving matters of opinion or estimates are not intended to be representations of fact, and no representation is made that any of 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.

Information herein has been derived by the Town from various officials, departments and other sources and is believed by the Town to be reliable, but such information, other than that obtained from official records of the Town, has not been independently confirmed or verified by the Town and its accuracy is not guaranteed.

This Official Statement has been duly prepared and delivered by the Town, and executed for and on behalf of the Town of Avon by the following officials:

TOWN OF AVON, CONNECTICUT

/s/ Brandon L. Robertson

BRANDON L. ROBERTSON, *Town Manager*

/s/ James R. McCarthy

JAMES R. MCCARTHY, *Treasurer*

/s/ Margaret Colligan

MARGARET COLLIGAN, *Director of Finance*

March 2, 2016

APPENDIX A

BASIC FINANCIAL STATEMENTS

TOWN OF AVON, CONNECTICUT

As of and for the Fiscal Year Ended June 30, 2015

**TOWN OF AVON, CONNECTICUT
 COMPREHENSIVE ANNUAL FINANCIAL REPORT
 TABLE OF CONTENTS
 JUNE 30, 2015**

Introductory Section		Page
	Letter of Transmittal	i-ix
	Principal Officials	x
	Organizational Chart: Structure of Government	xi
	Organizational Chart: Department of Finance	xii
	Certificate of Achievement for Excellence in Financial Reporting for the Year Ended June 30, 2014	xiii
Financial Section		
	Independent Auditors' Report	1-3
	Management's Discussion and Analysis	4-16
Basic Financial Statements		
Exhibit	Government-Wide Financial Statements:	
I	Statement of Net Position	17
II	Statement of Activities	18
	Fund Financial Statements:	
III	Balance Sheet - Governmental Funds	19-20
IV	Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds	21-22
V	Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual - General Fund	23
VI	Statement of Net Position - Proprietary Fund	24
VII	Statement of Revenues, Expenses and Changes in Net Position - Proprietary Fund	25
VIII	Statement of Cash Flows - Proprietary Fund	26
IX	Statement of Fiduciary Net Position - Fiduciary Funds	27
X	Statement of Changes in Fiduciary Net Position - Fiduciary Funds	28
	Notes to the Financial Statements	29-66
Required Supplementary Information		
RSI-1a	Schedule of Changes in Net Pension Liability and Related Ratios - Last Two Fiscal Years - Town	67
RSI-1b	Schedule of Changes in Net Pension Liability and Related Ratios - Last Two Fiscal Years - Board of Education	68
RSI-2a	Schedule of Contributions - Town - Last Ten Fiscal Years	69
RSI-2b	Schedule of Contributions - Board of Education - Last Ten Fiscal Years	70
RSI-3a	Schedule of Investment Returns - Last Two Fiscal Years - Town	71
RSI-3b	Schedule of Investment Returns - Last Two Fiscal Years - Board of Education	72
RSI-4	Schedule of the Town's Proportionate Share of Net Pension Liability - Teachers Retirement Plan - Last Fiscal Year	73



TOWN OF AVON

60 West Main St. Avon, CT 06001-3743
www.avonct.gov

**POLICE, FIRE & MEDICAL
EMERGENCY - 911**

TOWN MANAGER'S OFFICE

Tel. (860) 409-4300
Fax (860) 409-4368

ASSISTANT TOWN MANAGER

Tel. (860) 409-4377
Fax (860) 409-4368

ACCOUNTING

Tel. (860) 409-4339
Fax (860) 677-2847

ASSESSOR'S OFFICE

Tel. (860) 409-4335
Fax (860) 409-4366

BUILDING DEPARTMENT

Tel. (860) 409-4316
Fax (860) 409-4321

COLLECTOR OF REVENUE

Tel. (860) 409-4306
Fax (860) 677-8428

ENGINEERING DEPARTMENT

Tel. (860) 409-4322
Fax (860) 409-4364

FINANCE DEPARTMENT

Tel. (860) 409-4339
Fax (860) 409-4366

FIRE MARSHAL

Tel. (860) 409-4319
Fax (860) 409-4321

HUMAN RESOURCES

Tel. (860) 409-4303
Fax (860) 409-4366

LANDFILL

281 Huckleberry Hill Rd.
Tel. (860) 673-3677

PLANNING & ZONING

Tel. (860) 409-4328
Fax (860) 409-4375

POLICE DEPARTMENT

Tel. (860) 409-4200
Fax (860) 409-4206

PROBATE

Tel. (860) 658-3277
Fax (860) 658-3204

PUBLIC LIBRARY

281 Country Club Road
Tel. (860) 673-9712
Fax (860) 675-6364

PUBLIC WORKS

11 Arch Road
Tel. (860) 673-6151
Fax (860) 673-0338

RECREATION AND PARKS

Tel. (860) 409-4332
Fax (860) 409-4334
Cancellation (860) 409-4365

REGISTRAR OF VOTERS

Tel. (860) 409-4350
Fax (860) 409-4368

SOCIAL SERVICES

Tel. (860) 409-4346
Fax (860) 409-4366

TOWN CLERK

Tel. (860) 409-4310
Fax (860) 677-8428

TDD-HEARING IMPAIRED

Tel. (860) 409-4361

December 21, 2015

To the Town Manager, Superintendent of Schools,
Honorable Members of the Town Council,
Board of Finance, and Board of Education, and
To the Citizens of the Town of Avon:

Connecticut State Statutes require that all municipal entities publish within six months of the close of each fiscal year a complete set of financial statements presented in conformity with accounting principles generally accepted in the United States of America (GAAP) and audited in accordance with auditing standards generally accepted in the United States of America by a firm of licensed certified public accountants. Pursuant to that requirement, we hereby issue the comprehensive annual financial report of the Town of Avon for the fiscal year ended June 30, 2015.

This report consists of management's representations concerning the finances of the Town. Consequently, management assumes full responsibility for the completeness and reliability of all of the information presented in this report. To provide a reasonable basis for making these representations, management of the Town of Avon has established a comprehensive internal control framework that is designed both to protect the government's assets from loss, theft, or misuse and to compile sufficient reliable information for the preparation of the Town's financial statements in conformity with GAAP. Because the cost of internal controls should not outweigh their benefits, the Town's comprehensive framework of internal controls has been designed to provide reasonable rather than absolute assurance that the financial statements will be free from material misstatement. As management, we assert that, to the best of our knowledge and belief, this financial report is complete and reliable in all material respects.

The Town's financial statements have been audited by Blum, Shapiro & Company, P.C., a firm of licensed certified public accountants. The goal of the independent audit was to provide reasonable assurance that the financial statements of the Town of Avon for the fiscal year ended June 30, 2015, are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation.

The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unmodified opinion that the Town of Avon's financial statements for the fiscal year ended June 30, 2015, are fairly presented in conformity with GAAP. The independent auditor's report is presented as the first component of the financial section of this report.

The independent audit of the financial statements of the Town of Avon was part of a broader, federal and state mandated "Single Audits" designed to meet the special needs of federal and state grantor agencies. The standards governing the Federal and State Single Audit engagements require the independent auditor to report not only on the fair presentation of the financial statements, but also on the government's internal controls and compliance with legal requirements, with special emphasis on internal controls and legal requirements involving the administration of federal and state awards. These reports are available in the Town's separately issued Single Audit Report.

This is the thirteenth year the report has been prepared using the new financial reporting requirements as outlined in GASB No. 34, *Basic Financial Statements and Management's Discussion and Analysis – for State of Local Governments*. GAAP require that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement MD&A and should be read in conjunction with it. The Town of Avon's MD&A can be found immediately following the report of the independent auditors.

Profile of the Town of Avon

Avon, formerly Northington, or North Parish of Farmington, was settled in 1645. In 1830, after the construction and opening of the Towpath Canal, Avon was incorporated as a separate Town and took its name from the Avon River in England. Avon is located approximately ten miles west of metropolitan Hartford, has a land area of 22.6 square miles and an estimated population of 19,900 according to figures provided by the Town Planner's office.

The Town's topography includes many interesting natural features. Steep ridges and rolling hills give Avon its unique character. Avon is at 80% build-out, but there still remains approximately 20% undeveloped, well-regulated land, representing an invaluable resource to the community. Of an approximate total land area of 14,454 acres, approximately 2,175 acres (15%) are wetlands, 329 acres (2%) are on flood plains, and 2,140 acres (15%) are on slopes of a greater than 15% gradient. The Farmington River flows south through the western portion of town and then conversely flows north through the eastern portion of town. This watercourse represents a major recreational, aesthetic, and conservation resource.

The Town has operated under a council-manager form of government since 1959. Policy-making and legislative authority are vested in the governing Town Council. The charter provides for Town meetings, an elected Town Council, an elected Board of Finance, and an elected Board of Education. The Town is empowered to levy a property tax on real estate and personal property located within its boundaries, as well as a tax on motor vehicles. The five-member Town Council elects a Council Chairman and appoints a Town Manager to administer the non-educational functions of the Town. It also appoints the members of the various Town boards and committees. The Board of Education appoints a Superintendent of Schools to administer the Town's school system. An organizational chart outlining the town government, as well as a listing of principal town officials, can be found later in this section. The redistricting of the State of Connecticut House of Representatives resulted in the Town being split into two districts and required two polling locations. The increase in population resulting in an increased number of voters, required an additional polling place, bringing it to a total of three.

The Town of Avon provides municipal services in the functional areas of police, a volunteer fire department, public works including engineering, health and social services, recreation and parks, library, planning and community development including zoning, and a K-12 public education system. The Town has no sewer treatment facility of its own, but instead contracts with the neighboring towns of Canton, Farmington, and Simsbury for treatment of sewage

effluent. The annual budget serves as the foundation for the Town's financial planning and control. The Town maintains budgetary controls with the objectives to ensure compliance with legal provisions embodied in the annual appropriated budget, approved by the budget referendum.

Professional development of town employees, so they may better serve the residents of Avon, is important to our departments. In 2014, 100% of the Avon Building Department staff earned International Code Council (ICC) Certifications. ICC Certifications ensure staff have demonstrated competency in the requirements of the International Codes; this certification program is the oldest, largest, most prestigious credentialing program for construction code administration and enforcement professionals in the United States.

The Town maintains an encumbrance accounting system as one technique of accomplishing budgetary controls. As demonstrated by the budgetary schedules included in the financial section of this report, the Town continues to meet its responsibility for sound financial management. In addition to budgetary schedules, Note 2A in the Notes to Basic Financial Statements describes the budget process used by the Town. The strength of the Town's economic circumstances and quality of municipal management are reflected in the Town's bond ratings, which remain at the highest levels obtainable, as awarded by Moody's Investors Service, Aaa, and by Standard & Poor's, AAA.

Local Economy

Avon is a desirable low-density suburban community with excellent schools and a high standard of living. Avon, unlike the rest of the nation, continues to experience a moderate increase in the number of new home permits. New single family home building permits have been a major source of revenue. In fiscal year 2014-2015, a total of 23 new, single family homes were permitted with the average value of a residence in the amount of \$411,150, not including the cost of a building lot with an average house size of 3,842 square feet. The number of both commercial permits and other types of residential permits has remained steady with the number of plan reviews and inspections required remaining high.

As of June 2015 the Town's unemployment rate of 3.7% compares favorably to the state's average of 5.4%. Avon's per capita personal income is \$61,754 versus the state's average, which is \$37,807.

Avon is fortunate to have a well-balanced diverse mix of business and industrial uses, medical services, and a variety of quality housing. Major industries with headquarters or divisions located within the Town of Avon include Old Castle, manufacturers of concrete products; Connecticut-On-Line Computer Center, a centralized computer facility for northeast banks; Coupons Inc., an Internet coupon service provider; Ironwood Capital Management; Petroleum Meter and Pump; Magellan Health; R.R. Donnelley, Inc.; Legere Group Ltd., woodworking; O.F.S. Fitel LLC (formerly Lucent Technologies), fiber optic manufacturing facility, and Orafol Americas Inc. of Germany (formerly Reflexite Film Fibers, Inc.), World Headquarters (located in Avon Park South since 1993, completed construction of a 53,000-square-foot addition to their manufacturing facility). Several major insurance-related companies are also located in Avon including Women's Health USA, AUL Reinsurance Management, Ballentine Capital Management, Inc., Odyssey America Reinsurance, Apple Health Care, Adams and Knight Advertising, and ERC Long-Term Care Solutions.

The Town's central business district currently enjoys a 95% occupancy rate with a variety of specialty shops and commercial businesses. Presently, there are more than 1,000,000 square feet of existing retail space, 950,000 square feet of office space, and 600,000 square feet of manufacturing space primarily along Route 44, with traffic counts in the range of 30,000

vehicles per day. The Town estimates there are roughly 400,000 square feet of future expansion availability evenly split between office and industrial with about 150,000 square feet of possible future retail. There are nine bank branch offices located in Town including several national and community based banks. Avon is home to three championship golf courses, two private and one public. The Blue Fox Run Golf Course has been voted one of the nation's 10 best woman-friendly public courses. There is a wide array of medical services available in Town, including the Avon Wellness Center, a 75,000-square foot facility operated by Hartford Hospital, Saint Francis Hospital Medical Center housed in a 25,000 square foot facility, the 20,000 square feet Helen and Harry Gray Cancer Treatment Center operated by Hartford Hospital, and the 20,000 square foot Hartford Hospital walk-in clinic on Route 44.

The Fresh Market grocery store was completed and opened in February 2012, and a 20,000 square foot office building was completed in 2013. Many new businesses have opened, some existing businesses have relocated and/or renovated, and some are now under construction. Several developers are under contract regarding the potential reuse of existing sites and development in the central business district, totaling approximately 90 acres, with hopes of creating a small town center incorporating existing businesses with new housing, retail, and educational facilities. In 2015, the Residence at Brookside, a senior housing community for Independent Living, Assisted Living and Reflections Memory Care was completed. Also, two residential developments, totaling 92 lots, are under construction.

The October 1, 2013 Grand List declined by \$129,746,090 to \$2,559,080,530, or a decrease of 4.83%, from the 2012 Grand List of \$2,688,826,620. Real estate decreased \$139,782,580, or 5.72%. Fiscal year 2015 was part of the State of Connecticut mandated five-year Revaluation cycle. The Town conservatively budgets revenues such as building permit activity and conveyance fees, which are highly dependent on the economy and current market conditions. Building permits issued for 2014-2015 indicate a total value of \$35,540,625. The Town is not highly dependent on State revenues (represents 5.89% of the Town's total revenues), and because the Town's budget process occurs much earlier than the State's budget schedule, it forces the Town to estimate grants at the current level of funding or based upon the legislative estimates provided at that time. This approach has worked well for the Town.

As the Town physically matures, and growth begins to slow, the emphasis will change from accommodating growth through the expansion of Town and School facilities, to maintenance and upkeep of existing facilities. The current mix of 72% single-family homes and 28% multi-family homes has served the Town well. This ratio has provided opportunities for buyers and renters with varying levels of income as well as age. Avon is recognized as a desirable community in which to live.

In the *Hartford Magazine* November 2011 issue "Best Towns", Avon ranked fourth among the 15,000-25,000 population category. In their August 2013 issue, "Top Towns", Avon was, again, ranked fourth as the most desirable community among the 15,000 to 30,000 population category, and tenth overall for all Connecticut towns, regardless of size. In *Connecticut Magazine*, the November 2013 issue, Avon was ranked in the top 15 of Connecticut Towns with a median home sale price of \$300,000 and up. The *Safe Choice Security Blog* named Avon in its top 20 Safest Cities in Connecticut listing in August 2014. The Hartford Courant, in June 2015, recognized Avon as the home of the First Company Governor's Horse Guard in their "Hometown Proud: Greater Hartford's Top Towns".

Families with children continue to seek access to Avon's excellent school system, and an increasing number of older active adults, anxious to take advantage of Avon's lifestyle and amenities, have kept housing prices relatively stable. A number of citizens have expressed concern over the development of the Town and its impact on Town services. The fact is that the rate of population growth in terms of the percent increase has actually been declining since the

peak during the 1950's (66% increase from the 1950 population of 3,171 to 5,273 in 1960). The gain in population over the past fifty-five years has been relatively stable, averaging about 2,500 per decade, with the estimated current population in 2015 being 19,900. The impact of this growth on Town services has been gradual, predictable, and manageable. What is not often calculated into the cost of Town services are the transient populations that visit Avon – the commuters passing through Avon, the employees of our businesses, the patrons of our stores, health facilities, tourists and professional offices. This inflow and outflow results in more traffic, additional demands for services and increased use of our municipal infrastructure. Expenditure growth in three functions exceeds the growth of Town expenditures as a whole. For a ten-year period, expenditures in the public works function grew 55%, mostly due to increased demands for services and road maintenance during the past winter seasons and expenditures for the health and social services function grew at 48% due to an increase of client services. Expenditures for the Board of Education function grew at 54% due to increased school enrollment; all compared with a 43% increase in total Town expenditures.

In 2011, *Hartford Magazine* named Avon High School the number one public high school in Hartford County for the second year in a row. *Newsweek Magazine* listed Avon High School as one of 12 Connecticut schools named in their "America's Best High Schools" list for 2011. The school is ranked 281st out of 500 high schools around the country, based on a formula that weighs such factors as student-to-teacher ratio, graduation rate, Advanced Placement tests, the percentage of college-bound students and average SAT scores. In a September 2013 article in *Forbes Magazine*, Avon was highlighted as one of "the best school districts with home prices less than twice the regional median". *US News and World Report* awarded the school a silver medal in its ranking of "America's Best High Schools" in 2009, and again in 2013, also ranking Avon High School 14th within Connecticut in the 2013 report. *U.S. News*, in 2014, awarded Avon High School a Silver Medal based on a national review of student performances on state assessments and overall college preparation. In 2015, NICHE, a marketing research company specializing in education statistics, placed Avon Public Schools 20th in the state.

In 2011-2012 a Strategic Plan for the Avon Public Schools was achieved through a collaborative process that resulted in a conceptual map for the Board of Education for the next five years. A formal curriculum revision process is underway in English Language Arts and Mathematics, grades Kindergarten through 12, with all the other content areas to follow in the immediate future. During the 2013-2014 school year, Avon Public Schools met many new state requirements in the area of curriculum revision (Common Core State Standards), evaluation of certified staff, and completed the NEASC accreditation process at Avon High School. Among the most significant accomplishments achieved in the 2013-2014 school year were full day kindergarten with a half day option, world language (Spanish) instruction in grades kindergarten through 6, and newly added courses and sections to the Avon High School Program of Studies in social studies, English, and applied education. Plans at the high school also include establishing a pilot internship program for grade 12 students and the implementation of an Advisor/Advisee program. Additionally, during the 2014-2015 school year, a highly successful pilot internship program was implemented and a Chinese language program was introduced in Kindergarten through grade 2 and at the high school level.

Long-Term Financial Planning

In September 2008, a dedication ceremony of the \$30,698,000 Addition and Renovation to the Avon High School project took place; the expansion was done to accommodate the building's maximum capacity from its original designed 850 students capacity to the projected enrollment of 1,200 students by the 2012 school year. The project was completed with notes, bonds, and state grant funds financing the project with an estimated impact to the Board of Education's operating budget of 1% for the first year, with 2.5% in inflation adjustments made in each subsequent year for facility operating costs. The audit of the school construction grant for the high school project has been accepted by the Board of Education. The final payment was received in March 2015.

The Avon High School expansion project had highlighted the need for a realistic methodology to estimate changes in the Grand List and in individual property values that can be utilized to project tax impacts of additional town borrowings over various periods of time. The joint effort of the three boards, Town management and the financial advisor led to a "formula" in which residents and business can visit the town website, enter in their individual assessed values, which are also available on the website, and obtain an estimate of the additional tax payments that would be required on a monthly and annual basis to cover the cost of any proposed bonding projects. The Town expanded this methodology by creating a tax calculator that allows residents to view the impact of the revaluation of property when it occurs and for every proposed budget, including the 2015-2016 fiscal year.

The Town presented and adopted at an October 22, 2009 referendum, an appropriation of \$9,500,000, with authorization for the issuance of up to \$8,000,000 of notes and bonds, for renovations and additions to the Avon Free Public Library. Construction commenced in the winter of 2010, with the ceremonial groundbreaking in early January 2011. The Library expansion, which was completed in April 2012 (despite a difficult weather year with Storms Alfred and Irene) at a total cost of \$8.61 million (roughly \$900,000 under the original budget), doubled the square footage and significantly impacted building operating and staff costs. The improvements allowed the Library to expand its print and non-print collections and the programs offered to the public, which are projected to be needed for the Town's build-out population of 21,000. The Avon Free Public Library received a \$1,000,000 Connecticut State Library construction grant, with the remainder of this approximately \$9,500,000 total construction project funded by notes, bonds, fundraisers, and donations. The Town rolled over a series of Bond Anticipation Notes for temporary financing for the expansion and renovations. On October 30, 2012, the Town issued General Obligation Bonds in the amount of \$7,100,000 at a rate of 2% maturing June 15, 2028.

