DEBT SERVICE

PROGRAM DESCRIPTION

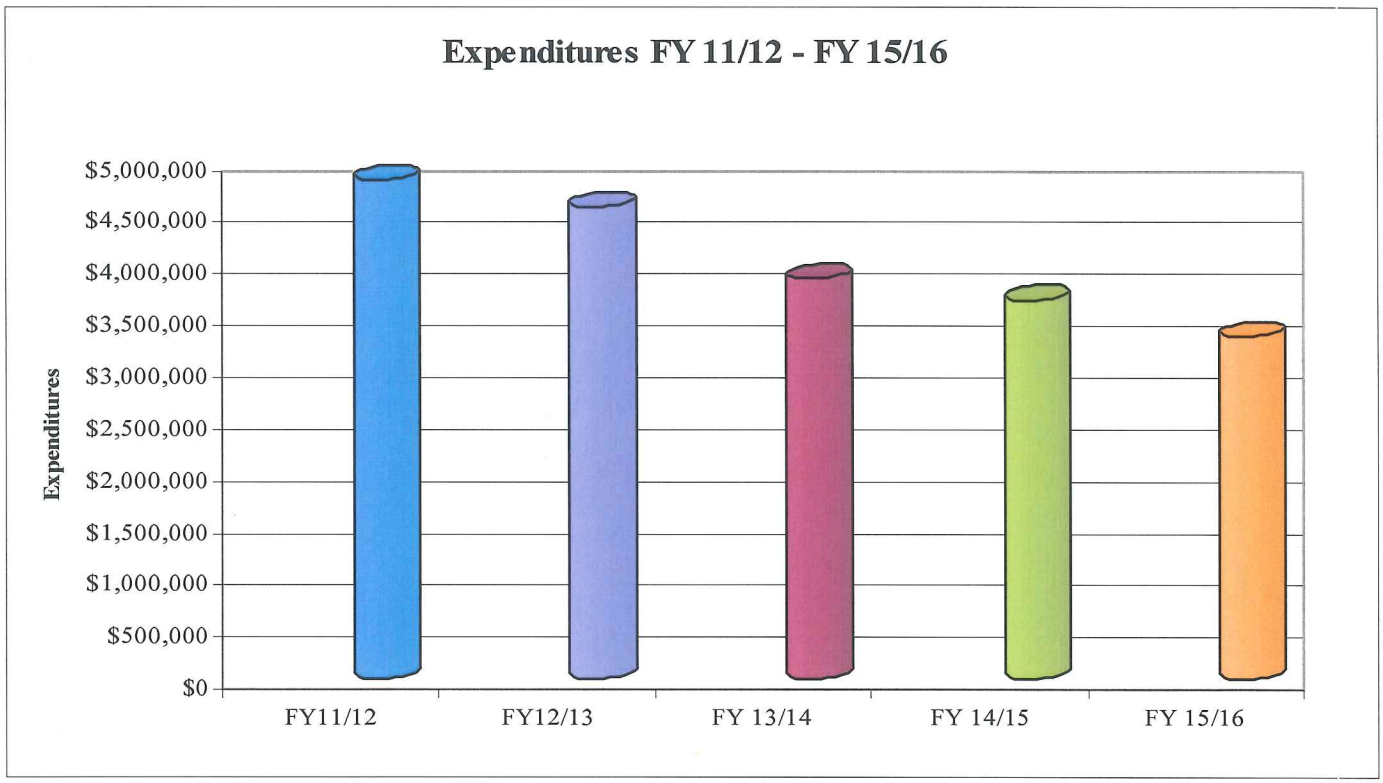
This series of accounts reflects those expenditures made by the Town for interest and principal payments for Short and Long-Term Debt.

PERSONNEL AND EXPENDITURES

The Director of Finance is responsible for monitoring the Town's Debt Service Program.

