

**PRELIMINARY OFFICIAL STATEMENT DATED OCTOBER 5, 2012**

**NEW MONEY**

**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; the Bonds are "qualified tax-exempt obligations"; 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  
\$7,100,000  
General Obligation Bonds, Issue of 2012  
BANK QUALIFIED, BOOK-ENTRY-ONLY**

**Dated: October 30, 2012**

**Due: June 15, as shown below**

<b>MATURITY SCHEDULE</b>									
<b>Due</b>	<b>Amount</b>	<b>Coupon (%)</b>	<b>Yield (%)</b>	<b>CUSIP<sup>1</sup></b>	<b>Due</b>	<b>Amount</b>	<b>Coupon (%)</b>	<b>Yield (%)</b>	<b>CUSIP<sup>1</sup></b>
2014	\$475,000			054033	2022	\$525,000			054033
2015	475,000			054033	2023	525,000			054033
2016	350,000			054033	2024	525,000			054033
2017	475,000			054033	2025	525,000			054033
2018	350,000			054033	2026	525,000			054033
2019	350,000			054033	2027	525,000			054033
2020	450,000			054033	2028	500,000			054033
2021	525,000			054033					

<sup>1</sup> 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.)

**Town officials will accept electronic bids via PARITY® ONLY for the Bonds until 11:30 AM (EDT) on Tuesday, October 16, 2012 as described in the official Notice of Sale dated October 5, 2012.**

Interest on the Bonds will be payable semiannually on the fifteenth day of December and June in each year until maturity, commencing December 15, 2012. 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 subject to redemption prior to maturity as noted herein.**

**The Bonds will be certified by Bank of New York Mellon Trust Company NA, 1735 Market Street, 6th Floor, Philadelphia, PA 19103 which will also act as Registrar, Paying 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 October 30, 2012.

***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.***

This Preliminary Official Statement and the information contained herein are deemed final for the purposes of Rule 15c2-12 under the Securities Exchange Act of 1934, as amended, except for the omission of certain information permitted to be omitted under Rule 15c2-12(b)(1) and are subject to completion or amendment. Under no circumstances shall this Preliminary Official Statement constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of these securities in any jurisdiction in which such offer, solicitation, or sale would be unlawful prior to registration or qualification under the securities laws of any such jurisdiction.

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No person has been authorized by the Town to give any information or to make any representations not 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. 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.

**NOTICE OF SALE**  
**\$7,100,000**  
**Town of Avon, Connecticut**  
**General Obligation Bonds**  
**(BOOK-ENTRY)**

ELECTRONIC BIDS via PARITY® will be received by the Town of Avon, Connecticut at the Town of Avon, Town Hall, Building 1 Conference Room, 60 West Main Street, Avon, Connecticut, until **11:30 A.M. (Eastern Daylight Time) on TUESDAY,**

**OCTOBER 16, 2012**

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

**\$7,100,000 General Obligation Bonds, Issue of 2012**  
**Payable annually on June 15 as follows:**

**\$475,000 in 2014 to 2015**  
**\$350,000 in 2016**  
**\$475,000 in 2017**  
**\$350,000 in 2018 to 2019**  
**\$450,000 in 2020**  
**\$525,000 in 2021 to 2027**  
**\$500,000 in 2028**

The Bonds will be dated October 30, 2012, with interest payable on December 15, 2012 and thereafter semiannually on each June 15th and December 15th.

The Bonds will be general obligations of the Town payable from ad valorem taxes levied on all taxable property in the Town without limitation as to rate or amount except classified property such as certified forest land taxable at a limited rate and dwelling houses of qualified elderly persons of low income or of qualified disabled persons taxable at limited amounts.

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

In the event that (a) DTC determines not to continue to act as securities depository for the Bonds and the Town fails to identify another qualified securities depository to replace DTC, or (b) the Town determines to discontinue the book-entry system of evidence and transfer of ownership of the Bonds, the Town will authenticate and deliver

replacement Bonds in the form of fully registered certificates. Any such replacement Bonds will provide that interest will be payable by check mailed by the Paying Agent to the registered owner whose name appears on the registration books of the Town as of the close of business on the record date preceding each interest payment date. The record dates will be the last business day of November and May.