In March 2012, a Master Plan was approved to create a bicycle and pedestrian friendly village center on a 90 acre parcel of undeveloped land located north of the Town Hall complex, in Avon Park North. This project, which is currently under contract, could result in upwards of 400,000 square feet of mixed-use commercial space, 400 residential units, and grand list growth yielding between \$1.7 million and \$2.5 million in new revenue.

In May of 2012, the Town was pleased to learn that the State of Connecticut committed to fund 100% of the cost for the Old Farms Road Bridge replacement, Rt. 10 intersection improvements, and reconstruction of Old Farms Road between Rt. 10 and Tillotson Road. These projects have been on the Town's CIP program for more than twenty-five years. Since fiscal year 2013-2014, the Engineering Department has been working with the Connecticut Department of Transportation on the project's final design and permitting. It will continue through 2017, with construction anticipated to commence in the summer/fall of 2018.

Potential projects that would require long term financing by the Town and are currently being discussed include the development of additional athletic fields and facilities, the replacement Fire Station (Company Number 2 Secret Lake), and the Old Farms Bridge Replacement and Old Farms Road Relocation Projects.

The Town is in a multi year lease agreement with a telecommunications service provider, which will generate rental income for the Town, as well as provide additional antennae space for municipal communications.

Relevant Financial Policies

For operating funds, the Town currently operates under an investment policy which was approved by the Town Council on November 2, 2000. The Town restricts its activities to instruments which provide the greatest safety, liquidity, and yield in that order. US Treasury obligations maturing less than one year, overnight repurchase agreements, and a US government fund comprise the bulk of the operating investment portfolio. The risk based capital ratios and collateral requirements (as defined in Connecticut General Statutes Section 36-382) of the qualified public depositories with which the Town does business are monitored.

For pension funds, the Town's pension investments are governed by its *Statement of Investment Policies and Objectives*. The policy details asset mix ranges for various classes of investments: core equities, international equities, small to mid-cap equities, fixed income investments and cash equivalents, where the overall investment return is expected to exceed the actuarial investment return assumption. Investment manager performance and compliance with the investment policy is reviewed periodically by a committee of Town officials and a pension consultant.

A trust fund for other post employment benefits has been created, which allows the Town to invest more aggressively for this liability. The pension investment advisor makes recommendations as to how the money is invested and the Ad Hoc Pension Investment Advisory Committee reviews the recommendation before approval and implementation. The Retiree Medical Benefits Reserve Fund, which was created pursuant to the authority granted under Section 7-403a of the Connecticut General Statutes, will continue to exist until exhausted with a portion transferred to the trust fund on an annual basis to supplement the budgeted amount. The plan is to phase-in, over a total period of seven years, increasing contribution so that in the final year of the phase-in, the annual required contribution would be met.

The Town has acted to establish policies regarding Fund Balance. On December 6, 2001, the Town Council adopted a policy to establish, as a long-term goal, a 10% Unreserved Undesignated General Fund Balance and to retain sufficient undesignated fund balances (10% or more) in the Special Revenue Funds. There was no budgeted use of Unassigned General Fund resources for the fiscal year 2014-2015 budget. Even in the face of increasing operating costs for the Town government, Avon has been able to maintain an adequate surplus in its General Fund. To further manage this surplus, the Board of Finance adopted a policy on the use of surplus funds in December of 2006. Use of the funds may be granted by the Board after receiving a showing of substantial support by the requesting authority and finding the "such use will meet an extraordinary need or unusual opportunity".

In April of 2008, the Town Council and the Board of Finance adopted debt and lease policies, which define the conditions, under what circumstances, and under what limitations, the Town would issue short-term and/or long-term debt and would enter into operating leases.

Per State law, each approved subdivision must contribute a portion of the total property to the Town as dedicated open space or make a payment to the Town in lieu of this land dedication. Over the years this account has now grown close to \$600,000 for the Open Space Fund, which is used solely for the acquisition of open space in other areas of Town. The Town is constantly looking to acquire open space when it makes sense and is reasonably priced.

Major Initiatives

The Town continues to contract out for grounds and building maintenance, janitorial services and snow removal. Avon was recognized by the Capital Region Council of Governments (CRCOG) with an Inter-town Cooperation Award for success in its participation in public-private projects. The Town participates in regional purchasing and cooperative bidding through the State of Connecticut, CRCOG, Connecticut Conference of Municipalities, and other consortiums. The Town participated in numerous joint processes including: the public-private partnership to install lighting at the Avon Middle School tennis courts, playscapes at the Pine Grove and Roaring Brook Schools, an inter-local agreement with the Town of Farmington in pursuit of a live fire training facility, and the State's Intertown Capital Equipment (ICE) Program (a venture with several other area communities to purchase capital equipment to share jointly). The Town and the Board of Education continue to explore ways to streamline operations as outlined in the Matrix Study, the study performed by an outside consultant regarding the combining of Town and Board of Education administrative and operational procedures relating to finance, facilities and human resources. The study is complete, and three administrative improvements resulting from the study that have been implemented are: the time and attendance software, the upgrade to the Town's financial system, and the shared access to data for the Town and Board of Education financial system. These investments will greatly improve the operational efficiency across departments.

A special study for Avon Center, which was part of the Town-wide Plan of Development, proposed to make the center more aesthetically pleasing and welcoming to pedestrians with landscaping, new streetlamps and sidewalks, in hopes that through its' efforts, the special village character of this area can be preserved while making the center a more vibrant area. To date, the Town has received more than \$915,000 in funding under the Small Town Economic Assistance Program (STEAP) grant for sidewalk, lighting and other improvements to Avon Center. In March of 2015, an application for the Village Center Streetscape Improvements Phase IV for \$450,000 was approved to finish the work extending the sidewalk and adding additional lighting started in 2010-2011. New sidewalks, granite curbing, and decorative lighting (or conduit for lighting) have been installed on the north side of Route 44 and on the east side of Route 10 between Route 44 and Sperry Park. Phase IV will fund the corresponding improvements to the south side. This project dovetails nicely with a master planning effort that is underway between the Town and Ensign Bickford Corporation in Avon Park North to encourage mixed use development (retail, office and housing) on the 40 or so acres of undeveloped land.

In 2014, the Town entered an agreement with SolarCity to move to clean, renewable solar energy, which will reduce both energy costs and carbon pollution for the Town. SolarCity will provide Avon with solar electricity through a 15-year power purchase agreement (PPA). In 2015, rooftop solar systems were installed at the Avon High School, the Avon Middle School, and the Department of Public Works Garage.

Awards and Acknowledgements

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the Town of Avon for its comprehensive annual financial report for the fiscal year ended June 30, 2014. This was the thirty-second consecutive year that the government has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both accounting principles generally accepted in the United States of America and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. The Town believes that the current comprehensive annual financial report continues to meet the Certificate of Achievement Program's requirements and is submitting it to the GFOA to determine its eligibility for another certificate.

In addition, the Government Finance Officers Association of the United States and Canada (GFOA) presented a Distinguished Budget Presentation Award to the Town of Avon for its annual budget for the fiscal year beginning July 1, 2015. This was the thirty-first consecutive year that the government has achieved this prestigious award. In order to receive this award a government must publish a budget document that meets program criteria as a policy document, as an operations guide, as a financial plan, and as a communications device.

The preparation of this report could not have been accomplished without the dedicated services of the Finance group, Claudia Frutuoso, Cruz Saubidet, Laurie Dorn, Jeff Morrow, Susanne Farrah, and Paul Sarpong. I would like to thank the audit team of Blum, Shapiro & Company, P.C. for their guidance and assistance. Due credit should also be given to the Town Manager, Superintendent of Schools, the Town Council, the Board of Finance, and the Board of Education for their interest and support in planning and conducting the operations of the government in a responsible and progressive manner.

Respectfully submitted,

A handwritten signature in cursive script, reading "Margaret Colligan".

Margaret Colligan, CPFO
Director of Finance

**TOWN OF AVON
PRINCIPAL OFFICIALS
AT JUNE 30, 2015**

TOWN COUNCIL

Mark Zacchio, Chairman
William Stokesbury Douglas Evans
David Pena Heather Maguire

BOARD OF FINANCE

Thomas F. Harrison, Chairman
Catherine Durdan Dean C. Hamilton
Thomas A. Gugliotti Margaret Bratton
James Speich Brian M. Stoll

BOARD OF EDUCATION

Margaret Roell, Chairperson
Jay Spivak Wendy Howard
Katharine Zirolli Ames Shea
Jeff Bernetich Brian Glenn
Ken Birk Houston Putnam Lowry

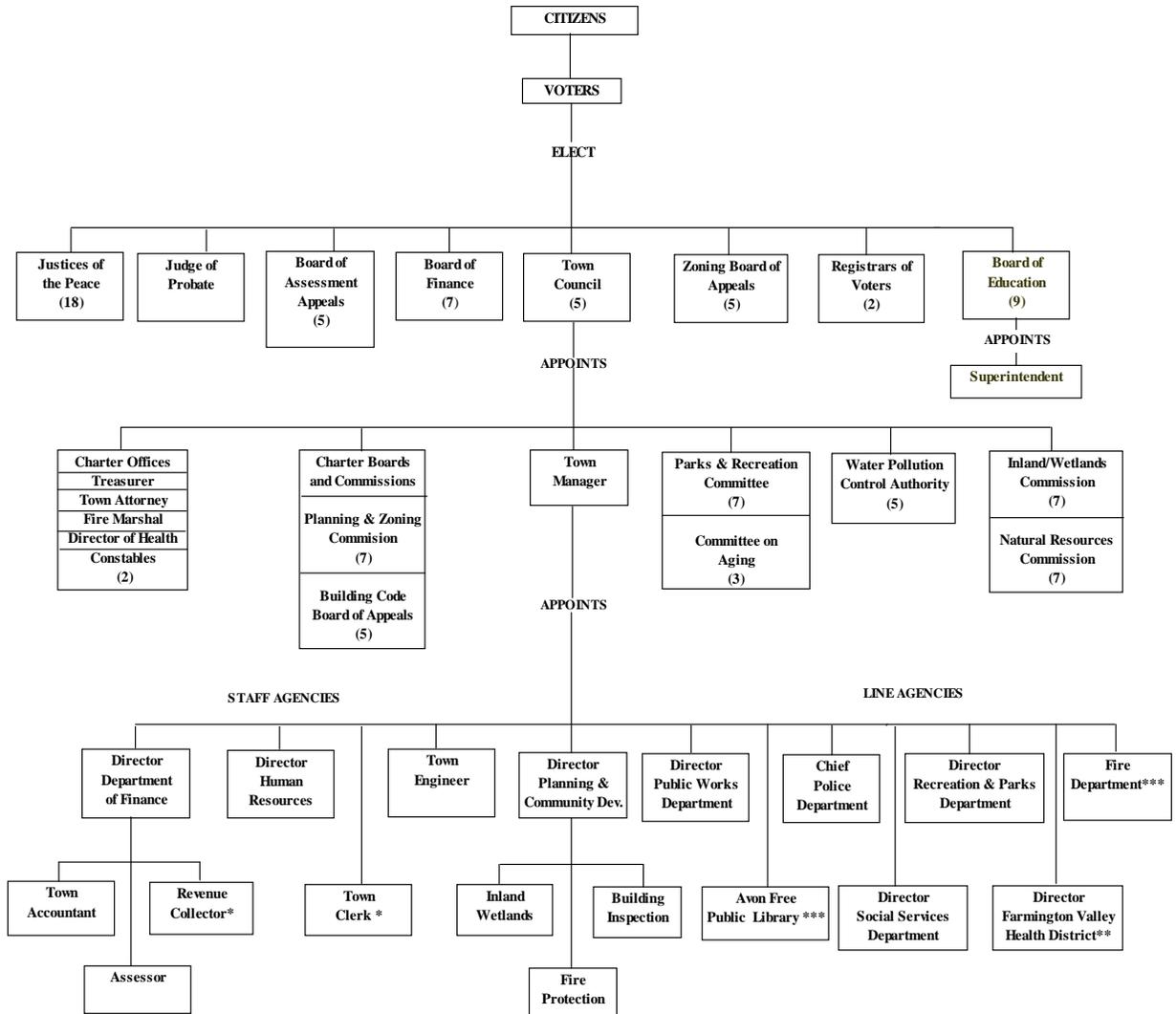
GENERAL GOVERNMENT

Town Manager	Brandon Robertson
Assistant Town Manager	Vacant
Town Accountant	Laurie Dorn
Town Attorney	Alfred E. Smith, Jr.
Town Clerk	Ann L. Dearstyne
Town Engineer	Lawrence E. Baril
Town Treasurer	James R. McCarthy
Director of Finance	Margaret Colligan
Director of Human Resources	William F. Vernile
Director of Recreation & Parks	Ruth Checko
Director of Planning & Community Development	Steven M. Kushner
Director of Public Works	Bruce Williams
Director of Social Services	Alan E. Rosenberg
Assessor	Harry DerAsadourian
Building Official	James Sansone
Collector of Revenue	Deborah Fioretti
Librarian	Glenn Grube
Police Chief	Mark Rinaldo
Fire Chief	Michael Trick

EDUCATION

Superintendent of Schools	Gary Mala
Assistant Superintendent for Finance & Operations	John H. Spang, Jr.

ORGANIZATIONAL CHART FOR THE TOWN OF AVON



* Recommended by Manager, approved by Council.

** The Town participates in a Regional Health District.

*** The Town funds the Avon Volunteer Fire Department and Avon Free Public Library, Inc.

TOWN OF AVON, CONNECTICUT

Department of Finance

Director of Finance

1. Budget Formulation, Execution and Research
2. Treasury, Cash and Debt Management
3. General Accounting
4. Appropriation Accounting and Financial Reporting
5. Internal and External Auditing
6. Revenue Collections
7. Materials Administration
8. Purchasing Administration

Division of Accounting

1. General & Appropriation Accounting
2. Treasury and Cash Management
3. Internal Auditing
4. Accounts Payable
5. Accounts Receivable
6. Payroll and Benefits
7. Electronic/Automated Data Processing Operations

Division of Revenue Collection

1. Property, Tax, Billing and Collection
2. Departmental Revenue Collection
3. Sewer Billing and Collection

Division of Assessment

1. Property Assessment, Records and Administration
2. Grand List Preparation
3. New Valuations



Government Finance Officers Association

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

Presented to

**Town of Avon
Connecticut**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2014

Executive Director/CEO

BlumShapiro

Accounting | Tax | Business Consulting

Independent Auditors' Report

To the Board of Finance
Town of Avon, Connecticut

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Town of Avon, Connecticut, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the Town of Avon, Connecticut's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the aggregate remaining fund information of the Town of Avon, Connecticut, as of June 30, 2015 and the respective changes in financial position and, where applicable, cash flows thereof, and the respective budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Change in Accounting Principle

As discussed in Note 8 to the financial statements, during the fiscal year ended June 30, 2015, the Town adopted new accounting guidance, GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*. The net position of the Town has been restated to recognize the net pension liability required in implementing GASB No. 68. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 16, and the pension schedules on pages 67 through 73 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Avon, Connecticut's basic financial statements. The introductory section, combining and individual nonmajor fund financial statements and schedules, and statistical section 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 are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements and schedules are fairly stated in all material respects in relation to the basic financial statements as a whole.

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

We also previously audited, in accordance with auditing standards generally accepted in the United States of America, the basic financial statements of the Town of Avon, Connecticut, as of and for the year ended June 30, 2014 (not presented herein), and have issued our report thereon dated December 16, 2014, which contained unmodified opinions on the respective financial statements of the governmental activities, each major fund and the aggregate remaining fund information. The accompanying General Fund balance sheet at Exhibit A-3 as of June 30, 2014 and budgetary comparison schedules at Exhibits A-4, A-5 and C-3 through C-11 for the year ended June 30, 2014, are presented for purposes of additional analysis and are not required parts of the basic financial statements. Such information is the responsibility of management and was derived from and related directly to the underlying accounting and other records used to prepare the 2014 financial statements. The accompanying General Fund balance sheet and budgetary comparison schedules have been subjected to the auditing procedures applied in the audit of the 2014 basic financial statements and certain additional procedures including comparing and reconciling such information directly to the underlying accounting and other records used to prepare those financial statements or to those financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the General Fund balance sheet and budgetary comparison schedules are fairly stated in all material respects in relation to the basic financial statements as a whole for the year ended June 30, 2014.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 21, 2015 on our consideration of the Town of Avon, Connecticut's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town of Avon, Connecticut's internal control over financial reporting and compliance.

Blum, Shapiro & Company, P.C.

West Hartford, Connecticut
December 21, 2015

**TOWN OF AVON, CONNECTICUT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2015**

As management of the Town of Avon, we offer readers of our financial statements this narrative overview and analysis of our financial activities for the fiscal year ended June 30, 2015. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal, which can be found in the introductory section of this report.

Financial Highlights

- The assets of the Town of Avon exceeded its liabilities at the close of the 2015 fiscal year by \$109,789,104 (net position). Of this amount, \$9,004,794 (unrestricted net position) went to a negative amount as a result of the net pension obligation being recorded as required by adopting GASB No. 68.
- Total net position decreased by \$512,195 primarily due to public works expenses and education related program expenses offset by favorable results in tax collections.
- As of the close of the current fiscal year, governmental funds reported combining ending fund balances of \$20,570,586, a decrease of \$159,233 in comparison from last year's \$20,729,819 (as restated). Of this total amount, \$36,061 is nonspendable (prepaid and inventory), \$344,654 use is restricted by governmental grants or other legal restriction, \$9,136,140 is committed by the Town Council (budget-making authority), \$3,050,722 is assigned and \$8,003,009 is unassigned. \$8,003,009 of General Fund is available for spending at the government's discretion (unassigned fund balance).
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$8,003,009 or 9.17% of total General Fund expenditures and transfers out of \$87,235,861, including the State's contribution and offsetting expenditures for teacher's retirement.
- Total debt decreased by \$2,821,197 or -9.12% to \$28,098,630 (including amortized bond premium) during the current fiscal year.

Overview of the Basic Financial Statement

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

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

The statement of net position presents information on all of the Town's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Town is improving or deteriorating.

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

The government-wide financial statements present only governmental activities whose functions are principally supported by taxes and intergovernmental revenues, since the Town does not operate any business-type activities. The governmental activities of the Town include general government, public safety, public works, health and social services, recreation and parks, education - cultural (library), conservation and development, Board of Education and interest expense. The government-wide financial statements can be found on Exhibits I and II of this report.

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

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

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

The Town maintains 15 individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures and changes in fund balances for the General Fund and CIFA (Capital Improvement Fund Account), both of which are considered to be major funds. Data from the other 13 governmental funds are combined into a single, aggregated presentation under the caption nonmajor governmental funds. Individual fund data for each of these nonmajor governmental funds is provided in the form of combining statements elsewhere in this report.

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

The basic governmental fund financial statements can be found on pages starting with Exhibit III of this report.

Proprietary Fund. The Town maintains one type of proprietary fund. Internal service funds are an accounting device used to accumulate and allocate costs internally among the Town's various functions. The Town uses an internal service fund to account for its self-insured medical benefits. These services benefit governmental functions, thus, they have been included within governmental activities in the government-wide financial statements.

The basic proprietary fund financial statements can be found on pages Exhibits VI through VIII of this report.

Fiduciary Funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the Town. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the Town's own programs.

The accounting used for fiduciary funds is much like that used for proprietary funds. The basic fiduciary fund financial statements can be found on Exhibits IX and X of this report.

Notes to Basic Financial Statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the basic financial statements can be found on pages 29-66 of this report.

Other Information. In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the Town's progress in funding its obligation to provide pension benefits to its employees. Required supplementary information can be found on pages 67-73 of this report.

The combining statements referred to earlier in connection with nonmajor governmental funds are presented immediately following the required supplementary information on pensions. Combining and individual fund statements and schedules can be found on pages 69-96 of this report.

Government-Wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of Avon, our assets exceeded liabilities by \$109,789,104 at the close of the most recent fiscal year.