PROGRAM COMMENTARY

	2011/ 2012	2012/ 2013	2013/ 2014	2014/ 2015	2015/ 2016	$ Inc/(Dec)	% Inc/-Dec
Expenditures	$4,808,189	$4,546,338	$ 3,858,790	$3,647,490	$3,300,940	($346,550)	-9.5%



Debt Service reflects the pay down of existing debt from general obligation bond anticipation notes and bond issues for general purposes including previously approved school projects, including the Avon High School Renovation/Addition project, Town Hall Renovations, Fisher Farms Open Space, the replacement of the Avon Middle School Roof and related improvements, and the most recent Avon Free Public Library Renovations, Additions and Improvements project. The $3,300,940 in Debt is reflected in the General Fund appropriation.

PROGRAM COMMENTARY, continued

1. Ensure long-term debt will not exceed the Town's resources for repaying the debt;

2. Finance capital projects through the issuance of bonds for a period not to exceed the expected useful life of the project;

3. Maintain the Town's Aaa/AAA credit rating.

While the Town's Debt Service was reduced by over 50% between 1983 and 1988, a 1988 decision to move forward with a systematic plan to renovate all and add new school facilities to accommodate increases in school enrollment, and programmatic changes to the school curriculum, has resulted in a substantial increase in Debt Service over the past twenty years. The level of per capita debt peaked in 2010, and is not expected to level off until 2017. It is the Town's intent to keep its per capita debt at a level acceptable to municipal securities rating agencies and retire its debt rapidly. This strategy was confirmed in June 2005 when Standard & Poor's reaffirmed Avon's Aaa/AAA rating, in 2008 by Moody's and Standard & Poor's, in 2009 and in 2012 by Moody's and Standard & Poor's, when the Town issued bonds for Library Additions and Renovations Project. As previously mentioned, the Town's debt load increased significantly during the last twenty years as it has built infrastructure to handle an increasing population and a corresponding increase in demand for services.

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. On November 2, 2010, the Town issued Bond Anticipation Notes in the amount of $7,000,000, due November 1, 2011, which was subsequently replaced with $7,000,000 of Bond Anticipation Notes at a rate of 1.50% maturing October 30, 2012 for temporary financing for the expansion and renovations. On October 30, 2012, the Town issued General Obligation Bonds at a rate of 2% maturing June 15, 2028.

The graph on M.10 illustrates the Town's debt history and future projected net debt load (after state grants).

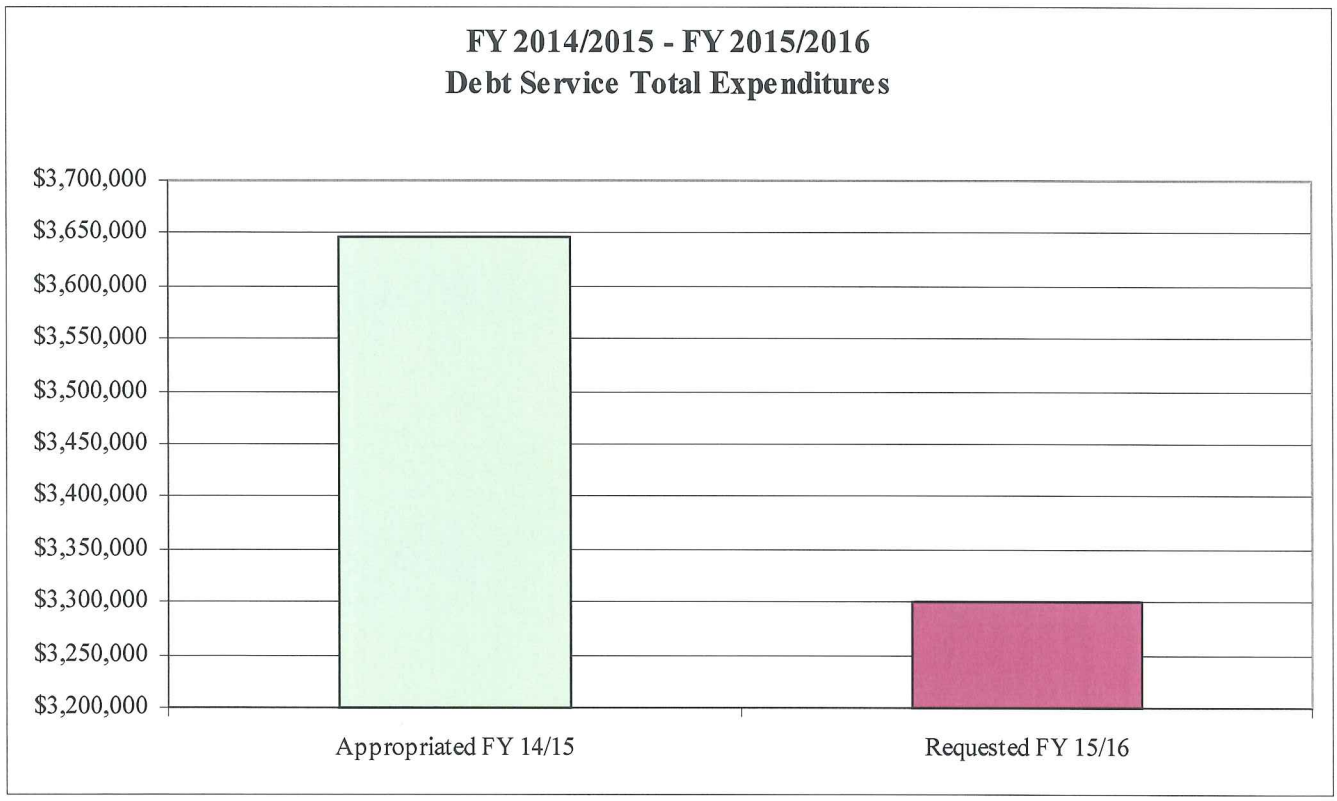
The Tables on M. 5 reflect the Legal Debt Margin Information for the last ten fiscal years, and the Ratio of Net General Bonded Debt to Assessed Value and Net General Bonded Debt Per Capita for the last ten years. The table on the following page illustrates the Schedule of Changes in Bonded Indebtedness for the year ended June 30, 2014. Page A.21 lists statewide comparative debt figures and A.22 compares Avon's debt and credit ratings to similar communities.