**Redemption.** Bonds maturing after June 15, 2022 are subject to redemption prior to maturity, at the option of the Town, on or after June 15, 2022, at any time, either in whole or in part, in such amounts and in such order of maturity (but by lot within a maturity) as the Town may determine, following notice mailed by first class mail at least 30 days prior to the redemption date to the registered owners of the Bonds to be redeemed, at the following redemption price, expressed as a percentage of the principal amount, plus accrued interest to the date set for redemption:

<u>Period During Which Redeemed</u>	<u>Redemption Price</u>
June 15, 2022 and thereafter	100%

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

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

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

**Disclaimer** - Each PARITY® prospective electronic bidder shall be solely responsible to make necessary arrangements to access PARITY® for the purposes of submitting its bid in a timely manner and in compliance with the requirements of this Notice of Sale. Neither the Town nor PARITY® shall have any duty or obligation to undertake such arrangements to bid for any prospective bidder or to provide or assure such access to any prospective bidder, and neither the Town nor PARITY® shall be responsible for a bidder's failure to make a bid or for proper operation of, or have any liability for any delays or interruptions of, or any damages caused by, PARITY®. The Town is using PARITY® as a communication mechanism, and not as the Town's agent, to conduct the electronic bidding for the Bonds. The Town is not bound by any advice and determination of PARITY® to the effect that any particular bid complies with the terms of this Notice of Sale and in particular the bid requirements herein set forth. All costs and expenses incurred by prospective bidders in connection with their subscription to,

arrangements with and submission of bids via PARITY® are the sole responsibility of the bidders; and the Town is not responsible, directly or indirectly, for any such costs or expenses. If a prospective bidder encounters any difficulty in arranging to bid or submitting, modifying or withdrawing a bid for the Bonds, the prospective bidder should telephone PARITY® at (212) 849-5021. If any provision of this Notice shall conflict with information provided by PARITY®, this Notice of Sale shall control.

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

**Basis of Award.** As between proposals which comply with this Notice, the Bonds will be sold to the responsible bidder offering to purchase the Bonds at the lowest true interest cost to the Town. For the purpose of determining the successful bidder, the true interest cost to the Town will be the annual interest rate, compounded semiannually, which, when used to discount all payments of principal and interest payable on the Bonds to October 30, 2012, the date of the Bonds, results in an amount equal to the purchase price for the Bonds, excluding interest accrued to the date of delivery. If there is more than one responsible bidder making said offer at the same lowest true interest cost, the Bonds will be sold to the responsible bidder whose proposal is selected by the Town by lot from among all such proposals. It is requested that each proposal be accompanied by a statement of the percentage of true interest cost completed to four decimal places. Such statement shall not be considered as part of the proposal.

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

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

**Certifying and Paying Agent.** The Bonds will be authenticated by The Bank of New York Mellon Trust Company, N.A., Philadelphia, Pennsylvania. The Bank of New York Mellon Trust Company, N.A. will act as Registrar and Paying Agent.

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

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

**Official Statement.** The Town of Avon has prepared a preliminary Official Statement for the Bond issue which is dated October 5, 2012. The Town deems such preliminary Official Statement final as of its date for purposes of SEC Rule 15c2-12(b)(1), but it is subject to revision or amendment. The Town will make available to the winning purchaser 10 copies of the Official Statement as prepared by the Town at the Town's expense. The copies of the Official Statement will be made available to the winning purchaser at the office of the Town's financial advisor, DIXWORKS LLC, Avon, Connecticut, by the delivery of the Bonds or by the seventh business day after the day bids on the Bonds are received if earlier. If the Town's financial advisor is provided with the necessary information from the winning purchaser by noon of the day following the day bids on the Bonds are received, the copies of the Official Statement will include an additional cover page and other pages indicating the interest rates, ratings, yields or reoffering prices, the name of the managing underwriter, the name of the insurer, if any, on the Bonds and any corrections. The purchaser shall arrange with the financial advisor the method of delivery of the copies of the Official Statement to the purchaser. Additional copies of the Official Statement may be obtained by the purchaser at its own expense by arrangement with the printer.

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

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

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

**Delivery Date and Payment.** It is expected that the closing on the Bonds will occur on or about October 30, 2012 through the facilities of the Depository Trust Company, New York, New York, against payment in immediately available Federal funds.

**More Information.** For more information regarding this issue and the Town reference is made to the Official Statement. Proposal forms and copies of the Official Statement may be obtained from Mr. Dennis Dix, Jr., DIXWORKS LLC, 241 Avon Mountain Road, Avon, Connecticut 06001-3942 (telephone: (860) 676-0609) or from Ms. Margaret Colligan, Director of Finance, Town of Avon, Town Hall, 60 West Main Street, Avon, Connecticut 06001 (telephone: (860) 409-4344).

BRANDON L. ROBERTSON,  
*Town Manager*

JAMES R. MCCARTHY,  
*Treasurer*

October 5, 2012



## BOND ISSUE SUMMARY

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*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.*

**Date of Sale:** Tuesday, October 16, 2012, 11:30 A.M. (EDT)

**Bids:** Town officials will accept electronic bids via PARITY® ONLY for the Bonds until 11:30 AM (EDT) on Tuesday, October 16, 2012 as described in the official Notice of Sale dated October 5, 2012.

**Issuer:** Town of Avon, Connecticut (the "Town")

**Issue:** \$7,100,000 General Obligation Bonds, Issue of 2012 (the "Bonds")

**Dated Date:** October 30, 2012

**Interest Due:** December 15 and June 15, commencing December 15, 2012 until maturity

**Principal Due:** June 15, 2014 to June 15, 2028

**Purpose and Authority:** The Bonds are being issued to permanently finance the Town's share of the cost of expansion of and renovations to the Avon Free Public Library.