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

By far the largest portion of the Town's net position reflects the investment in capital assets (e.g., land, buildings and improvements, equipment, vehicles and infrastructure), less any related debt used to acquire those assets that is still outstanding. Avon uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Town's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

	Governmental Activities	
	2015	As Restated 2014 *
Current assets	\$ 34,294,440	\$ 33,648,513
Capital assets, net of accumulated depreciation	147,125,012	149,031,522
Noncurrent assets	-	253,724
Total assets	<u>181,419,452</u>	<u>182,933,759</u>
Deferred outflows of resources	<u>1,007,441</u>	-
Long-term liabilities outstanding	57,833,141	58,941,483
Other liabilities	8,531,272	7,813,333
Total liabilities	<u>66,364,413</u>	<u>66,754,816</u>
Deferred inflows of resources	<u>6,273,376</u>	<u>5,877,644</u>
Net Position:		
Net investment in capital assets	118,793,898	117,881,652
Unrestricted	<u>(9,004,794)</u>	<u>(7,580,353)</u>
Total Net Position	<u>\$ 109,789,104</u>	<u>\$ 110,301,299</u>

*FY 2014 has been restated to bring on the beginning net pension liability and the beginning fund balance for the Donations Fund.

At the end of the current fiscal year, we are able to report positive balances in both categories of net position. The same situation held true for the prior fiscal year.

The Town's net position decreased by \$512,195 during the current fiscal year. Of this amount, \$9,004,794 (unrestricted net position) went to a negative amount as a result of the net pension obligation being recorded as required by adopting GASB No. 68. The Town generated net general revenues of \$73,666,024 and net general expenses of \$74,178,219. Gross expenses of \$91,079,605 were offset by \$5,903,556 in charges for services, \$10,676,357 in operating grants and contributions, and \$321,473 in capital grants and contributions. Of the net expenses, the largest amount was \$51,336,670, which was for the operating of the Town's school system. Net public safety expenses of \$9,081,171, net public works costs of \$5,677,772, net general government costs of \$4,146,321, net educational – cultural expenses of \$1,326,699, interest expense of \$816,154, and recreation and parks expenses of \$764,742 accounted for almost all net expenses. The majority of the Town's revenue was \$72,768,968 in property tax collections, \$16,901,386 in charges for services and grants, and \$897,056 in nonrestricted grants, investment income, miscellaneous and transfers.

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

Governmental Activities. Governmental activities decreased the Town's net position by \$512,195. Key elements of this decrease are as follows:

	Governmental Activities	
	2015	2014
Revenues:		
Program revenues:		
Charges for services	\$ 5,903,556	\$ 5,926,742
Operating grants and contributions	10,676,357	11,335,763
Capital grants and contributions	321,473	262,989
General revenues:		
Property taxes	72,768,968	71,382,861
Grants and contributions not restricted to specific programs	488,888	587,848
Investment income	87,150	135,539
Miscellaneous	527,893	600,473
Total revenues	<u>90,774,285</u>	<u>90,232,215</u>
Program Expenses:		
General government	4,853,149	3,856,414
Public safety	9,791,364	9,447,490
Public works	8,495,593	7,378,074
Health and social services	566,900	761,000
Recreation and parks	1,189,960	1,254,944
Education - cultural	1,343,538	1,396,274
Conservation and development	492,487	592,945
Board of Education	63,530,460	60,926,974
Interest expense	816,154	921,075
Total program expenses	<u>91,079,605</u>	<u>86,535,190</u>
Transfer to fiduciary fund	<u>206,875</u>	<u>-</u>
Change in net position	(512,195)	3,697,025
Net Position - Beginning of Year	110,301,299	131,758,604
Restatement	<u> </u>	<u>(25,154,330)</u>
Net Position - End of Year	<u>\$ 109,789,104</u>	<u>\$ 110,301,299</u>

On the revenue side, Property taxes, which comprise 80% of Town revenues, increased by \$1,386,107 (1.94%) to \$72,768,968 due to high collections on the current levy (99%), supplemental real estate and motor vehicle, and interest and penalties. The mill rate increased 7.60% over the prior year and was set to meet an adopted budget expenditure increase of 2.60%. 65% of the change in the mill rate was attributable to revaluation and 35% of the change was attributable to budget increases. Charges for services saw a decrease of \$23,186. General government reported similar activity in recording and conveyance from the prior year, public safety reported decreased activity in building, structure and equipment permits from the prior year; overall exceeding budget appropriations and both directly related to improvements in the housing market and commercial growth. Education reported a decrease in fees for various programs partially funded by parents, students, and interdistrict tuition payments. Operating grants and contributions and capital grants and contributions decreased \$600,922 primarily in various education program grants and in public works in state funding for road improvements and revenue sharing. Investment income decreased slightly by \$48,389, with short-term

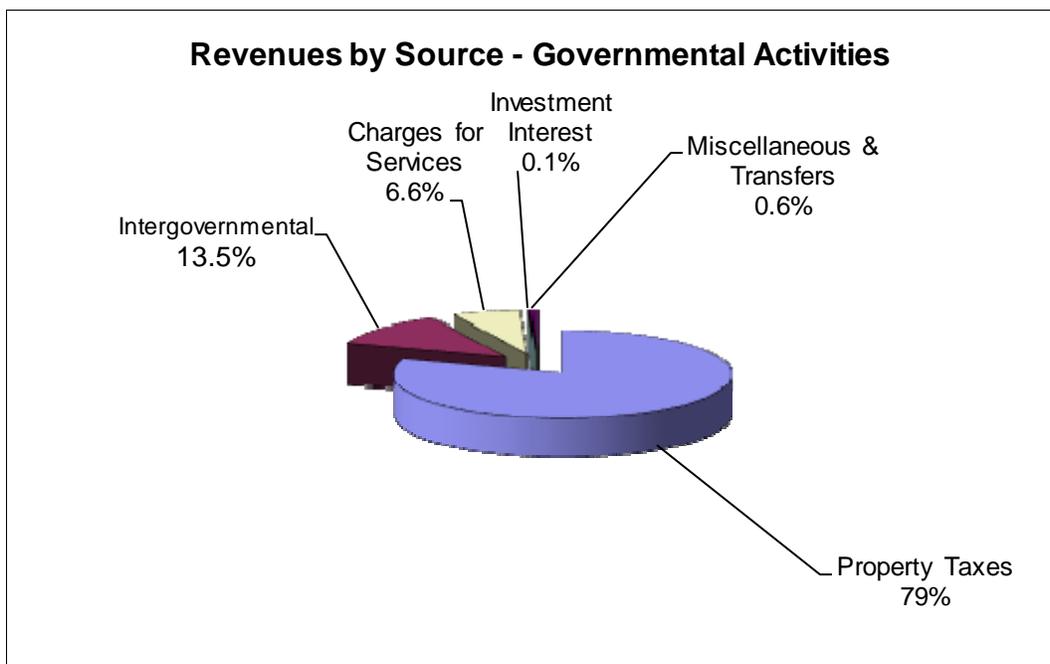
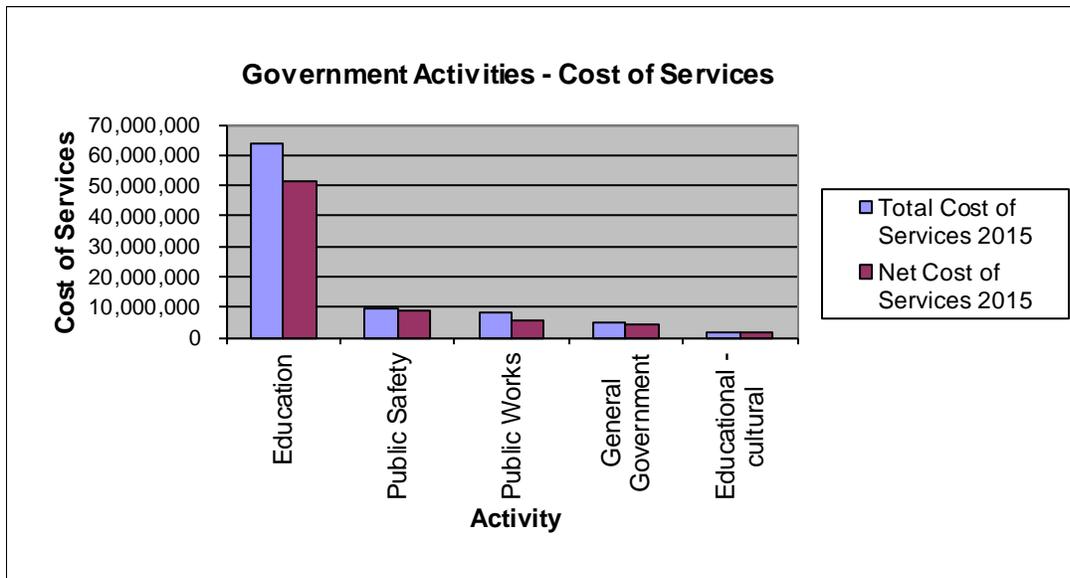
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

interest rates remaining very low and miscellaneous revenues decreased slightly in the amount of \$72,580 due to unexpected one-time revenues that occurred in 2014, and were not received in 2015.

Major program expenses in 2015 were about the same to slightly higher for general government, public safety, public works, and education. Program expenses were slightly lower for health and social services, recreation and parks, educational – cultural, and conservation and development. Public safety costs increased (\$343,874), with increased hydrant and water main rental fees, security programs involving threat assessment drills and reports conducted by public safety at the schools and town buildings, overtime and related benefit costs. Public works costs increased (\$1,117,519) for various road work projects, treated salt for winter storm control, labor contract costs that were in negotiations and time of budget approval, and increased volume of repairs for an aged fleet of vehicles. Interest expense showed a slight decrease (\$104,921). The increase in the Board of Education program expenses is related to recording the additional intergovernmental, tuition, and program revenues received along with the associated expenditures and the recording of the on-behalf payment made by the State towards the teacher's retirement (\$5,108,241). There continues to be community expectations for a rate of tax growth that approximates inflation with accompanying requests for additional and higher quality services by our residents. In response to these trends, the Town's budget included a mix of initiatives, which are designed to reduce taxpayer costs in some areas, but also increase services where needed in others. Some examples are continued restructured staffing arrangements in Public Safety (Protection and Communication and School Resource Officer) continued cross training of staff in Conservation and Development (Department of Planning and Community Development), a continued shift of recreation activity and park maintenance costs from the General Fund to be supported by user fees in the Recreation Activities Fund (Special Revenue Fund), continued planning with area towns for shared services arrangements, and increased hours for part-time positions in the Library in an attempt to limit full-time personnel increases with the accompanying benefit costs. The Town has undertaken a conscious policy of trying to restrain the rate of growth in the number of people employed by the Town by seeking alternative methods of service delivery. This has been done by establishing contractual relationships for landscaping and custodial work, bidding snowplowing/sanding on some roads and contracting certain landfill recycling programs.

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

The following chart presents the costs of each of each of the Town's five largest programs as well as each program's net expenses (total expenses less revenues generated by the activities). The net expenses show the financial burden that was placed on the Town's taxpayers by each of these functions.



The majority of Avon's operating revenues come from property taxes levied on residents' homes, commercial and personal property, and motor vehicles. Roughly 60% of the service charges, \$3,534,950, are generated by public works, public safety and general government. The Board of Education contributed \$1,897,811 or 32% in service fees as well. Avon has never been reliant on state and federal grants that, while helpful in keeping our overall costs down, do not contribute significantly to total revenues.

Financial Analysis of the Government's Funds

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

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

As of the end of the current fiscal year, our governmental funds reported combined ending fund balances of \$20,570,586, a decrease of \$159,233 in comparison with the prior year. Of this total amount, \$36,061 is nonspendable (prepaid and inventory), \$344,654 use is restricted by governmental grants or other legal restriction, \$9,136,140 is committed by the Town Council (budget-making authority), \$3,050,722 is assigned and \$8,003,009 is unassigned. \$8,003,009 of General Fund is available for spending at the government's discretion (unassigned fund balance).

The General Fund is the chief operating fund of the Town. At the end of the current fiscal year, unassigned fund balance of the General Fund was \$8,003,009, while total fund balance reached \$11,080,968. As a measure of the General Fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents 9.17% of total General Fund expenditures and transfers out of \$87,235,861, while total General fund balance represents 12.7% of that same amount.

The fund balance of Avon's General Fund decreased by \$1,776,049 during the current fiscal year. Key factors contributing to this decrease was the management plan for use of funds assigned for capital reserve (\$662,384) to offset capital projects for road overlay, management plan for use of funds assigned for defined benefit pension expenditures (\$132,500), and management plan for use of funds assigned for OPEB liability (\$100,000). Additional fund balance assignments were approved for funding future defined benefit pension contributions (\$187,500), for funding future post-employment health benefits (\$225,000) and to fund Debt Service Fund for future retirement expenditures (\$50,000), all offset by favorable tax collections. It should be noted that supplemental appropriations made during the year required the use of \$794,270 of fund balance, for road projects subject to partial and full reimbursement from the State and that \$1,016,209 in encumbrances from 2015 are authorized to be carried over to the following fiscal year, classified as assigned amounts in the General Fund.

The Capital Improvement Fund Account (CIFA) is one of Avon's major governmental funds. Most of the Town's major capital expenditures are processed through this account. Bond anticipation note (BAN) and bond proceeds are also handled in the CIFA account. Fund balance increased \$475,865 from \$4,841,123 to \$5,316,988. The CIFA Fund Balance of \$5,316,988 is committed for capital projects.

Proprietary Funds. The Town of Avon's proprietary fund provides the same type of information found in the government-wide financial statements, but in more detail. Avon uses an internal service fund to self-fund employee medical insurance for the Town and the Board of Education.

Net position of the Internal Service Fund at the end of the year amounted to \$2,135,424. The total change in net position for the fund was a decrease of \$340,692 due to unfavorable claims experience. Operating revenues for the fund, representing charges for services that are health insurance premiums paid by Town and Board of Education, amounted to \$9,050,666. Operating expenses for medical claims were \$9,391,358.

General Fund Budgetary Highlights

The original budget of \$78,872,477 increased \$2,484,870 during the year to \$81,357,347. The significant supplemental and additional appropriations are noted below:

Revenues

- \$794,270 total appropriation from fund balance: \$54,270 for funding payments of insurance benefits under State's Heart and Hypertension laws, and two projects with funding passed through to Capital Projects Fund. First project in the amount of \$340,000 for funding Old Farms Road relocation feasibility study and second project in the amount of \$400,000 for design and analysis for Old Farms Road Bridge. The Town intends to replenish fund balance with reimbursements due from the State on both projects;
- \$662,384 addition from assignment for capital reserve for road overlay passed through to Capital Projects Fund;
- \$480,378 addition from education program grants for Open Choice revenues to fund various school district services and expenditures;
- \$133,350 addition from education program grants (\$73,500), rents and reimbursements (\$52,000) and tuition receipts (\$7,850) to fund the expenditures to the Board of Education;
- \$132,500 addition from assignment for pension for contributions;
- \$100,000 addition from assignment for post-employment benefits for future liabilities passed through to OPEB Trust Fund;
- \$98,076 addition from additional revenues received in supplemental motor vehicle taxes that covered payroll expenditures in excess of interdepartmental transfers;
- \$20,172 addition from Youth Services Bureau Grant;
- \$13,740 addition from State of Connecticut grant for historic preservation (\$10,067) and donations and grants, private sources (\$3,673) from Avon Historical Society for restoration of windows at the Pine Grove Schoolhouse;

Expenditures

- \$480,378 for funding technical equipment, professional development and personnel costs to Avon Public Schools;
- \$133,350 to fund the expenditures to the Board of Education;
- \$132,500 for funding Town employee retirement expenditures;
- \$98,076 for funding payroll expenditures in excess of interdepartmental transfers in Public Safety overtime (\$88,721), Library part-time (\$3,436) and Zoning Board of Appeals \$5,919);
- \$54,270.01 for funding payment of health and dental insurance benefits under State's Heart and Hypertension laws to Claims & Losses, Services – Other;
- \$20,172 for health and social services to fund the Youth Services Program;
- \$13,740 for funding restoration of windows at Pine Grove Schoolhouse;

Of the increase, \$98,076 was funded out of property taxes, \$584,117 from intergovernmental increases in various grants, and \$63,523 was funded from charges for services and other local revenues, with detail as provided in the highlights above. \$794,270 was budgeted from

available fund balance and \$944,884 was budgeted from assignments for various purposes with the detail provided in the first, second, fourth and fifth bullets under General Fund Budgetary Highlights, Revenues and in the second, third and fifth bullets under Expenditures.

Capital Asset and Debt Administration

Capital Assets. The Town of Avon's investment in capital assets for its governmental assets includes land, buildings and improvements, land improvements, equipment, vehicles and infrastructure (roads, sewer lines, storm drains). The total net decrease in our investment in capital assets for the current fiscal year was \$1,906,510 (1.2%). Multi-year projects carried in the capital asset category of construction in progress were transferred to their appropriate asset class, along with accumulated depreciation, which diluted the capital asset addition amount.

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

- Bertha Lane Sewer Extension Project, costing \$96,031;
- Country Club Road Improvements, at a cost of \$217,102;
- Fire Engine Replacement for \$263,880;
- ADA Code Compliance (Board of Education) at \$137,202;
- Board of Education Roaring Brook School Classroom Flooring & Ceiling Project costing \$161,804;
- Fire Alarm for \$145,881;
- Replacement of the Old Wheeler Lane Bridge Project, for a cost of \$122,897;
- Purchase of new Freightliner Plow Truck, costing \$194,004;
- Two 2015 Chevy Silverado K3500 Trucks, for a total of \$115,055;
- Purchase of 2014 Takeuchi (DPW) for \$94,999;
- Grounds Division Replacement purchase of Toro Groundsmaster 4100-D for a cost of \$60,343;
- Board of Education Middle School Tennis Court Lighting Project at \$45,770;
- Board of Education- Energy Efficiency Improvements Project for a cost of \$48,339;
- New Ford Explorer truck at a cost of \$49,340;
- Chevy Tahoe K1500 SP for \$46,624.

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

	Activities	
	2015	2014
Land	\$ 7,662,553	\$ 7,662,553
Construction in progress	3,284,730	2,359,700
Land improvements	1,317,225	1,225,858
Buildings and improvements	92,034,920	94,455,704
Equipment	6,010,709	5,778,389
Vehicles	2,034,592	2,286,902
Infrastructure	<u>34,780,283</u>	<u>35,262,416</u>
Total	\$ <u>147,125,012</u>	\$ <u>149,031,522</u>

Additional information on the Town of Avon's capital assets can be found in Note 3C on page 40 of this report.

Long-Term Debt. At the end of the current fiscal year, the Town of Avon had \$27,635,000 of long-term general obligation bonded debt issued and outstanding. All of the Town's debt is general obligation and backed by the full faith and credit of the Town.

**OUTSTANDING DEBT
GENERAL OBLIGATION BONDS
JUNE 30, 2015**

Date	Purpose	Rate %	Original Issue	Debt Outstanding	Date of Fiscal Year Maturity
7/15/02	Fisher Farms Open Space	3.00-5.00	\$ 1,295,000	\$ 82,000	2016
7/15/02	Thompson Brook School	3.00-5.00	14,245,000	918,000	2016
10/15/09	Town Hall Renovations	2.00-3.25	2,295,000	1,695,000	2027
10/15/09	High School Renovations	2.00-3.25	23,218,000	17,045,000	2027
10/15/09	Avon Middle School Roof AFPL Renovations,	2.00-3.25	2,372,000	1,745,000	2027
10/30/12	Additions, Improvements	2.00	<u>7,100,000</u>	<u>6,150,000</u>	2028
Total Bonds			\$ <u>50,525,000</u>	\$ <u>27,635,000</u>	

The Town of Avon's total debt decreased by \$1,023,727 (-1.64%) during the current fiscal year. The Town's policy of aggressively retiring its bonds (shorter maturities than statutory maximums) prevents us from being able to refund our higher rate bonds at current low interest rates.

Avon has earned the highest credit rating possible, "Aaa" from Moody's Investors Service, Inc., and "AAA" from Standard & Poor's for all of its general obligation debt. In September 2012, the Town's credit rating was affirmed by both Moody's and Standard & Poor's.

State statutes limit the amount of general obligation debt a governmental entity may issue to 7 times its tax collections plus interest and lien fees (seven times \$76,128,751). For June 30, 2015 the maximum amount of borrowing permitted under the formula would be \$532,901,257.

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

With net borrowings of \$27,635,000 the Town of Avon's outstanding general obligation debt is \$532,901,257 below the maximum debt limitation (see "Schedule of Debt Limitation" on Table 13 of this report).

Additional information on the Town's long-term debt can be found in Note 3E on pages 42-43 of this document.