EFFECT OF EQUITY DEBT LEVEL ON ANNUAL AND FUTURE OPERATIONS

The Town has taken into consideration the budget impact of current and future debt levels on operations. This has been done in conjunction with the Capital Improvement Program (see R. 7 for a more detailed analysis). The current and anticipated debt service program has been planned to minimize major impacts on year-to-year operations. As of the current fiscal year, including the bond issue for the Library Additions and Renovations project, debt retirement will be 11% retired in five years and 17% retired in ten years. The outlook for the Town is continued maintenance of its modest debt position.

ADOPTED BUDGET SUMMARY
DEBT SERVICE

	Appropriated FY 2014/2015	Requested FY 2015/2016	Adopted FY 2015/2016	Inc/(Dec) $	Inc/-Dec %
Bonds and Notes					
Expenditures	$3,647,490	$3,300,940	TBD	($346,550)	-9.5%



TOWN OF AVON, CONNECTICUT

SCHEDULE OF DEBT LIMITATION
FOR THE YEAR ENDED JUNE 30, 2014

Total Tax Collections (Including Interest and Lien Fees) Received by Treasurer for Current Fiscal Year.....	$71,628,603
Total Tax Collections (Including Interest and Lien Fees) Received by Treasurers of All Other Taxing Districts Within Town For Current Fiscal Year.....	3,235,818
Reimbursement for Revenue Loss: Tax Relief for Elderly.....	80,879
BASE FOR DEBT LIMITATION COMPUTATION.....	$74,585,300

	GENERAL PURPOSES	SCHOOLS	SEWERS	URBAN RENEWAL	PENSION DEFICIT
DEBT LIMITATION					
2-¼ times base.....	$167,816,925	$	$	$	$
4 -½ times base.....		335,633,850			
3-¾ times base.....			279,694,875		
3-¼ times base.....				242,402,225	
3 times base.....					223,755,900
TOTAL DEBT LIMITATION:	167,816,925	335,633,850	279,694,875	242,402,225	223,755,900
INDEBTEDNESS:					
Bonds Payable.....	8,584,000	21,826,000			
Bond authorized but not issued...	2,400,000				
School building grants.....		(68,070)			
Sewer assessment receivable.....					
NET INDEBTEDNESS (1)	10,984,000	21,757,930	-	-	-
DEBT LIMITATION IN EXCESS OF OUTSTANDING DEBT.....	$156,832,925	$313,875,920	$279,694,875	$242,402,225	$223,755,900