Economic Factors and Next Year's Budget and Rates

- Grand list growth is expected to increase by .73%.
- Property tax collections will exceed 99% with the reserve for uncollectible at \$605,565.
- Assessment appeals and tax refunds will approximate 1% of tax revenues.
- Anticipation that new single family housing permits remain level as the Town matures. Housing prices have remained relatively stable.
- Revenues from building, structures and equipment permit activity and recording and conveyance fees, based on current sales of existing properties and current mortgage interest rates are projected to remain flat.
- Discretionary grant revenues are expected to increase in some areas and remain essentially the same in others. The Town's adopted budget for 2016 reflects a net increase in State and Intergovernmental grants of \$43,329 or .88% as compared to 2015, primarily due to the Board of Education grant activity for Special Education Excess Cost and Open Choice Attendance coupled with a significant decrease in Town Aid Road Funds. Although Avon receives a small portion of its revenues from state grants, reductions in these grants do have an impact on Town services.
- Avon intends that user fees cover the majority of costs of certain services such as sewer use, sewer connection, landfill and recreational programs. These fees are reviewed annually and reset according to expected usage and inflation. Sewer use charges increased to \$325 per year, sewer assessment revenues are expected to decrease, sewer connection revenues are expected to increase, and landfill fees are anticipated to decrease slightly as a result of less bulky waste revenues due to E-waste recycling.
- The Town has projected investment income to remain flat at \$90,000, due to historically low interest rates pushed down to nearly zero.
- Personal services (salary and benefits) increase (not including sewers) will amount to \$849,349 (73.61%) of the Town General Fund expenditures. Overall wages increased by \$448,320 as compared to 2015. The Town operating expenditures reflect hourly newly funded Public Safety positions, hourly increases for non-organized personnel, classification adjustments and step increases and auto allotments. Two previously ½ year funded police officer positions and one previously unfunded police officer position have been funded full year, the formerly contracted Animal Control Officer has been hired as a part time employee by shifting funds from services and supplies to personal services, and the School Resource Officer remains authorized with the cost supported by a \$76,000 offset from the Board of Education budget, net impact to Town's budget remains at \$16,945. The total number of full-time positions remains at 106.
- Increased insurance premium sharing by employees. All current employees contribute 15% - 20%; all new hires for Police, Dispatch, Non-Organized and Public Works contribute 20% toward both health and dental care.

- Employee benefits have increased by \$410,468 (5.95%). The increase is caused by a number of factors including increased contribution to the defined benefit plan (\$107,433 or 4.04%), where the interest rate return assumption has been reduced from 7.5% to 7.375%, which also increased the funding requirement. Hospitalization funding increased \$80,038 or 5.18% mitigated by participation of twenty-seven (27) employees opting out through the Town's Health Insurance Waiver Program. The budgeted OPEB contribution will increase (\$125,000) each year over the next several years, supported by supplementing the budgeted amount with a contribution from the Post Retirement Medical Benefits Reserve Fund until exhausted, with the plan of full funding for the annual required contribution supported in the budget. Effective 7/1/2013, the Town of Avon does not provide post-retirement medical benefits to those Dispatcher retirees, or their family, if hired after 7/1/2013. Effective 7/1/2014, the Town of Avon does not provide post-retirement medical benefits to those Public Works retirees, or their family, if hired after 7/1/2014.
- The Board of Education's criteria that was used to shape the budget was to evenly distribute the impact of reductions, budget the necessary instructional materials, fund required program needs per Federal and State special education legislation, meet employment contractual obligations, adequately fund utilities, maintenance, and transportation and level fund or reduce budget by prioritizing needs without impacting teaching and learning for any student.
- 80% of the Board of Education budget relates to teacher salary and benefits.
- Continue cooperative ventures regionally, and with the Town and Board of Education. Renewed arrangements with the Town of Canton to provide Assessing services, but the Animal Control Officer Services with Canton are discontinued.
- Large multi-year capital projects, on a phased-in basis, include the fire apparatus (fire truck) replacement, underground fuel storage tank replacement and for the Board of Education at various schools: flooring replacement at Avon High and Pine Grove, heating, ventilating and air conditioning units at Roaring Brook and science labs at Avon Middle School.
- At the close of the 2015 fiscal year, unassigned fund balance in the General Fund amounted to \$8,003,009. The Board of Finance has decided no use of General Fund unassigned fund balance to mitigate the tax impact for the 2016 budget.

All of these factors were considered in preparing the budget for the 2016 fiscal year.

Requests for Information

This financial report is designed to provide a general overview of the Town of Avon's finances for all those with an interest in the government's operations. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Office of the Finance Director, 60 West Main Street, Avon, CT 06001.

BASIC FINANCIAL STATEMENTS

**TOWN OF AVON, CONNECTICUT
STATEMENT OF NET POSITION
JUNE 30, 2015**

	<u>Governmental Activities</u>
Assets:	
Current assets:	
Cash and cash equivalents	\$ 32,146,492
Investments	1,346,232
Receivables, net of allowance for uncollectibles	
Property taxes	276,758
Assessments	236,679
Intergovernmental	127,626
Accounts	124,592
Other current assets	36,061
Total current assets	<u>34,294,440</u>
Noncurrent assets:	
Capital assets, nondepreciable	10,947,283
Capital assets, net of accumulated depreciation	136,177,729
Total noncurrent assets	<u>147,125,012</u>
Total assets	<u>181,419,452</u>
Deferred Outflows of Resources:	
Changes in pension investment gains or losses	<u>1,007,441</u>
Liabilities:	
Current liabilities:	
Accounts payable	2,763,690
Accrued liabilities	450,621
Unearned revenue	37,669
Due to fiduciary funds	1,675,543
Other current liabilities	130,624
Noncurrent liabilities, due within one year	3,473,125
Total current liabilities	<u>8,531,272</u>
Noncurrent liabilities:	
Due in more than one year	57,833,141
Total liabilities	<u>66,364,413</u>
Deferred Inflows of Resources:	
Advance property tax collections	5,823,823
Advance sewer collections	282,463
Changes in pension economic/demographic gains or losses	167,090
Total deferred inflows of resources	<u>6,273,376</u>
Net Position:	
Net investment in capital assets	118,793,898
Unrestricted	<u>(9,004,794)</u>
Total Net Position	<u>\$ 109,789,104</u>

The accompanying notes are an integral part of the financial statements

**TOWN OF AVON, CONNECTICUT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2015**

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>			<u>Net (Expenses) Revenue and Changes in Net Position</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Total Governmental Activities</u>
Governmental Activities:					
General government	\$ 4,853,149	\$ 663,033	\$ 43,795	\$	\$ (4,146,321)
Public safety	9,791,364	687,472	22,721		(9,081,171)
Public works	8,495,593	2,184,445	438,979	194,397	(5,677,772)
Health and social services	566,900	23,491			(543,409)
Recreation and parks	1,189,960	424,418	800		(764,742)
Educational - cultural	1,343,538	15,680	1,159		(1,326,699)
Conservation and development	492,487	7,206			(485,281)
Board of Education	63,530,460	1,897,811	10,168,903	127,076	(51,336,670)
Interest on long-term debt	816,154				(816,154)
Total Governmental Activities	\$ 91,079,605	\$ 5,903,556	\$ 10,676,357	\$ 321,473	(74,178,219)
General Revenues:					
Property taxes					72,768,968
Grants and contributions not restricted to specific program:					488,888
Investment income					87,150
Miscellaneous					527,893
Transfer to fiduciary fund					(206,875)
Total general revenues and transfers					<u>73,666,024</u>
Change in net position					(512,195)
Net Position at Beginning of Year, as Restated					<u>110,301,299</u>
Net Position at End of Year					<u>\$ 109,789,104</u>

The accompanying notes are an integral part of the financial statements

**TOWN OF AVON, CONNECTICUT
BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2015**

	<u>General</u>	<u>CIFA</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS				
Cash and cash equivalents	\$ 31,430,424	\$ 527,043	\$ 189,025	\$ 32,146,492
Investments	1,346,232			1,346,232
Receivables, net	359,506		384,722	744,228
Due from other funds	170,010	5,225,216	4,445,991	9,841,217
Other	<u>27,237</u>		<u>8,824</u>	<u>36,061</u>
Total Assets	<u>\$ 33,333,409</u>	<u>\$ 5,752,259</u>	<u>\$ 5,028,562</u>	<u>\$ 44,114,230</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 1,593,874	\$ 368,316	\$ 201,470	\$ 2,163,660
Accrued liabilities	450,621			450,621
Due to other funds	14,078,551	66,955	106,708	14,252,214
Unearned revenue	9,057		28,612	37,669
Total liabilities	<u>16,132,103</u>	<u>435,271</u>	<u>336,790</u>	<u>16,904,164</u>
Deferred Inflows of Resources:				
Unavailable revenue - property taxes	228,445			228,445
Unavailable revenue - special assessments			236,679	236,679
Unavailable revenue - school building P&I	68,070			68,070
Advance property tax collections	5,823,823			5,823,823
Advance sewer collections			282,463	282,463
Total deferred inflows of resources	<u>6,120,338</u>	<u>-</u>	<u>519,142</u>	<u>6,639,480</u>
Fund Balances:				
Nonspendable	27,237		8,824	36,061
Restricted			344,654	344,654
Committed		5,316,988	3,819,152	9,136,140
Assigned	3,050,722			3,050,722
Unassigned	8,003,009			8,003,009
Total fund balances	<u>11,080,968</u>	<u>5,316,988</u>	<u>4,172,630</u>	<u>20,570,586</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 33,333,409</u>	<u>\$ 5,752,259</u>	<u>\$ 5,028,562</u>	<u>\$ 44,114,230</u>

(Continued on next page)

TOWN OF AVON, CONNECTICUT
BALANCE SHEET - GOVERNMENTAL FUNDS (CONTINUED)
JUNE 30, 2015

Reconciliation of the Balance Sheet - Governmental Funds to the Statement of Net Position:

Amounts reported for governmental activities in the statement of net position (Exhibit I) are different from the governmental fund balance sheet. The details of this difference are as follows:

Total fund balance (Exhibit III)	\$ 20,570,586
----------------------------------	---------------

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds:

Capital assets	203,401,055
Accumulated depreciation	(56,276,043)

Other long-term assets are not available to pay for current period expenditures and, therefore, are not reported in the funds:

Property tax interest and lien accrual	29,759
Property tax and sewer assessment receivable - accrual basis change	465,124
Allowance for doubtful accounts	(8,332)
Deferred outflows - changes in pension investment gains or losses	1,007,441
School construction grant receivable	68,070

Internal service funds are used by management to charge the cost of medical insurance to individual departments. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net position.

2,135,424

Some liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds:

Bonds payable	(27,635,000)
Net pension liability	(25,927,735)
Capital leases	(232,484)
Compensated absences	(2,592,549)
Net other post employment benefit obligation	(4,184,868)
Landfill postclosure liability	(270,000)
Bond premium	(463,630)
Deferred inflows - changes in economic/demographic gains or losses	(167,090)
Accrued interest payable	(130,624)

Net Position of Governmental Activities (Exhibit I)	<u>\$ 109,789,104</u>
---	-----------------------

The accompanying notes are an integral part of the financial statements

**TOWN OF AVON, CONNECTICUT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2015**

	<u>General</u>	<u>CIFA</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues:				
Property taxes	\$ 72,702,548	\$	\$	\$ 72,702,548
Intergovernmental	9,442,455	74,974	1,892,094	11,409,523
Charges for services	2,654,210		3,295,741	5,949,951
Investment income	87,036	84	30	87,150
Other local revenues	378,392	67,500	168,347	614,239
Total revenues	<u>85,264,641</u>	<u>142,558</u>	<u>5,356,212</u>	<u>90,763,411</u>
Expenditures:				
Current:				
Town Council:				
General government	2,976,971		135,277	3,112,248
Public safety	9,533,701		65,501	9,599,202
Public works	5,235,745		2,029,323	7,265,068
Health and social services	502,740			502,740
Recreation and parks	770,618		345,354	1,115,972
Educational - cultural	1,479,743			1,479,743
Conservation and development	613,764			613,764
Miscellaneous	333,033			333,033
Total town council	<u>21,446,315</u>	-	<u>2,575,455</u>	<u>24,021,770</u>
Board of Education	58,148,061		2,244,617	60,392,678
Debt service	3,647,488			3,647,488
Capital outlay		2,549,904	259,792	2,809,696
Total expenditures	<u>83,241,864</u>	<u>2,549,904</u>	<u>5,079,864</u>	<u>90,871,632</u>
Excess (Deficiency) of Revenues over Expenditures	<u>2,022,777</u>	<u>(2,407,346)</u>	<u>276,348</u>	<u>(108,221)</u>
Other Financing Sources (Uses):				
Capital lease issuance	155,863			155,863
Transfers in	39,308	2,926,172	893,653	3,859,133
Transfers out	<u>(3,993,997)</u>	<u>(42,961)</u>	<u>(29,050)</u>	<u>(4,066,008)</u>
Net other financing sources (uses)	<u>(3,798,826)</u>	<u>2,883,211</u>	<u>864,603</u>	<u>(51,012)</u>
Net Change in Fund Balances	(1,776,049)	475,865	1,140,951	(159,233)
Fund Balances at Beginning of Year, as Restated	<u>12,857,017</u>	<u>4,841,123</u>	<u>3,031,679</u>	<u>20,729,819</u>
Fund Balances at End of Year	<u>\$ 11,080,968</u>	<u>\$ 5,316,988</u>	<u>\$ 4,172,630</u>	<u>\$ 20,570,586</u>

(Continued on next page)

TOWN OF AVON, CONNECTICUT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
GOVERNMENTAL FUNDS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2015

Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds to the Statement of Activities:

Amounts reported for governmental activities in the statement of activities (Exhibit II) are different because:

Net change in fund balances - total governmental funds (Exhibit IV)	\$ (159,233)
---	--------------

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

Capital outlay	2,301,202
Depreciation expense	(4,195,822)
Loss on disposal of capital assets	(11,890)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds, and revenues recognized in the funds are not reported in the statement of activities:

Increase in property tax and assessments receivable - accrual basis change	31,209
Decrease in property tax interest and lien revenue	(15,534)
Increase in property tax and sewer use allowance for doubtful accounts	4,350
Increase in deferred outflows amounts related to pension investment gains or losses	1,007,441

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

Accrued interest	10,137
Principal payments	2,775,000
Amortization of bond premiums	46,197
Capital leases issuance	(155,863)
Capital leases payments	153,422

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:

Increase in long-term compensated absences	(235,394)
Increase in net pension liability	(1,011,368)
Increase in other post employment benefit obligation	(578,267)
Landfill postclosure payments	30,000
Increase in deferred inflows amounts related to pension economic/demographic gains or losses	(167,090)

The net revenue of the internal service funds is reported with the governmental activities.	<u>(340,692)</u>
---	------------------

Change in Net Position of Governmental Activities (Exhibit II)	<u>\$ (512,195)</u>
--	---------------------

The accompanying notes are an integral part of the financial statements

**TOWN OF AVON, CONNECTICUT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2015**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
Revenues:				
Property taxes	\$ 72,646,955	\$ 72,745,031	\$ 72,702,548	\$ (42,483)
Intergovernmental	3,373,307	3,957,424	4,334,215	376,791
Charges for services	2,368,652	2,376,502	2,623,368	246,866
Investment income	90,000	90,000	52,302	(37,698)
Other local revenues	393,563	449,236	485,882	36,646
Total revenues	<u>78,872,477</u>	<u>79,618,193</u>	<u>80,198,315</u>	<u>580,122</u>
Expenditures:				
Current:				
Town Council:				
General government	3,075,949	2,971,132	2,971,133	(1)
Public safety	9,051,716	9,477,651	9,477,651	-
Public works	5,209,297	5,202,682	5,202,683	(1)
Health and social services	473,209	501,397	501,398	(1)
Recreation and parks	824,294	778,481	778,480	1
Educational - cultural	1,453,265	1,473,401	1,473,400	1
Conservation and development	626,021	618,147	618,142	5
Miscellaneous	323,412	333,032	333,032	-
Total town council	<u>21,037,163</u>	<u>21,355,923</u>	<u>21,355,919</u>	<u>4</u>
Board of Education	51,903,086	52,516,814	52,450,590	66,224
Debt service	3,647,490	3,647,488	3,647,488	-
Total expenditures	<u>76,587,739</u>	<u>77,520,225</u>	<u>77,453,997</u>	<u>66,228</u>
Excess of Revenues over Expenditures	<u>2,284,738</u>	<u>2,097,968</u>	<u>2,744,318</u>	<u>646,350</u>
Other Financing Sources (Uses):				
Appropriation of fund balance		1,739,154		(1,739,154)
Transfers out	<u>(2,284,738)</u>	<u>(3,837,122)</u>	<u>(3,887,122)</u>	<u>(50,000)</u>
Net other financing uses	<u>(2,284,738)</u>	<u>(2,097,968)</u>	<u>(3,847,814)</u>	<u>(1,749,846)</u>
Net Change in Fund Balance	<u>\$ -</u>	<u>\$ -</u>	(1,103,496)	<u>\$ (1,103,496)</u>
Fund Balance at Beginning of Year			<u>10,844,906</u>	
Fund Balance at End of Year			<u>\$ 9,741,410</u>	

The accompanying notes are an integral part of the financial statements

**TOWN OF AVON, CONNECTICUT
STATEMENT OF NET POSITION
PROPRIETARY FUND
JUNE 30, 2015**

	<u>Governmental Activities</u>
	<u>Internal Service Fund</u>
Assets:	
Current assets:	
Due from other funds	\$ 2,735,454
Liabilities:	
Current liabilities:	
Claims payable	<u>600,030</u>
Total Net Position	<u>\$ 2,135,424</u>

The accompanying notes are an integral part of the financial statements

**TOWN OF AVON, CONNECTICUT
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
PROPRIETARY FUND
FOR THE YEAR ENDED JUNE 30, 2015**

	<u>Governmental Activities</u>	<u>Internal Service Fund</u>
Operating revenues:		
Charges for services:		
Town	\$ 1,789,515	
Board of Education	7,090,691	
Refunds and reimbursements	170,460	
Total operating revenues	<u>9,050,666</u>	
Operating expenses:		
Medical claims:		
Town	1,898,884	
Board of Education	7,492,474	
Total operating expenses	<u>9,391,358</u>	
Change in Net Position		(340,692)
Net Position at Beginning of Year		<u>2,476,116</u>
Net Position at End of Year		<u>\$ 2,135,424</u>

The accompanying notes are an integral part of the financial statements

**TOWN OF AVON, CONNECTICUT
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
FOR THE YEAR ENDED JUNE 30, 2015**

	Governmental Activities
	Internal Service Fund
Cash Flows from Operating Activities:	
Receipts from customers and users	\$ 9,241,355
Claims paid	(9,241,355)
Net cash provided by operating activities	<u>-</u>
Net Increase in Cash	-
Cash at Beginning of Year	<u>-</u>
Cash at End of Year	<u>\$ -</u>
Reconciliation of Operating Loss to Net Cash Provided by Operating Activities:	
Operating loss	\$ (340,692)
Adjustments to reconcile operating loss to net cash provided by operating activities:	
Decrease in due from other funds	190,689
Decrease in claims payable	<u>150,003</u>
Net Cash Provided by Operating Activities	<u>\$ -</u>

The accompanying notes are an integral part of the financial statements

**TOWN OF AVON, CONNECTICUT
STATEMENT OF FIDUCIARY NET POSITION - FIDUCIARY FUNDS
JUNE 30, 2015**

	Pension and Other Employee Benefit Trust Funds	Agency Funds
	<u> </u>	<u> </u>
Assets:		
Cash and cash equivalents	\$ <u>380,306</u>	\$ <u>216,304</u>
Investments, at fair value:		
Guaranteed interest contract	1,358,527	
Mutual funds	<u>25,240,518</u>	
Total investments	<u>26,599,045</u>	<u>-</u>
Accounts receivable		<u>82,117</u>
Due from other funds	<u>1,675,543</u>	
Total assets	<u>28,654,894</u>	<u>\$ 298,421</u>
Liabilities:		
Fiduciary deposits		\$ 298,421
Accounts payable	<u>37,010</u>	
Total liabilities	<u>37,010</u>	<u>\$ 298,421</u>
Net Position:		
Held in Trust for Pension Benefits and OPEB Benefits	<u>\$ 28,617,884</u>	

The accompanying notes are an integral part of the financial statements

**TOWN OF AVON, CONNECTICUT
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2015**

	Pension and Other Employee Benefit Trust Funds
Additions:	
Contributions:	
Employer	\$ 5,346,581
Plan members	690,119
Total contributions	<u>6,036,700</u>
Investment income:	
Net appreciation in fair value of investments	136,437
Interest and dividends	457,195
Total investment income	<u>593,632</u>
Less investment expenses	<u>180</u>
Net investment income	<u>593,452</u>
Total additions	<u>6,630,152</u>
Deductions:	
Benefits	6,357,118
Administration	70,835
Total deductions	<u>6,427,953</u>
Transfer In	<u>206,875</u>
Change in Net Position	409,074
Net Position at Beginning of Year	<u>28,208,810</u>
Net Position at End of Year	<u>\$ 28,617,884</u>

The accompanying notes are an integral part of the financial statements

NOTES TO BASIC FINANCIAL STATEMENTS

The notes to basic financial statements contain a summary of significant accounting policies and other notes considered necessary for a clear understanding of the basic financial statements.

**TOWN OF AVON, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The Town of Avon, Connecticut (the Town) was incorporated in May 1830 under the provisions of the Connecticut General Statutes. The Town operates under the Town Manager/Town Council form of government and provides the following services: public safety (police and fire), highways and streets, sanitation, health and social services, culture-recreation, education, public improvements, planning and zoning, and general administrative services.

Accounting principles generally accepted in the United States of America (GAAP) require that the reporting entity include the primary government and its component units, entities for which the government is considered to be financially accountable, all organizations for which the primary government is financially accountable, and other organizations that, by the nature and significance of their relationship with the primary government, would cause the financial statements to be incomplete or misleading if excluded. Blended component units, although legally separate entities, are, in substance, part of the government's operations; therefore, data from these units are combined with data of the primary government. Based on these criteria, there are no component units requiring inclusion in these financial statements.

B. Basis of Presentation

The accompanying financial statements have been prepared in conformity with GAAP as applied to government units. The Government Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the Town's accounting policies are described below.

Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the Town. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities are normally supported by taxes and intergovernmental revenues.

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. Certain indirect costs are included as part of the program expense reported for individual funds and activities. 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 are reported as separate columns in the fund financial statements.

**TOWN OF AVON, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. 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 revenues 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. Agency funds do not have a measurement focus but are accounted for using the 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.

Property taxes, expenditure reimbursement type grants, certain intergovernmental revenues, transfers 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 by the Town.

Expenditures are generally 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.

The Town reports the following major governmental funds:

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

The *CIFA Fund* accounts for the financial revenues to be used for major capital asset construction and/or purchases. The major sources of revenue for this fund are bond proceeds and intergovernmental revenues.

Additionally, the government reports the following fund types:

The *Internal Service Fund* accounts for risk financing activities for medical insurance benefits.

The *Pension and Other Employee Benefit Trust Funds* account for the activities of the Avon Employees Retirement System, which accumulates resources for pension benefit payments to qualified employees and also the activities for both Town and Board of Education other postemployment benefits plans (e.g. health insurance, life insurance), which accumulate resources for other postemployment benefit payments to qualified employees.

The *Agency Funds* account for monies held on behalf of students and for various Board of Education programs.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

**TOWN OF AVON, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

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 all 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 internal service funds are charges to customers for medical insurance premiums. Operating expenses for internal service funds include the cost of claims and administrative expenses. 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. Unrestricted resources are used in the following order: committed, assigned, and then unassigned.

C. Cash Equivalents

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

D. Investments

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).

F. Property Taxes and Other Receivables

In the government-wide financial statements, all trade, property tax, sewer use, sewer assessment and loan receivables are shown net of an allowance for uncollectible accounts.

In the fund financial statements, all property taxes receivable at June 30, 2015 that have not been collected within 60 days of June 30 have been recorded as unavailable revenue, since they are not considered to be available to finance expenditures of the current year. Taxes collected during the 60-day period have been recorded as revenue.

Property taxes are assessed on property as of October 1. Taxes are billed in the following July and are due in two installments, July 1 and the following January 1. Liens are effective on the assessment date and are continued by filing before the end of the fiscal year following the due date. Taxes not paid within 30 days of the due date are subject to an interest charge of 1-1/2% per month. An amount of \$99,404 has been established as an allowance for uncollected taxes. At June 30, 2015, this allowance represents 28% of property taxes receivable.

**TOWN OF AVON, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

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 government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 for equipment, \$20,000 for improvements and \$100,000 for infrastructure, and an estimated useful life in excess of two years. 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.

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

<u>Assets</u>	<u>Years</u>
Buildings	50
Building improvements	10-20
Land improvements	15-25
Roads	80
Sewer lines	100
Storm drains	40
Vehicles	7-25
Equipment	5-35
Computer equipment	5-10

H. Net Pension Liability

The net pension liability is measured as the portion of the actuarial present value of projected benefits that is attributed to past periods of employee service (total pension liability), net of the pension plan's fiduciary net position. The pension plan's fiduciary net position is determined using the same valuation methods that are used by the pension plan for purposes of preparing its statement of fiduciary net position. The net pension liability is measured as of a date (measurement date) no earlier than the end of the employer's prior fiscal year, consistently applied from period to period.

I. Net Other Post Employment Benefit Obligation

The net other post employment benefit (OPEB) obligation represents the cumulative difference between the annual OPEB cost and the Town's contributions to the plans. These amounts are calculated on an actuarial basis and are recorded as noncurrent liabilities in the government-wide financial statements.

J. Compensated Absences

The Town and Board of Education employees are granted vacation and sick leave based upon length of employment. In the event of termination, employees are compensated for accumulated vacation and sick time, and the expenditure is recognized in the governmental fund financial statements, typically, the General Fund.

K. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position or fund balance that applies to a future period or periods and, so, will not be recognized as an outflow of resources (expense/expenditure) until then. The Town reports deferred outflows related to pension in the government-wide statement of net position. A deferred outflow of resources related to pension results from differences between expected and actual experience, changes in assumptions or other inputs. These amounts are deferred and included in pension expense in a systematic and rational manner over a period equal to the average of the expected remaining service lives of all employees that are provided with benefits through the pension plan (active employees and inactive employees).

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position or fund balance that applies to a future period or periods and, so, will not be recognized as an inflow of resources (revenue) until that time. The Town reports advance property tax collections and advance sewer collections in both the government-wide statement of net position and the governmental funds balance sheet. The Town also reports deferred inflows of resources related to pensions in the government-wide statement of net position. Both advance property tax collections and advance sewer collections represent taxes and fees inherently associated with a future period. This amount is recognized during the period with which the revenue is associated. A deferred inflow of resources related to pension results from differences between expected and actual experience, changes in assumptions or other inputs. These amounts are deferred and included in pension expense in a systematic and rational manner over a period equal to the average of the expected remaining service lives of all employees that are provided with benefits through the pension plan (active employees and inactive employees). Also, for governmental funds, the Town reports unavailable revenue, which arises only under the modified accrual basis of accounting. The governmental funds report unavailable revenues from several sources: property taxes and special assessments. These amounts are deferred and recognized as an inflow of resources (revenue) in the period during which the amounts become available.

L. Long-Term Obligations

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

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.

M. Fund Equity and Net Position

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.

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

Net Investment in Capital Assets

This component of net position consists of capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, notes or other borrowings that are attributable to the acquisition, construction or improvement of those assets. Debt issued for noncapital purposes is excluded.

Restricted Net Position

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

Unrestricted Net Position

This component consists of net position that does not meet the definition of “restricted” or “net investment in capital assets.”

The equity of the fund financial statements is defined as “fund balance” and is classified in the following categories:

Nonspendable Fund Balance

This balance represents amounts that cannot be spent due to form (e.g., inventories and prepaid amounts).

Restricted Fund Balance

This balance represents amounts constrained for a specific purpose by external parties, such as grantors, creditors, contributors or laws and regulations of their governments.

Committed Fund Balance

This balance represents amounts constrained for a specific purpose by a government using its highest level of decision-making authority. Fund balance commitments are created when a formal resolution from the Town Manager (as prepared by the Finance Director) is presented to the Town Council and a recommendation is made to the Board of Finance to approve the resolution and subsequent approval is attained.

Assigned Fund Balance

This balance represents amounts constrained for the intent to be used for a specific purpose by a governing board or a body or official that has been delegated authority to assign amounts by the Town Charter. This body or official includes department heads, heads of offices, and designees or authorized agents of the Town Manager.

Unassigned Fund Balance

This balance represents fund balance in the General Fund in excess of nonspendable, restricted, committed and assigned fund balance. If another governmental fund has a fund balance deficit, it is reported as a negative amount in unassigned fund balance.

N. Accounting Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, including disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses/expenditures during the reporting period. Actual results could differ from those estimates.

2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Budgets and Budgetary Accounting

The Town established a Town-wide budget in accordance with provisions of its Charter and the Connecticut General Statutes. Budgets for the General Fund, Sewer Fund, State and Federal Education Grants Fund, School Cafeteria Fund, Recreational Activities Fund, Local Capital Improvement Program Fund, Forest Park Management Fund, Town Aid Road Fund, Police Special Services Fund and Use of School Facilities Fund are legally adopted annually at the Annual Town Meeting. Transfers and supplemental appropriations were approved during the year in accordance with provisions of its Charter and the Connecticut General Statutes. There were \$2,484,870 of additional appropriations during the year in the General Fund, \$1,739,154 from fund balance and \$745,716 from additional revenue sources.

- Annual operating budgets are prepared and employed for management control for the General Fund. Unencumbered appropriations of these funds lapse at year end. Encumbered appropriations are carried forward. Transfer of funds between appropriations shall be approved by the Town Council for amounts not exceeding 1/10 of 1% of the current Town operating budget. Transfers exceeding 1/10 of 1% are approved by the Board of Finance upon recommendation of the Town Council. Additional appropriations may be made by the Board of Finance upon favorable recommendation of the Town Council. The legal level of control is at the department level. Line items within these departments may individually exceed their appropriations, as long as in the aggregate they do not. Management is not authorized to transfer budgeted amounts or to approve additional appropriations.
- The Board of Education, which is not a separate legal entity but a function of the Town, is authorized under state law to make any transfers required within its budget at its discretion. Any additional appropriations must have Board of Education, Board of Finance and Town Council approval.
- Nonlapsing project budgets exceeding one year in length are employed for the capital projects funds. These budgets are not “annual” budgets; they are nonlapsing budgets and span two to three years.
- Encumbrances are recognized as a valid and proper charge against a budget appropriation in the year in which the purchase order, contract or other commitment is issued, and, accordingly, encumbrances outstanding at year end are reported in budgetary reports as expenditures in the current year. Generally, all unencumbered appropriations lapse at year end, except those for the Capital Projects Funds. Appropriations for capital projects are continued until completion of applicable projects, even when projects extend more than one fiscal year.

**TOWN OF AVON, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

A reconciliation of revenues, expenditures and fund balance between the accounting treatment required by GAAP and budgetary requirements is as follows:

	<u>Revenues</u>	<u>Expenditures and Transfers</u>	<u>Fund Balance</u>
Balance, budgetary basis - June 30, 2015	\$ 80,237,623	\$ 81,341,119	\$ 9,741,410
Encumbrances outstanding June 30, 2015 charged to budgetary expenditures during the year ended June 30, 2015		(859,405)	859,405
Encumbrances received and liquidated in the current year		1,292,011	
Underliquidation of encumbrances from June 30, 2014	(107,491)		
Encumbrances outstanding from the prior year, still outstanding at end of current fiscal year			16,811
Change in accrued payroll		90,905	(336,443)
Capital lease issuance	155,863	155,863	
State Teachers' Retirement on-behalf payment	5,108,241	5,108,241	
Activity of OPEB Special Revenue, combined with General Fund for GASB 54	<u>65,576</u>	<u>107,127</u>	<u>799,785</u>
Balance, GAAP basis - June 30, 2015	<u>\$ 85,459,812</u>	<u>\$ 87,235,861</u>	<u>\$ 11,080,968</u>

Capital Projects Authorizations

The following is a summary of capital projects at June 30, 2015:

<u>Capital Project</u>	<u>Authorization</u>	<u>Current Year Expenditures</u>	<u>Cumulative Expenditures</u>	<u>Balance June 30, 2015</u>
Capital and nonrecurring CIFA:				
General government	\$ 2,587,159	\$ 259,792	\$ 1,726,732	\$ 860,427
Board of Education	21,722,474	1,963,130	18,170,375	3,552,099
	<u>33,191,214</u>	<u>586,774</u>	<u>32,268,548</u>	<u>922,666</u>
Total	<u>\$ 57,500,847</u>	<u>\$ 2,809,696</u>	<u>\$ 52,165,655</u>	<u>\$ 5,335,192</u>

3. DETAILED NOTES ON ALL FUNDS

A. Cash, Cash Equivalents and Investments

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 Connecticut General Statutes (Section 7-400) permit municipalities to invest in: 1) obligations of the United States and its agencies, 2) highly rated obligations of any state of the United States or of any political subdivision, authority or agency thereof, and 3) shares or other interests in custodial arrangements or pools maintaining constant net asset values and in highly rated no-load open end money market and mutual funds (with constant or fluctuating net asset values) whose portfolios are limited to obligations of the United States and its agencies, and repurchase agreements fully collateralized by such obligations. Other provisions of the Statutes cover specific municipal funds with particular investment authority. The provisions of the Statutes regarding the investment of municipal pension funds do not specify permitted investments. Therefore, investment of such funds is generally controlled by the laws applicable to fiduciaries and the provisions of the applicable plan.

The Statutes (Sections 3-24f and 3-27f) also provide for investment in shares of the State Short-Term Investment Fund (STIF) and the State Tax Exempt Proceeds Fund (TEPF). These investment pools are under the control of the State Treasurer, with oversight provided by the Treasurer’s Cash Management Advisory Board, and are regulated under the State Statutes and subject to annual audit by the Auditors of Public Accounts. Investment yields are accounted for on an amortized-cost basis with an investment portfolio that is designed to attain a market-average rate of return throughout budgetary and economic cycles. Investors accrue interest daily based on actual earnings, less expenses and transfers to the designated surplus reserve, and the fair value of the position in the pool is the same as the value of the pool shares.

Deposits

Deposit Custodial Credit Risk

Custodial credit risk is the risk that, in the event of a bank failure, the Town’s deposit will not be returned. The Town does not have a deposit policy for custodial credit risk. The deposit of public funds is controlled by the Connecticut General Statutes. Deposits may be placed with any qualified public depository that has its main place of business in the State of Connecticut. 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.

**TOWN OF AVON, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

Based on the criteria described in GASB Statement No. 40, *Deposits and Investment Risk Disclosures*, \$13,029,310 of the Town's bank balance of \$13,495,591 was exposed to custodial credit risk at June 30, 2015, as follows:

Uninsured and uncollateralized	\$ 11,701,379
Uninsured and collateral held by the pledging bank's trust department, not in the Town's name	<u>1,327,931</u>
Total Amount Subject to Custodial Credit Risk	<u>\$ 13,029,310</u>

Cash Equivalents

At June 30, 2015, the Town's cash equivalents amounted to \$20,395,654. The following table provides a summary of the Town's cash equivalents (excluding U.S. government guaranteed obligations) as rated by nationally recognized statistical rating organizations.

	Standard & Poor's
STIF	AAAm
SBT Investment Services*	
Webster Investments*	
*Not rated	

Investments

As of June 30, 2015, the Town had the following investments:

<u>Investment Type</u>	<u>Credit Rating</u>	<u>Fair Value</u>	<u>Investment Maturities (Years)</u>		
			<u>Less Than 1</u>	<u>1-10</u>	<u>More Than 10</u>
Guaranteed Interest Contract	A	\$ 733,349	\$	\$ 733,349	\$
Guaranteed Interest Contract	A-2/P-2	<u>625,178</u>	<u>625,178</u>		
		1,358,527	<u>\$ 625,178</u>	<u>\$ 733,349</u>	<u>\$ -</u>
Mutual Fund	N/A	<u>26,586,750</u>			
Total Investments		<u>\$ 27,945,277</u>			

Interest Rate Risk

The Town limits its maximum final stated maturities to 15 years, unless specific authority is given to exceed that limit. To the extent possible, the Town will attempt to match its investments with anticipated cash flow requirements.

Credit Risk - Investments

As indicated above, State Statutes limit the investment options of cities and towns. The Town has an investment policy that allows the same types of investments as State Statutes.

**TOWN OF AVON, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

Concentration of Credit Risk

The Town has no policy limiting an investment 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. The Town does not have a policy for custodial credit risk. At June 30, 2015, the Town did not have any uninsured and unregistered securities held by the counterparty or by its trust department or agent that were not in the Town's name.

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

The Town's pension investments are governed by its *Statement of Investment Policies and Objectives*. The policy details asset mix ranges for the following classes of investments: core equities (40% - 50%), international equities (0% - 10%), small to mid-cap equities (0% - 10%), fixed income investments (40% - 50%) and cash equivalents (0% - 10%). The overall investment return is expected to exceed the actuarial investment return assumption, the inflation rate as measured by the Consumer Price Index, and the return of a passively managed portfolio. Each portfolio has specific objectives as well. The annualized return of the Balanced Portfolio should exceed by at least 1% the return of a specified group of weighted balanced indexes. The annualized return of the Domestic Equity portfolio should exceed the return of the S&P 500 Stock Index by 1.5% and rank in the upper 40% of a broad universe of managers with similar objectives. The annualized return of the fixed income portfolio is expected to exceed by 1% the Lehman Brothers Aggregate Note Index and rank in the upper 40% of a broad universe of managers with similar objectives.

Investment guidelines further spell out the parameters under which the plan's active managers must operate. Overall, no more than 5% of total assets can be invested in any one company's securities, and no more than 15% in any one industry (except for U.S. government securities). In addition, no more than 5% of a corporation's outstanding issues in a given security class may be purchased. Each portfolio has specific guidelines which reflect or further define the general guidelines.

Investment manager performance and compliance with the investment policy is reviewed periodically by a committee of Town officials and a pension consultant.

For the Capital and Nonrecurring Expenditures Fund, not more than 31% can be invested in equity securities.

**TOWN OF AVON, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

B. Receivables

Fund receivables as of June 30, 2015, including the applicable allowances for collection losses, are as follows:

	<u>General</u>	<u>Nonmajor and Other Funds</u>	<u>Total</u>
Property taxes*	\$ 354,735	\$	\$ 354,735
Assessments		236,679	236,679
Intergovernmental	72,655	127,626	200,281
Accounts	<u>31,520</u>	<u>102,534</u>	<u>134,054</u>
Gross receivables	458,910	466,839	925,749
Allowances	<u>(99,404)</u>	<u></u>	<u>(99,404)</u>
Net Receivables	<u>\$ 359,506</u>	<u>\$ 466,839</u>	<u>\$ 826,345</u>

*Property tax interest is not included.

C. Capital Assets

Capital asset activity for the year ended June 30, 2015 was as follows:

	<u>Balance July 1, 2014</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance June 30, 2015</u>
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 7,662,553	\$	\$	\$ 7,662,553
Construction in progress	<u>2,359,700</u>	<u>2,070,492</u>	<u>1,145,462</u>	<u>3,284,730</u>
Total capital assets not being depreciated	<u>10,022,253</u>	<u>2,070,492</u>	<u>1,145,462</u>	<u>10,947,283</u>
Capital assets being depreciated:				
Land improvements	2,051,723	207,430		2,259,153
Buildings and improvements	124,558,992	196,732		124,755,724
Equipment	12,325,131	971,484	79,135	13,217,480
Vehicles	5,579,038	526	51,606	5,527,958
Infrastructure	<u>46,693,457</u>	<u></u>	<u></u>	<u>46,693,457</u>
Total capital assets being depreciated	<u>191,208,341</u>	<u>1,376,172</u>	<u>130,741</u>	<u>192,453,772</u>
Less accumulated depreciation for:				
Land improvements	825,865	116,063		941,928
Buildings and improvements	30,103,288	2,617,516		32,720,804
Equipment	6,546,742	732,810	72,781	7,206,771
Vehicles	3,292,136	247,300	46,070	3,493,366
Infrastructure	<u>11,431,041</u>	<u>482,133</u>	<u></u>	<u>11,913,174</u>
Total accumulated depreciation	<u>52,199,072</u>	<u>4,195,822</u>	<u>118,851</u>	<u>56,276,043</u>
Total capital assets being depreciated, net	<u>139,009,269</u>	<u>(2,819,650)</u>	<u>11,890</u>	<u>136,177,729</u>
Governmental Activities Capital Assets, Net	<u>\$ 149,031,522</u>	<u>\$ (749,158)</u>	<u>\$ 1,157,352</u>	<u>\$ 147,125,012</u>

**TOWN OF AVON, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

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

Governmental Activities:	
General government	\$ 381,675
Public safety	264,149
Public works	651,533
Recreation and parks	139,618
Educational - cultural	138,490
Board of Education	<u>2,620,357</u>
 Total Depreciation Expense - Governmental Activities	 \$ <u><u>4,195,822</u></u>

D. Interfund Receivables, Payables and Transfers

A summary of interfund balances as of June 30, 2015 is as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Nonmajor Governmental Funds	\$ 106,708
CIFA	General Fund	5,225,216
Nonmajor Governmental Funds	CIFA	3,653
Nonmajor Governmental Funds	General Fund	4,442,338
General Fund	CIFA	63,302
Internal Service Fund	General Fund	2,735,454
Other Post Employment Benefits Fund	General Fund	<u>1,675,543</u>
		<u>\$ 14,252,214</u>

Interfund balances are a result of temporary loans to various funds.