(1) The total of the above net indebtedness amounts to:	$ 32,741,930
In no event shall total indebtedness exceed seven times the base for debt limitation computation:	$522,097,100

TOWN OF AVON, CONNECTICUT
LEGAL DEBT MARGIN INFORMATION
Last Ten Fiscal Years

Fiscal Year	Debt Limit	Total Net Debt Applicable to Limit	Legal Debt Margin	Total Net Debt Applicable to the Limit as a % of Debt Limit	Debt Limit as a % of Assessed Value
2005	364,104,930	59,039,437	305,065,493	16.21 %	17.62%
2006	383,690,160	64,909,268	318,780,892	16.92 %	18.02%
2007	404,046,335	76,853,667	327,192,668	19.02%	18.47%
2008	422,652,293	82,135,050	340,517,243	19.43%	18.98%
2009	442,469,867	84,129,441	358,340,426	19.01%	19.56%
2010	448,646,527	62,217,044	386,429,483	13.87%	17.22%
2011	470,001,581	58,609,091	411,392,490	12.47%	17.95%
2012	489,236,174	54,999,110	434,237,064	11.24%	18.54%
2013	504,598,451	35,312,055	469,286,396	7.00%	18.77%
2014	522,097,100	32,741,930	489,355,170	6.27%	19.42%

Note: The State of Connecticut General Statutes require that in no event shall the total debt of the Town exceed seven (7) times the annual receipts from taxation.

RATIO OF NET GENERAL BONDED DEBT TO ASSESSED VALUE AND NET GENERAL BONDED DEBT PER CAPITA
Last Ten Fiscal Years

	General Bonded Debt					
Fiscal Year	General Obligation Bonds	Other Bonds	% of Actual Taxable Value of Property	Total Primary Government	% of Personal Income	Per Capita
2005	24,860,000	0	0.7877%	24,860,000	2.81%	1,455
2006	21,560,000	0	0.6076%	21,560,000	2.38%	1,232
2007	18,785,000	0	0.4766%	18,785,000	2.08%	1,073
2008	15,285,000	0	0.3702%	15,285,000	1.66%	859
2009	12,185,000	0	0.2907%	12,185,000	1.32%	685
2010	36,770,000	0	0.9172%	36,770,000	3.93%	2,031
2011	33,120,000	0	0.8391%	33,120,000	3.48%	1,800
2012	29,570,000	0	0.7901%	29,570,000	3.06%	1,581
2013	33,305,000	0	0.8888%	33,305,000	3.39%	1,753
2014	30,410,000	0	0.8224%	30,410,000	2.51%	1,552

DEBT OBLIGATIONS
FISCAL YEAR 2015/2016

BONDS AND BOND ANTICIPATION NOTES

PROGRAM DESCRIPTION

This account shows the expenditures of principal and interest payments on all outstanding and anticipated debt issues for Town and School purposes.

PROGRAM COMMENTARY

The total debt service for fiscal year 2015/2016 is $3,550,940, but reduced to $3,300,940, by applying $250,000 of BAN/Bond premium. The bond payments are budgeted in the General Fund; the Sewer Fund debt was retired in fiscal year 2012/2013. Currently there are no notes outstanding.

Date of Issue	Interest Rate	Description	Original Issue	Principal Obligation	Interest Obligation	2015/2016 Debt Service
General Purposes:						
Bonds:						
July 15, 2002	3.00 - 5.00%	Fisher Farms Open Space	1,295,000	82,000	4,100	86,100
October 15, 2009	2.00 - 3.25%	Town Hall Renovations	2,295,000	115,000	50,357	165,357
October 30, 2012	2.00%	AFPL Renovations, Additions, Imp.	7,100,000	350,000	123,000	473,000
Total General Purposes:			10,690,000	547,000	177,457	724,457
Schools:						
Bonds:						
July 15, 2002	3.00 - 5.00%	Thompson Brook School	14,245,000	918,000	45,900	963,900
October 15, 2009	2.00 - 3.25%	Avon High School Renovations	23,218,000	1,195,000	505,569	1,700,569
October 15, 2009	2.00 - 3.25%	Avon Middle School Roof	2,372,000	110,000	52,013	162,013
Total Schools:			39,835,000	2,223,000	603,482	2,826,482
Grand Total – All Debt*			$50,525,000	$2,770,000	$780,939	$3,550,940

* Applying $250,000 of BAN/Bond premium to reduce 2015/2016 budget to $3,300,940.