A summary of interfund transfers as of June 30, 2015 is as follows:

	<u>General Fund</u>	<u>CIFA Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>OPEB</u>	<u>Total Transfers Out</u>
General Fund	\$ 39,308	\$ 2,897,122	\$ 890,000	\$ 206,875	\$ 3,993,997
CIFA			3,653		42,961
Nonmajor Governmental Funds		<u>29,050</u>			<u>29,050</u>
Total Transfers In	<u>\$ 39,308</u>	<u>\$ 2,926,172</u>	<u>\$ 893,653</u>	<u>\$ 206,875</u>	<u>\$ 4,066,008</u>

Transfers are used to account for the financing by the General Fund of various program and activities in other funds.

**TOWN OF AVON, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

E. Long-Term Debt

Changes in Long-Term Liabilities

The following is a summary of changes in long-term obligations during the fiscal year:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Governmental Activities:					
Bonds payable:					
General obligation bonds	\$ 30,410,000	\$	\$ 2,775,000	\$ 27,635,000	\$ 2,770,000
Premium on bonds	509,827		46,197	463,630	
Total bonds payable	<u>30,919,827</u>	<u>-</u>	<u>2,821,197</u>	<u>28,098,630</u>	<u>2,770,000</u>
Capital lease obligations	230,043	155,863	153,422	232,484	154,615
Compensated absences	2,357,155	757,052	521,658	2,592,549	518,510
Pension liability	24,916,367	1,011,368		25,927,735	
Other post retirement benefits obligation	3,606,601	578,267		4,184,868	
Landfill post-closure costs	<u>300,000</u>		<u>30,000</u>	<u>270,000</u>	<u>30,000</u>
Total Governmental Activities Long-Term Liabilities	<u>\$ 62,329,993</u>	<u>\$ 2,502,550</u>	<u>\$ 3,526,277</u>	<u>\$ 61,306,266</u>	<u>\$ 3,473,125</u>

The net OPEB obligation has historically been liquidated by the general fund.

General Obligation Bonds

The Town issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities. General obligation bonds have been issued for general improvements, sewer additions and school construction.

General obligation bonds are direct obligations of the Town for which full faith and credit are pledged and are payable from taxes levied on all taxable properties located within the Town. These bonds are generally issued as 15-year serial bonds with varying annual principal payments.

General obligation bonds currently outstanding are as follows:

<u>Description</u>	<u>Interest Rate (%)</u>	<u>Amount</u>
General purpose:		
General obligation improvement	2-6.25%	\$ 7,927,000
School:		
School improvement	2-6.25%	<u>19,708,000</u>
Total Outstanding		<u>\$ 27,635,000</u>

**TOWN OF AVON, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

Future maturities for outstanding bonds are as follows:

	General Obligation Bonds	
	<u>Principal</u>	<u>Interest</u>
2016	\$ 2,770,000	\$ 780,939
2017	2,365,000	674,289
2018	2,220,000	608,389
2019	2,220,000	545,289
2020	2,235,000	483,464
2021-2025	10,875,000	1,509,537
2026-2028	<u>4,950,000</u>	<u>172,002</u>
Total	<u>\$ 27,635,000</u>	<u>\$ 4,773,909</u>

Statutory Debt Limitations

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

<u>Category</u>	<u>Debt Limit</u>	<u>Net Indebtedness</u>	<u>Balance</u>
General purpose	\$ 171,289,690	\$ 7,927,000	\$ 163,362,690
Schools	342,579,380	19,708,000	322,871,380
Sewers	285,482,816		285,482,816
Urban renewal	247,418,441		247,418,441
Pension deficit	228,386,253		228,386,253

The total overall statutory debt limit for the Town is equal to seven times annual receipts from taxation, \$532,901,257.

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

Landfill Closure and Post-Closure Care Costs

State and federal laws and regulations require landfill closures to meet certain standards. The Town landfill has been closed. Estimated monitoring costs for the next 10 years at \$30,000 per year are \$300,000. This amount is based on estimates that are subject to change due to inflation, technology or applicable laws and regulations.

Authorized/Unissued Bonds

At June 30, 2015, there are no authorized, unissued bonds.

**TOWN OF AVON, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

F. Capital Leases

The Town has entered into a lease agreement as lessee for financing the acquisition of certain computer equipment. The lease qualifies as a capital lease for accounting purposes and, therefore, has been recorded at the present value of its future minimum lease payments as of the inception date. The assets acquired through the capital lease are as follows:

	<u>Governmental Activities</u>
Equipment	\$ 519,573
Less accumulated depreciation	<u>(233,682)</u>
Net book value	<u>\$ 285,891</u>

The future minimum lease obligation and the net present value of the minimum lease payments as of June 30, 2015 were as follows:

<u>Year Ending June 30</u>	<u>Governmental Activities</u>
2016	\$ 165,501
2017	41,343
2018	41,343
Less amount for interest	<u>(15,703)</u>
Minimum lease payments	<u>\$ 232,484</u>

**TOWN OF AVON, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

G. Fund Balance

The components of fund balance for the governmental funds at June 30, 2015 are as follows:

	<u>General Fund</u>	<u>CIFA</u>	<u>Nonmajor Governmental Funds</u>	<u>Total</u>
Fund balances:				
Nonspendable:				
Inventory	\$	\$	\$ 8,824	\$ 8,824
Prepaid items	27,237			27,237
Restricted:				
Fisher Meadow donations			344,654	344,654
Committed to:				
Public safety			233,126	233,126
General government revaluation			76,876	76,876
Public works future projects			841,069	841,069
Public works drainage			20,950	20,950
Public works roadway			311,611	311,611
Public works sewer			2,036,774	2,036,774
Recreation and parks			111,169	111,169
Forest management			25,968	25,968
Debt service			31,247	31,247
Cafeteria			67,960	67,960
School facilities			58,653	58,653
Donations			3,749	3,749
Town Hall capital projects		969,548		969,548
Public safety capital projects		25,526		25,526
Fire capital projects		736,049		736,049
Public works capital projects		1,086,316		1,086,316
Other Town capital projects		1,017,395		1,017,395
Board of Education capital projects		861,684		861,684
Open space		620,470		620,470
Assigned to:				
Payroll escrow	250,000			250,000
Pension contributions	375,000			375,000
Capital reserve	250,000			250,000
Post-employment benefits	450,000			450,000
Capital asset purchase	49,721			49,721
General government	59,672			59,672
Public safety	13,434			13,434
Public works	45,799			45,799
Recreation and parks	14,588			14,588
Conservation and development	6,500			6,500
Education	736,223			736,223
Other post-employment benefits	799,785			799,785
Unassigned	8,003,009			8,003,009
Total Fund Balances	\$ 11,080,968	\$ 5,316,988	\$ 4,172,630	\$ 20,570,586

**TOWN OF AVON, CONNECTICUT
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2015**

Significant encumbrance in total by each major fund and nonmajor funds in the aggregate is as follows:

General Fund	\$	876,216
CIFA		745,994
Nonmajor Governmental Funds		<u>126,527</u>
Total	\$	<u><u>1,748,737</u></u>

4. EMPLOYEE RETIREMENT PLANS

A. Defined Benefit Pension Plans

The Town of Avon administers two single-employer, contributory, defined benefit pension plans (Town and Board of Education) to provide pension benefits for its police officers, public works employees, management unclassified and classified nonorganized employees, dispatch employees and Board of Education employees, except certified personnel who are eligible to participate in the State of Connecticut Teachers' Retirement System. The police and nonorganized portions of the Town plan closed to new entrants effective January 1, 1997, and public works and dispatchers closed to new entrants effective July 1, 1997. All new employees of the above classes become part of the Town's defined contribution plan. The plans are considered to be part of the Town's financial reporting entity and, therefore, are included in the Town's financial reports as pension trust funds. Separate, stand-alone financial reports are not issued by the pension plans.

Management of the plan rests with the Ad Hoc Pension Investment Advisory Committee, established in 1991 and comprised of the Town Manager, Director of Finance, Director of Human Resources, Chairman of the Board of Finance, Town of Avon Treasurer and Assistant Superintendent for Finance & Operations of the Board of Education.

The Ad Hoc Pension Investment Advisory Committee is advisory to the Town Council, provides oversight of the activities of the pension investment managers and the pension investment advisor, and has authority to make operational changes within the parameters of existing pension policies:

- Review, discuss, and may change strategies on investment performance, policies and managers at semi-annual meetings (with the advice of the pension investment advisor), if it falls within current policies, allocations and strategies.
- Revisions, establishment of new policies, or changes to the investment policy that fall outside current policies, allocations and strategies require a majority rule vote by the members of the Ad Hoc Pension Investment Advisory Committee and the approval of the Town Council.

**TOWN OF AVON, CONNECTICUT
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2015**

When benefit terms are established or amended, the terms must be determined, reviewed, and/or approved independently and/or collectively (depending on the nature of the change) and involve the following parties:

- Town Manager Office
- Human Resources Office
- Actuarial Firm Representative(s)
- Legal Firm Representative(s)
- Director of Finance for Town or Board of Education, as applicable
- Bargaining Unit Representative(s), as applicable
- IRS Regulation(s), if applicable

Plan Descriptions and Benefits Provided

Town Employees

Plan provisions and contribution requirements and the authority to amend the provisions are established by the plans approved by the Town Council. Under the plan, all employees hired before age 65, having attained age 23 for police officers or age 22 for public works, nonorganized employees and dispatchers, having one year of service and agreeing to make the required employee contributions as set out below, are eligible. Employees are 100% vested after 5 years of service for the plan.

Board of Education

Plan provisions and contribution requirements and the authority to amend the provisions are established by the plans approved by the Town Council. Under the plan, all employees hired before age 65, having attained age 25 for Board of Education employees, having one year of service and agreeing to make the required employee contributions as set out below, are eligible. Employees are 100% vested after 5 years of service for the plan.

At July 1, 2014, retirement plan membership consisted of:

	<u>Town</u>	<u>Board of Education</u>
Retirees and beneficiaries currently receiving benefits	83	35
Terminated employees entitled to benefits but not yet receiving them	2	26
Current active employees	<u>13</u>	<u>136</u>
Total	<u>98</u>	<u>197</u>

The plan was closed as follows: (Town Plan) police and nonorganized as of January 1, 1997, public works and dispatchers as of July 1, 1997; and (BOE Plan) effective July 1, 2012, new custodians, nurses and unaffiliated employees will not be covered by this plan.

**TOWN OF AVON, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

Summary of Significant Accounting Policies

Basis of Accounting

The pension trust funds' financial statements are prepared using the accrual basis of accounting. Revenues (contributions and investment income) are recognized when they are earned, and expenses (benefits and administration) are recognized when they are due and payable, in accordance with the terms of each plan.

Valuation of Investments

Investments are valued at fair value based upon quoted market prices. Securities traded on national exchanges are valued at the last reported sales price.

Funding Policy

Required employee contributions under the plans are as follows:

<u>Town</u>	<u>Board of Education</u>
7.5%	4% or 7%

The Town's contributions are actuarially determined on an annual basis using the entry age normal cost actuarial method. Administration costs are generally financed through investment earnings.

**TOWN OF AVON, CONNECTICUT
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2015**

Investments

Investment Policy

The Town’s pension investments are governed by its Statement of Investment Policies and Objectives. The policy details asset mix ranges for the following classes of investments: core equities (40% - 50%), international equities (0% - 10%), small to mid-cap equities “SMIDs” (0% - 10%), fixed income investments (40% - 50%), and cash equivalents (0% - 10%). The overall investment return is expected to exceed the actuarial investment return assumption, the inflation rate as measured by the Consumer Price Index, and the return of a passively managed portfolio. Each portfolio has specific objectives as well. The annualized return of the Enhanced Core Equity portfolio is expected to exceed the return of the S & P 500 Stock Index by 1.5% and rank in the upper 40% of a broad universe of managers working under similar objectives. The annualized return of the Fixed Income portfolio is expected to exceed by 1% the Lehman Brothers Aggregate Note Index and rank in the upper 40% of a broad universe of managers with similar objectives. Investment guidelines further spell out the parameters under which the plan’s active managers must operate. Overall, no more than 5% of total assets can be invested in any one company’s securities, and no more than 15% in any one industry (except for US government securities). In addition, no more than 5% of a corporation’s outstanding issues in a given security class may be purchased. Each portfolio has specific guidelines which reflect or further define the general guidelines. Investment manager performance and compliance with the investment policy is reviewed periodically by a committee of Town officials and a pension consultant.

<u>Asset Class</u>	<u>Target Allocation</u>
Core Fixed Income	40.0%
Large Cap US Equities	35.0%
Mid Cap US Equities	10.0%
Developed Foreign Equities	<u>15.0%</u>
Total	<u><u>100.0%</u></u>

Rate of Return

For the year ended June 30, 2015, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was 2.34% for the Town and 2.42% for the Board of Education. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

**TOWN OF AVON, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

Net Pension Liability

Town Employees Retirement Plan

The Town’s net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date.

The components of the net pension liability of the Town at June 30, 2015 were as follows:

Total pension liability	\$ 41,627,700
Plan fiduciary net position	<u>17,415,058</u>
Net Pension Liability	<u>\$ 24,212,642</u>
Plan fiduciary net position as a percentage of the total pension liability	41.84%

Actuarial Assumptions

The total pension liability was determined by an actuarial valuation as of June 30, 2015, using the following actuarial assumptions, applied to all periods included in the measurement.

Inflation	2.75%
Salary increases	3.50%
Investment rate of return	7.375%

Mortality rates were based on the RP-2000 Combined Healthy Annuitant Mortality Table, with generational projection per Scale AA.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan’s target asset allocation as of June 30, 2015 (see the discussion of the pension plan’s investment policy) are summarized in the following table:

<u>Asset Class</u>	<u>Long-Term Expected Real Rate of Return</u>
Core Fixed Income	2.09%
Large Cap US Equities	5.61%
Mid Cap US Equities	6.36%
Developed Foreign Equities	6.02%

**TOWN OF AVON, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

Discount Rate

The discount rate used to measure the total pension liability was 7.375%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that Town contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Changes in the Net Pension Liability

Changes in Net Pension Liability	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
	(a)	(b)	(a) - (b)
Balances as of June 30, 2014	\$ <u>41,061,679</u>	\$ <u>17,799,911</u>	\$ <u>23,261,768</u>
Changes for the year:			
Service cost	149,834		149,834
Interest on total pension liability	2,979,055		2,979,055
Effect of economic/demographic gains or losses	436,694		436,694
Effect of assumptions changes or inputs	430,089		430,089
Benefit payments	(3,429,651)	(3,429,651)	-
Employer contributions		2,611,489	(2,611,489)
Member contributions		62,311	(62,311)
Net investment income		392,103	(392,103)
Administrative expenses		(21,105)	21,105
Net Changes	<u>566,021</u>	<u>(384,853)</u>	<u>950,874</u>
Balances as of June 30, 2015	\$ <u>41,627,700</u>	\$ <u>17,415,058</u>	\$ <u>24,212,642</u>

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

The following presents the net pension liability of the Town, calculated using the discount rate of 7.375%, as well as what the Town's net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (6.375%) or 1 percentage point higher (8.375%) than the current rate:

	Current		
	1% Decrease	Discount Rate	1% Increase
	(6.375%)	(7.375%)	(8.375%)
Town Employees	\$ 27,832,731	\$ 24,212,642	\$ 21,080,916

**TOWN OF AVON, CONNECTICUT
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2015**

Board of Education Retirement Plan

In accordance with Government Accounting Standards Board Statement No. 67, the components of the net pension liability of the Town at June 30, 2015 were as follows:

Total pension liability	\$ 9,329,316
Plan fiduciary net position	<u>7,614,223</u>
Net Pension Liability	<u>\$ 1,715,093</u>
Plan fiduciary net position as a percentage of the total pension liability	81.62%

Actuarial Assumptions

The total pension liability was determined by an actuarial valuation as of June 30, 2015, using the following actuarial assumptions, applied to all periods included in the measurement.

Inflation	2.75%
Salary increases	3.50%
Investment rate of return	7.50%

Mortality rates were based on the RP-2000 Combined Healthy Annuitant Mortality Table, with generational projection per Scale AA.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of June 30, 2015 (see the discussion of the pension plan's investment policy) are summarized in the following table:

<u>Asset Class</u>	<u>Long-Term Expected Real Rate of Return</u>
Core Fixed Income	2.09%
Large Cap US Equities	5.61%
Mid Cap US Equities	6.36%
Developed Foreign Equities	6.02%

**TOWN OF AVON, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

Discount Rate

The discount rate used to measure the total pension liability was 7.50%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that Town contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Changes in the Net Pension Liability

Changes in Net Pension Liability	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
	(a)	(b)	(a) - (b)
Balances as of June 30, 2014	\$ 8,672,427	\$ 7,017,828	\$ 1,654,599
Changes for the year:			
Service cost	556,668		556,668
Effect of plan changes			-
Effect of economic/demographic gains or losses	(193,612)		(193,612)
Effect of assumptions changes or inputs			-
Benefit payments	(364,877)	(364,877)	-
Employer contributions		506,967	(506,967)
Member contributions		293,265	(293,265)
Net investment income		175,505	(175,505)
Administrative expenses		(14,465)	14,465
Net Changes	656,889	596,395	60,494
Balances as of June 30, 2015	\$ 9,329,316	\$ 7,614,223	\$ 1,715,093

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

The following presents the net pension liability of the Town, calculated using the discount rate of 7.50%, as well as what the Town's net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (6.50%) or 1 percentage point higher (8.50%) than the current rate:

	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
Board of Education	\$ 2,736,896	\$ 1,715,093	\$ 707,968

**TOWN OF AVON, CONNECTICUT
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2015**

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

For the year ended June 30, 2015, the Town recognized pension expense of \$3,289,473. At June 30, 2015, the Town reported deferred outflows of resources and deferred inflows of resources related to pension from the following sources:

	<u>Town</u>	
	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$	\$
Net difference between projected and actual earning on pension plan investments	<u>714,499</u>	<u> </u>
Total	<u>\$ 714,499</u>	<u>\$ -</u>

	<u>Board of Education</u>	
	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$	\$ 167,090
Net difference between projected and actual earning on pension plan investments	<u>292,942</u>	<u> </u>
Total	<u>\$ 292,942</u>	<u>\$ 167,090</u>

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

Year Ended June 30,

2016	\$	225,338
2017		225,338
2018		225,338
2019		225,339
2020		(26,522)
Thereafter		(34,480)

B. Defined Contribution Plans

Plan Description

The Town maintains two single-employer, defined contribution pension plans, the Avon 401(a) Management Money Purchase Plan and the Avon 401(a) Full-Time Employees' Plan. Both plans are administered by the International City/County Management Association (ICMA). The Town is required to contribute 2.5% of compensation for the Management Money Purchase Plan participants and 7.5% for the Full-Time Employees' Plan participants. In a defined contribution plan, benefits depend solely

**TOWN OF AVON, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

on amounts contributed to the plan plus investment earnings. The Management Plan covers Town management employees hired prior to July 1, 1997, and the Full-Time Employees' Plan covers regular, full-time employees hired after July 1, 1997.

Summary of Plan Provisions

For both plans, eligible employees must be at least 21 years of age on or prior to their date of employment. Benefits vest 100% after three years. Any nonvested Town contributions and related interest thereon of employees who leave employment are reserved in a forfeiture account to offset future Town contributions. Normal retirement date is age 65. Plan provisions and contribution requirements and the authority to amend the provisions are established by the Town Council.

Contribution Requirements and Contributions Made

The total Town contributions for the Management Money Purchase Plan and Full-Time Employees' Plan during the year ended June 30, 2015 were \$13,915 and \$602,724, respectively. Members of the Management Money Purchase Plan are required to contribute 2.5% of their annual earnings, and members of the Full-Time Employees' Plan are required to contribute 7.5% of their annual earnings. The employees' contributions to each plan were \$13,915 and \$602,724, respectively.

C. Teachers Retirement

Plan Description

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

Benefit Provisions

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

Normal Retirement

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

Early Retirement

Employees are eligible after 25 years of credited service including 20 years of Connecticut service, or age 55 with 20 years of credited service including 15 years of Connecticut service with reduced benefit amounts.

Disability Retirement

Employees are eligible for service-related disability benefits regardless of length of service. Five years of credited service is required for nonservice-related disability eligibility. Disability benefits are calculated as 2% of average annual salary times credited service to date of disability, but not less than 15% of average annual salary, nor more than 50% of average annual salary.

**TOWN OF AVON, CONNECTICUT
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2015**

Contributions

Per Connecticut General Statutes Section 10-183z (which reflects Public Act 79-436 as amended), contribution requirements of active employees and the State of Connecticut are approved, amended and certified by the State Teachers Retirement Board and appropriated by the General Assembly.

Employer (School Districts)

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

The statutes require the State of Connecticut to contribute 100% of each school districts' required contributions, which are actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of the benefits earned by employees during the year, with any additional amount to finance any unfunded accrued liability.

Employees

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

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

At June 30, 2015, the Town reports no amounts for its proportionate share of the net pension liability, and related deferred outflows and inflows, due to the statutory requirement that the State pay 100% of the required contribution. The amount recognized by the Town as its proportionate share of the net pension liability, the related state support, and the total portion of the net pension liability that was associated with the Town were as follows:

Town's proportionate share of the net pension liability	\$	-
State's proportionate share of the net pension liability associated with the Town		<u>68,083,931</u>
Total	\$	<u><u>68,083,931</u></u>

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

For the year ended June 30, 2015, the Town recognized pension expense and revenue of \$5,108,241 in Exhibit II for on-behalf amounts for the benefits provided by the State.

Actuarial Assumptions

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

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

**TOWN OF AVON, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

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

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

Future cost-of-living increases for members who retire on or after September 1, 1992 are assumed to be an annual cost-of-living adjustment of 2%.

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

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Large Cap U.S. equities	21.0%	7.3%
Developed non-U.S. equities	18.0%	7.5%
Emerging markets (non-U.S.)	9.0%	8.6%
Core fixed income	7.0%	1.7%
Inflation linked bond fund	3.0%	1.3%
Emerging market bond	5.0%	4.8%
High yield bonds	5.0%	3.7%
Real estate	7.0%	5.9%
Private equity	11.0%	10.9%
Alternative investments	8.0%	0.7%
Liquidity fund	6.0%	0.0%
Total	100.0%	

Discount Rate

The discount rate used to measure the total pension liability was 8.50%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that State contributions will be made at the actuarially determined contribution rates in the future years. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

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

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in the separately issued financial statements available at www.ct.gov.

Other Information

Additional information is included in the required supplementary information section of the financial statements. A schedule of contributions is not presented as the Town has no obligation to contribute to the plan.

5. POSTEMPLOYMENT HEALTHCARE PLAN - OTHER POST EMPLOYMENT BENEFITS PROGRAM

Summary of Significant Accounting Policies

Basis of Accounting

The financial statements of the Other Post Employment Benefits Program (OPEBP) are prepared using the accrual basis of accounting. Plan member contributions are recognized in the period in which the contributions are due. Employer contributions are recognized when due and the employer has made a formal commitment to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan. Administrative costs of the plan are paid by the Town.

Investments are reported at fair value. Investment income is recognized as earned.

Plan Description and Benefits Provided

The OPEBP is a single-employer defined benefit healthcare plan administered by the Town of Avon. The OPEBP provides medical and dental to eligible retirees and their spouses. All employees of the Town are eligible to participate in the plan. Benefit provisions are established through negotiations between the Town and the various unions representing the employees.

The Town established a Trust on June 4, 2009. The plan is considered to be part of the Town's financial reporting entity and is included in the Town's financial report as the Other Post Employment Benefits Trust Fund. The plan does not issue a stand-alone financial report.

**TOWN OF AVON, CONNECTICUT
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2015**

At July 1, 2014, plan membership consisted of the following:

	Other Post-Employment Benefits Program	
	Town	Board of Education
Retired members	65	33
Spouses of retired members	44	23
Active plan members	67	392
Total Participants	176	448

Funding Policy

The contribution requirements of plan members and the Town are also negotiated with the various unions representing the employees. Retired plan members and beneficiaries currently receiving benefits are required to contribute specified amounts monthly towards the cost of health insurance premiums as follows:

Town Employees

2014-2015 Monthly COBRA Premiums	Employee	Spouse
Medical - Groups 046, 047 Pre 65	\$ 799.56	\$ 917.28
Medical - Groups 046, 047 Post 65	655.70	752.21
Medical - Group 023 Post 65	434.42	434.42
Dental - All Groups	50.34	71.21

Board of Education Employees

2014-2015 Monthly COBRA Premiums	Employee	Spouse
Medical	\$ 632.14	\$ 1,315.91
Dental	56.59	136.68

For the year ended June 30, 2015, plan members contributed \$-0-. The Town is required to contribute the balance of the current premium cost and may contribute an additional amount as determined by the Town in order to prefund benefits.

Employer contributions to the plan of \$2,435,000 were made in accordance with actuarially determined requirements, including \$850,000 to fund future benefits.

The Town has assigned a portion of general fund balance to fund these benefits in the future. Net position available for future benefits at June 30, 2015 was \$799,785. The Town plans on transferring these monies into the OPEB Trust Fund in the future.

**TOWN OF AVON, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

Annual OPEB Cost and Net OPEB Obligations

The Town's annual other postemployment benefit (OPEB) cost is calculated based on the annual required contribution (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed 30 years. The following table shows the components of the Town's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the Town's net OPEB obligation:

	Other Post-Employment Benefits Program	
	Town	Board of Education
Annual required contribution (ARC)	\$ 2,007,000	\$ 1,016,000
Interest on net OPEB obligation	125,143	147,403
Adjustment to annual required contribution	<u>(129,175)</u>	<u>(153,104)</u>
Annual OPEB cost	2,002,968	1,010,299
Contributions made	<u>1,895,000</u>	<u>540,000</u>
Increase in net OPEB obligation	107,968	470,299
Net OPEB obligation, beginning of year	<u>1,641,223</u>	<u>1,965,378</u>
Net OPEB obligation, end of year	<u>\$ 1,749,191</u>	<u>\$ 2,435,677</u>

Three-Year Trend Information

The Town's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation (asset) for the fiscal year ending June 30, 2015 is presented below:

Fiscal Year Ended	Annual OPEB Cost (AOC)	Actual Contribution	Percentage of AOC Contributed	Net OPEB Obligation (Asset)
Town				
6/30/2013	\$ 1,719,854	\$ 1,545,000	89.8%	\$ 1,437,948
6/30/2014	1,915,275	1,712,000	89.4%	1,641,223
6/30/2015	2,002,968	1,895,000	94.6%	1,749,191
Board of Education				
6/30/2013	\$ 917,692	\$ 601,000	65.5%	\$ 1,537,759
6/30/2014	934,619	507,000	54.2%	1,965,378
6/30/2015	1,010,299	540,000	53.4%	2,435,677

**TOWN OF AVON, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

As of July 1, 2014, the most recent actuarial valuation date, the plan was 11.1% funded. The actuarial accrued liability for benefits was \$30,661,111 (\$23,249,432 Town and \$7,411,679 BOE) and the actuarial value of assets was \$3,391,071 (\$3,268,899 Town and \$122,172 BOE), resulting in an unfunded actuarial accrued liability (UAAL) of \$27,270,040. The covered payroll (annual payroll of active employees covered by the plan) was \$32,166,115 (\$4,848,188 Town and \$27,317,927 BOE).

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as accrual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Projections for benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the July 1, 2014 actuarial valuation, the projected unit credit actuarial cost method was used. The actuarial assumptions include a 7.375% investment rate of return for the Town and the Board of Education, which is the rate of the expected long-term investment returns of plan assets calculated based on the funding policy of the plan at the valuation date. The annual healthcare cost trend rate is 7.1% initially, reduced by decrements to an ultimate rate of 4.7% after 70 years for pre-65 and 71 years for post-65. The annual healthcare cost trend rate is 5.7% initially, reduced by decrements to an ultimate rate of 4.6% after 63 years for current. Projected salary increases were 3.5%. Inflation rate assumption is 2.7%. The actuarial value of assets was determined using market value. The UAAL is being amortized as a level percentage of projected payroll on a closed basis. The remaining amortization period at June 30, 2015 was 23 years.

**TOWN OF AVON, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

Schedule of Funding Progress

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets</u>	<u>Actuarial Liability (AAL) Entry Age</u>	<u>Unfunded AAL (UAAL)</u>	<u>Funded Ratio</u>	<u>Covered Payroll</u>	<u>UAAL as a Percentage of Covered Payroll</u>
Town						
7/1/2010	\$ 893,000	\$ 17,238,000	\$ 16,345,000	5.18%	\$ N/A	N/A
7/1/2012	1,686,000	20,190,000	18,504,000	8.35%	N/A	N/A
7/1/2014	3,268,899	23,249,432	19,980,533	14.06%	4,848,188	-412.12%
Board of Education						
7/1/2010		6,844,000	6,844,000	0.00%	N/A	N/A
7/1/2012	54,000	7,097,000	7,043,000	0.76%	25,533,000	-27.58%
7/1/2014	122,172	7,411,679	7,289,507	1.65%	27,317,927	-26.68%

Schedule of Employer Contributions

<u>Year Ended</u>	<u>Annual Required Contribution</u>	<u>Actual Contribution</u>	<u>Percentage Contributed</u>
Town			
6/30/2010	\$ 1,294,000	\$ 863,000	66.7%
6/30/2011	1,389,000	1,040,000	74.9%
6/30/2012	1,617,000	1,142,000	70.6%
6/30/2013	1,715,000	1,545,000	90.1%
6/30/2014	1,915,000	1,712,000	89.4%
6/30/2015	2,007,000	1,895,000	94.4%
Board of Education			
6/30/2010	1,093,000	664,000	60.8%
6/30/2011	825,000	714,000	86.5%
6/30/2012	854,000	607,000	71.1%
6/30/2013	913,000	601,000	65.8%
6/30/2014	935,000	507,000	54.2%
6/30/2015	1,016,000	540,000	53.1%

**TOWN OF AVON, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

6. COMBINING TRUST FUND SCHEDULES

Financial statements for each individual pension plan as of and for the year ended June 30, 2015 are as follows:

Statement of Fiduciary Net Position

	<u>Town</u>	<u>Board of Education</u>	<u>Other Post Employment Benefit Fund</u>	<u>Total Trust Funds</u>
Assets:				
Cash and cash equivalents	\$ 308,910	\$ 70,501	\$ 895	\$ 380,306
Investments, at fair value:				
Guaranteed interest contract	876,044	482,483		1,358,527
Mutual funds	<u>16,230,104</u>	<u>7,061,239</u>	<u>1,949,175</u>	<u>25,240,518</u>
Total investments	<u>17,106,148</u>	<u>7,543,722</u>	<u>1,949,175</u>	<u>26,599,045</u>
Due from other funds	<u> </u>	<u> </u>	<u>1,675,543</u>	<u>1,675,543</u>
Total assets	<u>17,415,058</u>	<u>7,614,223</u>	<u>3,625,613</u>	<u>28,654,894</u>
Liabilities:				
Accounts Payable	<u> </u>	<u> </u>	<u>37,010</u>	<u>37,010</u>
Net Position:				
Held in Trust for Pension Benefits	<u>\$ 17,415,058</u>	<u>\$ 7,614,223</u>	<u>\$ 3,588,603</u>	<u>\$ 28,617,884</u>

**TOWN OF AVON, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

Statement of Changes in Fiduciary Net Position

	<u>Town</u>	<u>Board of Education</u>	<u>Other Post Employment Benefit Fund</u>	<u>Total Trust Funds</u>
Additions:				
Contributions:				
Employer	\$ 2,611,489	\$ 506,967	\$ 2,228,125	\$ 5,346,581
Plan members	62,311	293,265	334,543	690,119
Total contributions	<u>2,673,800</u>	<u>800,232</u>	<u>2,562,668</u>	<u>6,036,700</u>
Investment income:				
Net appreciation in fair value of investments	100,728	35,709		136,437
Interest and dividends	291,375	139,796	26,024	457,195
Total investment income	<u>392,103</u>	<u>175,505</u>	<u>26,024</u>	<u>593,632</u>
Less investment expenses			180	180
Net investment income	<u>392,103</u>	<u>175,505</u>	<u>25,844</u>	<u>593,452</u>
Total additions	<u>3,065,903</u>	<u>975,737</u>	<u>2,588,512</u>	<u>6,630,152</u>
Deductions:				
Benefits	3,429,651	364,877	2,562,590	6,357,118
Administration	21,105	14,465	35,265	70,835
Total deductions	<u>3,450,756</u>	<u>379,342</u>	<u>2,597,855</u>	<u>6,427,953</u>
Transfer In			206,875	
Net change in net position	(384,853)	596,395	197,532	409,074
Net position at beginning of year	<u>17,799,911</u>	<u>7,017,828</u>	<u>3,391,071</u>	<u>28,208,810</u>
Net Position at End of Year	<u>\$ 17,415,058</u>	<u>\$ 7,614,223</u>	<u>\$ 3,588,603</u>	<u>\$ 28,617,884</u>

7. OTHER INFORMATION

A. Risk Management

The Town is exposed to various risks of loss including torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees and natural disasters. The Town purchases commercial insurance for all risks of loss except medical insurance. Settled claims have not exceeded commercial coverage in any of the past three years. There have been no significant reductions in insurance coverage from coverage in the prior year.

**TOWN OF AVON, CONNECTICUT
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2015**

The Town established an internal service fund, the medical claims fund, to account for and finance the retained risk of loss for the Town’s medical benefits claims. A third party administers the medical insurance plan for which the Town pays a fee. The medical claims fund provides coverage for regular full-time Town employees. The fund is substantially funded by the Town’s General Fund through annual appropriations. The claims liability is 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 includes 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.

An analysis of the activity in the claims liability for the medical claims fund is as follows:

	<u>Balance July 1</u>	<u>Current Year Claims and Changes in Estimates</u>	<u>Claims Payments</u>	<u>Balance June 30</u>
Medical Claims Fund:				
2014-2015	\$ 450,027	\$ 9,391,358	\$ 9,241,355	\$ 600,030
2013-2014	517,381	7,829,043	7,896,397	450,027

B. Commitments and Litigation

Amounts received or receivable from federal and state grantor agencies are subject to audit and adjustment by grantor agencies. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time, although the Town expects such amounts, if any, to be immaterial.

The Town is currently a defendant in a number of lawsuits. It is the opinion of Town officials and legal counsel that such pending litigation will not be finally determined so as to result individually or in the aggregate in a final judgment against the Town which would materially adversely affect its financial position.

**TOWN OF AVON, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

8. PRIOR PERIOD ADJUSTMENT AND RESTATEMENT

The following restatements were recorded to the beginning of net position of the governmental activities as a result of implementation of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions* - an amendment of GASB Statement No. 27. In addition, in the current year the Town reviewed certain other accounts and determined there should be additional funds included as nonmajor special revenue and agency funds. Both government wide net position and governmental fund balance for nonmajor governmental funds was restated by \$1,140.

Net position at June 30, 2014, as previously reported	\$	135,455,629
Adjustment:		
Eliminate net pension assets reported per GASB No. 27		(239,103)
Record starting net pension liability per GASB No. 68		(24,916,367)
Fund type restatement		<u>1,140</u>
Net Position Balance at July 1, 2014, as Restated	\$	<u><u>110,301,299</u></u>

REQUIRED SUPPLEMENTARY INFORMATION

**TOWN OF AVON, CONNECTICUT
 REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS
 AVON RETIREMENT SYSTEM
 LAST TWO FISCAL YEARS**

TOWN

	<u>2014</u>	<u>2015</u>
Total pension liability:		
Service cost	\$ 163,905	\$ 149,834
Interest	2,980,790	2,979,055
Differences between expected and actual experience		436,694
Changes of assumptions		430,089
Benefit payments, including refunds of member contributions	<u>(3,266,880)</u>	<u>(3,429,651)</u>
Net change in total pension liability	(122,185)	566,021
Total pension liability - beginning	<u>41,183,864</u>	<u>41,061,679</u>
Total pension liability - ending	<u>41,061,679</u>	<u>41,627,700</u>
Plan fiduciary net position:		
Contributions - employer	2,367,723	2,611,489
Contributions - employee	61,664	62,311
Net investment income	2,615,214	392,103
Benefit payments, including refunds of member contributions	(3,266,880)	(3,429,651)
Administrative expense	<u>(21,273)</u>	<u>(21,105)</u>
Net change in plan fiduciary net position	1,756,448	(384,853)
Plan fiduciary net position - beginning	<u>16,043,463</u>	<u>17,799,911</u>
Plan fiduciary net position - ending	<u>17,799,911</u>	<u>17,415,058</u>
Town's Net Pension Liability - Ending	<u>\$ 23,261,768</u>	<u>\$ 24,212,642</u>
Plan fiduciary net position as a percentage of the total pension liability	43.35%	41.84%
Covered-employee payroll	\$ 1,528,161	\$ 1,244,618
Town's net pension liability as a percentage of covered-employee payroll	1522.21%	1945.39%

**TOWN OF AVON, CONNECTICUT
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS
AVON RETIREMENT SYSTEM
LAST TWO FISCAL YEARS**

BOARD OF EDUCATION

	<u>2014</u>	<u>2015</u>
Total pension liability:		
Service cost	\$ 525,256	\$ 556,668
Interest	611,000	658,710
Differences between expected and actual experience	119,783	(193,612)
Benefit payments, including refunds of member contributions	<u>(402,777)</u>	<u>(364,877)</u>
Net change in total pension liability	853,262	656,889
Total pension liability - beginning	<u>7,819,165</u>	<u>8,672,427</u>
Total pension liability - ending	<u>8,672,427</u>	<u>9,329,316</u>
Plan fiduciary net position:		
Contributions - employer	507,738	506,967
Contributions - employee	299,105	293,265
Net investment income	871,716	175,505
Benefit payments, including refunds of member contributions	(402,777)	(364,877)
Administrative expense	<u>(14,704)</u>	<u>(14,465)</u>
Net change in plan fiduciary net position	1,261,078	596,395
Plan fiduciary net position - beginning	<u>5,756,750</u>	<u>7,017,828</u>
Plan fiduciary net position - ending	<u>7,017,828</u>	<u>7,614,223</u>
Town's Net Pension Liability - Ending	<u>\$ 1,654,599</u>	<u>\$ 1,715,093</u>
Plan fiduciary net position as a percentage of the total pension liability	80.92%	81.62%
Covered-employee payroll	\$ 4,234,029	\$ 4,580,259
Town's net pension liability as a percentage of covered-employee payroll	39.08%	37.45%

**TOWN OF AVON, CONNECTICUT
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CONTRIBUTIONS
AVON RETIREMENT SYSTEM
LAST TEN FISCAL YEARS**

TOWN

	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
Actuarially-determined contribution	\$ 1,124,149	\$ 1,201,509	\$ 1,530,989	\$ 1,530,989	\$ 1,758,507	\$ 1,966,862	\$ 2,030,829	\$ 2,119,020	\$ 2,367,723	\$ 2,611,489
Contributions in relation to the actuarially-determined contribution	1,124,149	1,201,509	1,530,989	1,530,989	1,758,507	1,966,862	2,030,829	2,119,020	2,367,723	2,611,489
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Covered-employee payroll	\$ 4,048,211	\$ 3,842,030	\$ 3,459,615	\$ 3,236,902	\$ 2,824,488	\$ 2,481,802	\$ 1,954,201	\$ 1,540,675	\$ 1,528,161	\$ 1,244,618
Contributions as a percentage of covered-employee payroll	27.77%	31.27%	44.25%	47.30%	62.26%	79.25%	103.92%	137.54%	154.94%	209.82%

Notes to Schedule

Valuation date July 1, 2014
Measurement date June 30, 2015

Actuarially-determined contribution rates are calculated as of June 30, two years prior to the end of the fiscal year in which contributions are reported.