BONDS AND BOND ANTICIPATION NOTES, continued

PROJECTED SCHOOL CONSTRUCTION REIMBURSEMENTS

Pursuant to Public Act No. 97-11, the State of Connecticut provided 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 reimbursed 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 July 1, 2013 and future fiscal years, the Town expects to receive principal grant reimbursements under the prior program in an aggregate amount of $0.00. In Fiscal Year 2014, school building grants of $68,070 are due to the Town from the State and are recorded as a receivable.

A listing of all State and Federal reimbursement grants is found on page B. 4.

Town of Avon

Town Managers Budget Summary

Budget Fiscal Year: 2016 to 2016

Account# and Description	2014 Actual	2015 Budget	2015 Actual YTD	2015 Est. Actual	Department Head	Town Manager	Town Council	Board of Finance	Inc/Dec	%
9101 BONDS & NOTES										
CONTRACTUCTUAL SERV & PRINTING	3,858,788	3,647,490	1,745,994	3,647,490	3,550,940	3,300,940	0	0	(346,550)	(10)
Total 9101 BONDS & NOTES	3,858,788	3,647,490	1,745,994	3,647,490	3,550,940	3,300,940	0	0	(346,550)	(10)

Town of Avon

Town Managers Budget Detail

Budget Fiscal Year: 2016 to 2016

Account# and Description	2014 Actual	2015 Budget	2015 Actual YTD	2015 Est. Actual	Department Head	Town Manager	Town Council	Board of Finance	Inc/Dec	%
9101 BONDS & NOTES										
DEBT SERVICE										
01-9101-52189 SERVICES - OTHE	3,858,788	3,647,490	1,745,994	3,647,490	3,550,940	3,300,940	0	0	(346,550)	(10)
PER BOND DEBT SERVICE SCHEDULES 7/1/15-6/30/16 $3,550,940 FOR EXISTING DEBT REDUCED BY USE OF $250,000 BAN/BOND PREMIUM GEN FUND (01) $3,300,940 SEWER FUND (05) $0 AS DEBT RETIRED IN 12/13 (TOWN MANAGER REDUCED)										
Total DEBT SERVICE	3,858,788	3,647,490	1,745,994	3,647,490	3,550,940	3,300,940	0	0	(346,550)	(10)
Total 9101 BONDS & NOTE	3,858,788	3,647,490	1,745,994	3,647,490	3,550,940	3,300,940	0	0	(346,550)	(10)

TOWN OF AVON
GENERAL LONG-TERM DEBT OBLIGATIONS
SCHEDULE OF CHANGES IN BONDED INDEBTEDNESS
FOR THE YEAR ENDED JUNE 30, 2014

DATE OF ISSUE	INTEREST RATE	DESCRIPTION	ORIGINAL ISSUE	OUTSTANDING JULY 1, 2013	ISSUED	REDEEMED	OUTSTANDING JUNE 30, 2014
GENERAL PURPOSES:							
BONDS:							
July 15, 2002	3.0%-5.0%	Improvement Bond	1,295,000	246,000		82,000	164,000
October 15, 2009	2.0-3.25%	Town Hall Renovations	2,295,000	1,910,000		115,000	1,795,000
October 30, 2012	2.0%	AFPL Renovations, Additions, Imp.	7,100,000	7,100,000		475,000	6,625,000
TOTAL GENERAL PURPOSES			10,690,000	9,256,000	-	672,000	8,854,000
SCHOOLS							
BONDS:							
July 15, 2002	3.0-5.0%	School Construction-Thompson Brook School	14,245,000	2,754,000		918,000	1,836,000
October 15,2009	2.0-3.25%	School Construction-Avon High School Renovations	23,218,000	19,325,000		1,180,000	18,145,000
October 15,2009	2.0-3.25%	School Construction-Avon Middle School Roof	2,372,000	1,970,000		125,000	1,845,000
TOTAL SCHOOLS.....			39,835,000	24,049,000	-	2,223,000	21,826,000
GRAND TOTAL-ALL BONDED DEBT.....			50,525,000	33,305,000		2,895,000	30,410,000
BOND ANTICIPATION NOTES.....			-	-		-	-
TOTAL BONDS AND NOTES.....			$50,525,000	$33,305,000	-	$2,895,000	$30,410,000

TOWN OF AVON, CONNECTICUT

DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT

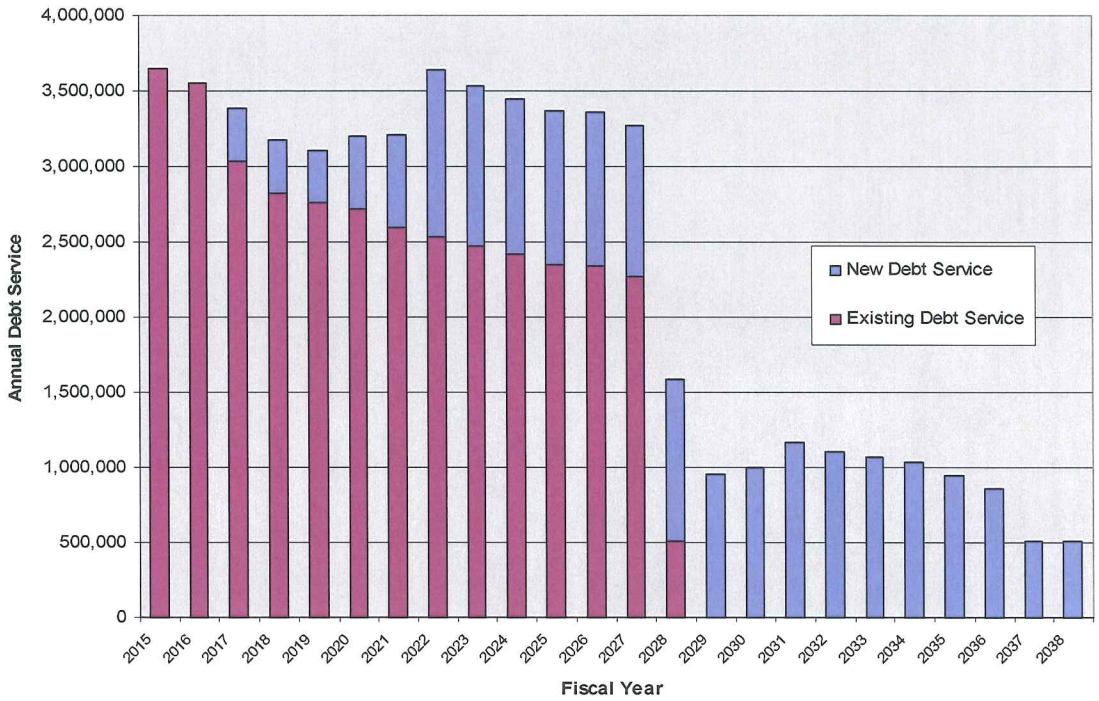
JUNE 30, 2014

Governmental Unit	Debt Outstanding	Estimated % Applicable	Estimated Share of Overlapping Debt
Overlapping District	$ 0	0%	$ 0
Town of Avon Direct Debt	$ 30,410,000	100%	$ 30,410,000
Total Direct and Overlapping Debt	$ 30,410,000	100%	$ 30,410,000

Sources: CAFR June 30, 2014

Notes: The Town of Avon has no overlapping debt.

Existing and Projected Net Debt Service



* This graph is for all Existing and Projected Debt Financing. The projected debt financing is an estimate and has not been approved. This graph is based on the following:

-$1,500,000 Athletic Fields/Facilities

- $5,000,000 Fire Station

- $7,664,000 Old Farms Road

Projected Debt is subject to revision.