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry Age Normal
Amortization method	Level percent, closed
Remaining amortization period	13 years
Asset valuation method	5 year non-asymptotic
Inflation	2.75%
Salary increases	3.50%
Investment rate of return	7.375%
Retirement age	Age-based table
Mortality	RP-2000 Combined Healthy Mortality with generational projection per Scale AA

**TOWN OF AVON, CONNECTICUT
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CONTRIBUTIONS
AVON RETIREMENT SYSTEM
LAST TEN FISCAL YEARS**

BOARD OF EDUCATION

	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
Actuarially-determined contribution	\$ 34,088	\$ 144,845	\$ 222,572	\$ 210,811	\$ 210,811	\$ 283,245	\$ 318,093	\$ 330,426	\$ 480,771	\$ 506,967
Contributions in relation to the actuarially-determined contribution	<u>32,000</u>	<u>76,088</u>	<u>182,860</u>	<u>227,962</u>	<u>210,811</u>	<u>283,000</u>	<u>318,093</u>	<u>480,000</u>	<u>507,738</u>	<u>506,967</u>
Contribution Deficiency (Excess)	\$ <u>2,088</u>	\$ <u>68,757</u>	\$ <u>39,712</u>	\$ <u>(17,151)</u>	\$ <u>-</u>	\$ <u>245</u>	\$ <u>-</u>	\$ <u>(149,574)</u>	\$ <u>(26,967)</u>	\$ <u>-</u>
Covered-employee payroll	\$ 1,671,965	\$ 2,147,958	\$ 2,506,058	\$ 3,132,908	\$ 3,485,158	\$ 3,754,830	\$ 3,880,490	\$ 4,041,241	\$ 4,234,029	\$ 4,580,259
Contributions as a percentage of covered-employee payroll	1.91%	3.54%	7.30%	7.28%	6.05%	7.54%	8.20%	11.88%	11.99%	11.07%

Notes to Schedule

Valuation date July 1, 2014
Measurement date June 30, 2015

Actuarially-determined contribution rates are calculated as of June 30, two years prior to the end of the fiscal year in which contributions are reported.

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry Age Normal
Amortization method	Level percent, closed
Remaining amortization period	13 years
Asset valuation method	5 year non-asymptotic
Inflation	2.75%
Salary increases	3.50%
Investment rate of return	7.50%
Retirement age	Age-based table
Mortality	RP-2000 Combined Healthy Mortality with generational projection per Scale AA

**TOWN OF AVON, CONNECTICUT
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF INVESTMENT RETURNS
AVON RETIREMENT SYSTEM
LAST TWO FISCAL YEARS**

TOWN

	<u>2014</u>	<u>2015</u>
Annual money-weighted rate of return, net of investment expense	15.71%	2.34%

**TOWN OF AVON, CONNECTICUT
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF INVESTMENT RETURNS
AVON RETIREMENT SYSTEM
LAST TWO FISCAL YEARS**

BOARD OF EDUCATION

	<u>2014</u>	<u>2015</u>
Annual money-weighted rate of return, net of investment expense	15.55%	2.42%

**SCHEDULE OF THE TOWN'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
TEACHERS RETIREMENT PLAN
LAST FISCAL YEAR**

	<u>2015</u>
Town's proportion of the net pension liability	0.00%
Town's proportionate share of the net pension liability	\$ -
State's proportionate share of the net pension liability associated with the Town	<u>68,083,931</u>
Total	<u>\$ 68,083,931</u>
Town's covered-employee payroll	\$ 26,073,558
Town's proportionate share of the net pension liability as a percentage of its covered-employee payroll	0.00%
Plan fiduciary net position as a percentage of the total pension liability	61.51%

Notes to Schedule

Changes in benefit terms	None
Changes of assumptions	During 2011, rates of withdrawal, retirement and assumed rates of salary increases were adjusted to reflect actual and anticipated experience. These assumptions were recommended as part of the Experience Study for the System for the five-year period ended June 30, 2010.
Actuarial cost method	Entry age
Amortization method	Level percent of salary, closed
Remaining amortization period	22.4 years
Asset valuation method	4-year smoothed market

APPENDIX B - OPINION OF BOND COUNSEL AND TAX EXEMPTION

The following information has been prepared by Bond Counsel in connection with this bond issue. Bond Counsel are not passing upon and do not assume responsibility for the accuracy or completeness of the statements made in the Official Statement (other than matters in this Appendix), and they make no representation that they have independently verified the same.

BOND COUNSEL OPINION

The legal opinion of the firm of Day Pitney LLP of Hartford, Connecticut, Bond Counsel, will be furnished to the initial purchaser when the Bonds are delivered, and a copy of the legal opinion will be included in the record of proceedings of the Town authorizing the Bonds. The opinion will be dated and given on and will speak only as of the date of original delivery of the Bonds to the initial purchaser.

The opinion of Day Pitney LLP with respect to the Bonds will be substantially in the following form:

[FORM OF BOND COUNSEL OPINION]

(date of closing)

Town of Avon
Avon, Connecticut

We have represented the Town of Avon, Connecticut as Bond Counsel in connection with the issuance by the Town of \$11,400,000 General Obligation Refunding Bonds, Issue of 2016, dated as of March 15, 2016.

We have examined a record of proceedings authorizing the Bonds, and based on our examination, we are of the opinion that the Town of Avon is authorized to issue the Bonds; the Town is duly and legally organized; all proper proceedings for the issuance and delivery of the Bonds have been taken; no limitation of indebtedness under the laws of the State of Connecticut has been exceeded in the issuance of the Bonds; the Bonds will be valid and binding general obligations of the Town when certified as provided thereon by a duly authorized official of U.S. Bank National Association; and the Town has the power to levy ad valorem taxes to pay the Bonds against all the taxable property in the Town without limit as to rate or amount except certified forest land taxable at a limited rate and dwelling houses of qualified elderly people of low income or of qualified disabled persons taxable at limited amounts.

It is to be understood that the rights of the holders of the Bonds and the enforceability thereof may be subject to bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights heretofore or hereafter enacted and to the exercise of judicial discretion.

The Internal Revenue Code of 1986, as amended (the "Code"), establishes certain requirements that must be met in order that interest on the Bonds is excluded from gross income for Federal income tax purposes. The Town officials authorized to issue the Bonds have executed written representations and agreements on behalf of the Town relating to compliance with such provisions of the Code to ensure that the interest on the Bonds will be excluded from gross income for Federal income tax purposes.

Based on such representations and agreements and on the record of proceedings authorizing the Bonds, and assuming the accuracy of such representations and compliance with such agreements, it is our opinion that, under existing statutes: (1) interest on the Bonds is excluded from gross income for Federal income tax purposes pursuant to Section 103 of the Code; and (2) the Bonds are not "private activity bonds" and interest on the Bonds is not treated as a preference item for purposes of calculating the Federal alternative minimum tax, 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, it is our opinion that, under existing statutes: (1) interest on the Bonds is excluded from Connecticut taxable income for purposes of the Connecticut income tax on individuals, trusts and estates; and (2) interest on the Bonds is excluded from amounts on which the net Connecticut minimum tax is based in the case of individuals, trusts and estates required to pay the Federal alternative minimum tax.

Very truly yours,

Day Pitney LLP

FEDERAL INCOME TAX.

Interest Excluded From Gross Income. The Internal Revenue Code of 1986, as amended (the "Code") establishes certain requirements that must be met in order that interest on the Bonds is excluded from the gross income of the owners thereof for federal income tax purposes. Some of these requirements must be continuously met subsequent to delivery of the Bonds. Failure to comply with any of these requirements may cause the interest on the Bonds to be includable in gross income for federal income tax purposes retroactively to the date of their issuance irrespective of the date on which such noncompliance occurs.

The Town officials authorized to issue the Bonds will enter into a Tax Compliance Agreement in connection with the delivery of the Bonds, which will contain certain representations and covenants on behalf of the Town relating to compliance with such requirements of the Code to ensure that the interest on the Bonds will be excluded from the gross income of the owners thereof for federal income tax purposes.

Alternative Minimum Tax. The Code imposes an alternative minimum tax on individuals 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 are not "private activity bonds" so that interest on the Bonds will not be treated as a preference item for individuals or corporations in calculating alternative minimum taxable income.

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

Financial Institutions. The Code provides that commercial banks, thrift institutions and certain other financial institutions may not deduct the portion of their interest expense allocable to tax-exempt obligations acquired after August 7, 1986, other than "qualified tax-exempt obligations". The Bonds will ***not*** be "qualified tax-exempt obligations" for purposes of the deduction for federal income tax purposes by financial institutions of a portion of interest expense allocable to tax-exempt obligations.

Additional Federal Income Tax Matters. In addition to the matters addressed above, prospective purchasers of the Bonds should be aware that the ownership of tax-exempt obligations, such as the Bonds, may result in collateral federal income tax consequences to certain taxpayers, including without limitation, taxpayers otherwise eligible for the earned income credit, recipients of Social Security and certain Railroad Retirement benefits, taxpayers that may be deemed to have incurred or continued indebtedness to purchase or carry tax-exempt obligations, financial institutions, certain insurance companies, certain S corporations and foreign corporations subject to the branch profits tax. Prospective purchasers of the Bonds may also wish to consult with their tax advisors with respect to the need to furnish certain taxpayer information in order to avoid backup withholding.

STATE OF CONNECTICUT TAX ON INTEREST.

The opinion of Bond Counsel will state in substance that, based on the record of proceedings authorizing the Bonds, under existing statutes: (1) interest on the Bonds is excluded from Connecticut taxable income for purposes of the Connecticut income tax on individuals, trusts, and estates; and (2) interest on the Bonds is excluded from amounts on which the net Connecticut minimum tax is based in the case of individuals, trusts and estates required to pay the federal alternative minimum tax.

Interest on the Bonds is included in gross income for purposes of the Connecticut corporation business tax.

Owners of the Bonds should consult their tax advisors with respect to other applicable state and local tax consequences of ownership of the Bonds and the disposition thereof, including the extent to which gains and losses from the sale or exchange of the Bonds held as capital assets reduce and increase, respectively, amounts taken into account in computing the Connecticut income tax on individuals, trusts and estates and may affect the net Connecticut minimum tax on such taxpayers who are also required to pay the federal alternative minimum tax.

ORIGINAL ISSUE DISCOUNT.

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

The discussion in this paragraph applies to those Bonds having original issue discount. Under Section 1288 of the Code, the amount of original issue discount treated as having accrued with respect to any such bond during each day it is owned by a taxpayer is added to the cost basis of such owner for purposes of determining gain or loss upon the sale or other disposition of such bond by such owner. Accrued original issue discount on a bond is excluded from gross income of the owners thereof for federal income tax purposes. Accrued original issue discount on a bond is also excluded from Connecticut taxable income for purposes of the Connecticut income tax on individuals, trusts and estates and is excluded from amounts on which the net Connecticut minimum tax is based in the case of individuals, trusts and estates required to pay the federal alternative minimum tax. Original issue discount on any bond is treated as accruing on the basis of economic accrual for such purposes, computed by a constant semiannual compounding method using the yield to maturity on such bond. The original issue discount attributable to any bond for any particular semiannual period is equal to the excess of the product of (i) one-half of the yield to maturity of such bond and (ii) the amount which would be the adjusted basis of the bond at the beginning of such semiannual period if held by the original owner and purchased by such owner at the initial public offering price, over the interest payable on such bond during such period. The amount so treated as accruing during each semiannual period is apportioned in equal amounts among the days in that period to determine the amount of original issue discount accruing for such purposes during each such day. Owners of Bonds having original issue discount, and especially any owner who is not an original owner of a bond who bought the bond at its initial public offering price, should consult their tax advisors with respect to the federal and state income tax consequences of the disposition of such bonds.

ORIGINAL ISSUE PREMIUM.

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

The discussion in this paragraph applies to those Bonds having original issue premium. Under Sections 1016 and 171 of the Code, the amount of original issue premium treated as having amortized with respect to any bond during each day it is owned by a taxpayer is subtracted from the cost basis of such owner for purposes of

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

GENERAL.

The opinion of Bond Counsel is rendered as of its date and Bond Counsel assumes no obligation to update or supplement its opinion to reflect any facts or circumstances that may come to its attention, or any changes in law or the interpretation thereof that may occur after the date of its opinion. Legislation affecting municipal bonds is regularly under consideration by the United States Congress. No assurance can be given that pending federal legislation, if any, or federal legislation enacted or proposed after the date of issuance of the Bonds will not have an effect on the federal tax status or the market price of the Bonds or will not change the effect of other federal tax law consequences, including those discussed above, of owning and disposing of the Bonds, and Bond Counsel expresses no opinion thereon. No assurance can be given that future legislation or amendments to the income tax law of the State of Connecticut, if enacted into law, will not contain provisions that could, directly or indirectly, reduce the benefit of the exclusion of the interest on the Bonds or any gain made on the sale or exchange thereof from Connecticut taxable income for purposes of the Connecticut income tax on individuals, trusts and estates, and Bond Counsel expresses no opinion thereon. Prospective owners of the Bonds are advised to consult their tax advisors regarding the potential tax consequences of proposed federal or State of Connecticut tax legislation, if any, affecting municipal bonds.

The discussion above does not purport to address all aspects of federal, state, or local taxation that may be relevant to a particular owner of Bonds. Prospective owners of the Bonds, particularly those who may be subject to special rules, are advised to consult their tax advisors regarding the federal, state, and local tax consequences of owning and disposing of the Bonds, including any tax consequences arising under the laws of any other state or other taxing jurisdiction.

APPENDIX C - FORM OF CONTINUING DISCLOSURE AGREEMENT FOR BONDS

In accordance with the requirements of Rule 15c2-12 promulgated by the Securities and Exchange Commission, the Town will agree, pursuant to a Continuing Disclosure Agreement for Bonds to be executed by the Town substantially in the following form, to provide, or cause to be provided, (i) annual financial information and operating data, (ii) in a timely manner not in excess of ten business days after the occurrence of the event, notice of the occurrence of certain events with respect to the Bonds and (iii) timely notice of a failure by the Town to provide the required annual financial information on or before the date specified in the Continuing Disclosure Agreement for Bonds.

Continuing Disclosure Agreement for Bonds

This Continuing Disclosure Agreement for Bonds ("Agreement") is made as of March 15, 2016 by the Town of Avon, Connecticut (the "Issuer") acting by its undersigned officers, duly authorized, in connection with the issuance of \$11,400,000 General Obligation Refunding Bonds, Issue of 2016, dated as of March 15, 2016 (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 March 2, 2016 prepared in connection with the Bonds.

"MSRB" means the Municipal Securities Rulemaking Board established under the Securities Exchange Act of 1934, as amended, or any successor thereto.

"Repository" means the MSRB or any other information repository established pursuant to the Rule as amended from time to time.

"Rule" means Rule 15c2-12 under the Securities Exchange Act of 1934, as of the date of this Agreement.

"SEC" means the Securities and Exchange Commission of the United States, or any successor thereto.

Section 2. Annual Financial Information.

(a) The Issuer agrees to provide or cause to be provided to each Repository, in accordance with the provisions of the Rule and of this Agreement, annual financial information and operating data (commencing with information and data for the fiscal year ending June 30, 2015) as follows:

(i) Financial statements of the Issuer's general fund, and any special revenue, capital projects, internal service and trust or agency funds, 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 gross and 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 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, total net direct debt, and total overall net debt (reflecting overlapping and underlying debt), as of the close of the fiscal year,
- (F) total direct debt, total net direct debt and total overall net debt of the Issuer per capita,
- (G) ratios of the total direct debt, total net direct debt and total overall net debt of the Issuer to the Issuer's net taxable grand list,
- (H) statement of statutory debt limitation as of the close of the fiscal year, and
- (I) funding status of the Issuer's pension benefit obligation.

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

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

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

Section 3. Notice of Certain Events.

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

- (a) principal and interest payment delinquencies;
- (b) non-payment related defaults, if material;
- (c) unscheduled draws on debt service reserves reflecting financial difficulties;
- (d) unscheduled draws on credit enhancements reflecting financial difficulties;
- (e) substitution of credit or liquidity providers, or their failure to perform;
- (f) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the bonds, or other material events affecting the tax status of the Bonds;
- (g) modifications to rights of holders of the Bonds, if material;
- (h) Bond calls, if material, and tender offers;
- (i) Bond defeasances;
- (j) release, substitution, or sale of property securing repayment of the Bonds, if material;
- (k) rating changes;
- (l) bankruptcy, insolvency, receivership or similar event of the Issuer;
- (m) the consummation of a merger, consolidation, or acquisition involving the Issuer or the sale of all or substantially all of the assets of the Issuer, other than in the ordinary course of business, the entry into a definitive

agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; and

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

Events (d) and (e). The Issuer does not undertake to provide any notice with respect to credit enhancement added after the primary offering of the Bonds, unless the Issuer applies for or participates in obtaining the enhancement.

Event (f). Event (f) is relevant only to the extent interest on the Bonds is excluded from gross income for federal income tax purposes.

Event (h). The Issuer does not undertake to provide the above-described event notice of a mandatory scheduled redemption, not *otherwise* contingent upon the occurrence of an event, if (A) the terms, dates and amounts of redemption are set forth in detail in the Final Official Statement, (B) the sole matter to be determined is which of the Bonds will be redeemed in the case of a partial redemption, (C) notice of redemption is given to the holders of the Bonds to be redeemed as required under the terms of the Bonds, and (D) public notice of redemption is given pursuant to Exchange Act Release No. 23856 of the SEC, even if the originally scheduled amounts are reduced due to prior optional redemptions or Bond purchases.

Section 4. Notice of Failure to Provide Annual Financial Information.

The Issuer agrees to provide or cause to be provided, in a timely manner, to each Repository notice of any failure by the Issuer to provide annual financial information as set forth in Section 2(a) hereof on or before the date set forth in Section 2(b) hereof.

Section 5. Use of Agents.

Annual financial information and operating data and notices to be provided pursuant to this Agreement may be provided by the Issuer or by any agents which may be employed by the Issuer for such purpose from time to time.

Section 6. Termination.

The obligations of the Issuer under this Agreement shall terminate upon the earlier of (i) payment or legal defeasance, at maturity or otherwise, of all of the Bonds, or (ii) such time as the Issuer ceases to be an obligated person with respect to the Bonds within the meaning of the Rule.

Section 7. Enforcement.

The Issuer acknowledges that the undertakings set forth in this Agreement are intended to be for the benefit of, and enforceable by, the beneficial owners from time to time of the Bonds. In the event the Issuer shall fail to perform its duties hereunder, the Issuer shall have the option to cure such failure within a reasonable time (but not exceeding 30 days with respect to the undertakings set forth in Section 2 of this Agreement or five business days with respect to the undertakings set forth in Sections 3 and 4 of this Agreement) from the time the Issuer's Director of Finance, or a successor, receives written notice from any beneficial owner of the Bonds of such failure. The present address of the Director of Finance is Town Hall, 60 West Main Street, Avon, Connecticut 06001.

In the event the Issuer does not cure such failure within the time specified above, the beneficial owner of any Bonds shall be entitled only to the remedy of specific performance. The parties expressly acknowledge and agree that no monetary damages shall arise or be payable hereunder nor shall any failure to comply with this Agreement constitute an event of default with respect to the Bonds.

Section 8. Miscellaneous.

(a) All documents provided by the Issuer to a Repository pursuant to the Issuer's undertakings set forth in Sections 2, 3 and 4 of this Agreement shall be in an electronic format as prescribed by the MSRB from time to time and shall be accompanied by identifying information as prescribed by the MSRB from time to time.

(b) The Issuer shall have no obligation to provide any information, data or notices other than as set forth in this Agreement; provided, however, nothing in this Agreement shall be construed as prohibiting the Issuer from providing such additional information, data or notices from time to time as it deems appropriate in connection with the Bonds. If the Issuer elects to provide any such additional information, data or notices, the Issuer shall have

no obligation under this Agreement to update or continue to provide further additional information, data or notices of the type so provided.

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

(d) Notwithstanding any other provision of this Agreement, the Issuer may amend this Agreement, and any provision of this Agreement may be waived, if such amendment or waiver is made in connection with a change of circumstances that arises from a change in legal requirements, a change in law, or a change in the identity, nature or status of the Issuer, and is supported by an opinion of counsel expert in federal securities laws, to the effect that (i) such amendment or waiver would not materially adversely affect the beneficial owners of the Bonds, and (ii) the provisions of the Agreement as so amended or waived would have complied with the requirements of the Rule, taking into account any amendments or interpretations of the Rule as well as any changes in circumstances, in each case as of the date of such amendment to the Agreement or waiver. A copy of any such amendment or waiver will be filed in a timely manner with each Repository. The annual financial information provided on the first date following adoption of any such amendment will explain, in narrative form, the reasons for the amendment and the impact of the change in the type of operating or financial information provided.

(e) This Agreement may be executed in any number of counterparts, each of which shall be deemed an original, but such counterparts shall together constitute but one and the same instrument.

TOWN OF AVON

By: _____

Brandon L. Robertson
Town Manager

By: _____

James R. McCarthy
Treasurer