**Redemption:** The Bonds ARE 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:** Moody's Investors Service, Inc. has rated the Town's currently outstanding bonds and the Bonds as "Aaa". Standard & Poor's, Inc. has rated Town's currently outstanding bonds and the Bonds as "AAA".

**Note Insurance:** The Town does not expect to purchase a credit enhancement facility.

**Basis of Award:** Lowest True Interest Cost (TIC), as of dated date.

**Tax Exemption:** Refer to Appendix B, "Opinion of Bond Counsel and Tax Exemption" herein.

**Continuing Disclosure:** Refer to Appendix C, "Form of Continuing Disclosure Agreement for Bonds".

**Bank Qualification:** The Bonds shall 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, Certifying Agent and Paying Agent:** Bank of New York Mellon Trust Company NA, 1735 Market Street, 6th Floor, Philadelphia, PA 19103.

**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 October 30, 2012. Delivery of the Bonds will be made against payment in Federal funds.

**Bond Counsel:** Day Pitney LLP, 242 Trumbull Street, Hartford, Connecticut 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.

**Financial 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.

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The Preliminary Official Statement is available in electronic form only at [www.i-dealprospectus.com](http://www.i-dealprospectus.com) For additional copies of the Official Statement or requests for additional information, please contact the Financial Advisor, DIXWORKS LLC, listed above.

## I. BOND INFORMATION

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### **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 \$7,100,000 General Obligation Bonds, Issue of 2012 (the "Bonds") of the Town.

The Bonds are being offered for sale at public bidding. A Notice of Sale dated October 5, 2012 has been furnished to prospective bidders. Reference is made to the Notice of Sale for the terms and conditions of the bidding on the Bonds.

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 Financial Advisor, DIXWORKS LLC, Avon, Connecticut (the "Financial Advisor"), from information supplied by Town officials and other sources as indicated. The Financial 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. 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 Financial Advisor have entered into a financial advisory agreement to conform to Municipal Securities Rulemaking Board (MSRB) Rule G-23.

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.

Bond Counsel are not passing upon and do not assume responsibility for the accuracy or adequacy of the statements made in this Official Statement (other than matters expressly set forth in Appendix B "Opinion of Bond Counsel and Tax Exemption" herein) and they make no representation that they have independently verified the same.

### **Description of the Bonds**

The Bonds will be dated October 30, 2012 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 December 15, 2012 and semiannually thereafter on June 15 and December 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 May and November in each year or the preceding business day if the 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 maturing on or before June 15, 2022 are not subject to redemption prior to maturity. The Bonds maturing on June 15, 2023 and thereafter are subject to redemption prior to maturity at the election of the Town, on and after June 15, 2022, at any time, in whole or in part and by lot within a maturity, in such amounts and in such order of maturity as the Town may determine, at the redemption price or prices (expressed as a percentage of the

principal amount of the Bonds to be redeemed) set forth in the following table, plus interest accrued and unpaid to the redemption date:

<u>Redemption Dates</u>	<u>Redemption Price</u>
June 15, 2022 and thereafter.....	100%

### **Notice of Redemption**

Notice of redemption shall be given by the Town or its agent by mailing a copy of the redemption notice by first class mail not less than thirty (30) days prior to the redemption date to the registered owner of the Bonds designated for redemption in whole or in part at the address of such registered owner as the same shall last appear on the registration books for the Bonds kept for such purpose. Failure to give such notice by mailing to any registered owner, or any defect therein, shall not affect the validity of the redemption of any other Bonds. Upon the giving of such notice, if sufficient funds available solely for redemption are on deposit with the Paying Agent, the Bonds or portions thereof so called for redemption will cease to bear interest after the specified redemption date.

If less than all the Bonds of any one maturity shall be called for redemption, the particular Bonds or portions of Bonds of such maturity to be redeemed shall be selected by lot in such manner as the Town in its discretion may determine; provided, however, that the portion of any Bonds to be redeemed shall be in the principal amount of \$5,000 or a multiple thereof and that, in selecting Bonds for redemption, each Bond shall be considered as representing that number of Bonds which is obtained by dividing the principal amount of such Bond by \$5,000.

The Town, so long as a book-entry system is used for the Bonds, will send any notice of redemption only to DTC (or a successor securities depository) or its nominee. Any failure of DTC to advise any Direct Participant, or of any Direct Participant or Indirect Participant to notify any Indirect Participant or Beneficial Owner, of any such notice and its content or effect will not affect the validity of the redemption of such Bonds called for redemption. Redemption of a portion of the Bonds of any maturity by the Town will reduce the outstanding principal amount of Bonds of such maturity held by DTC. In such event it is the current practice of DTC to allocate by lot, through its book-entry system, among the interest held by Direct Participants in the Bonds to be redeemed, the interest to be reduced by such redemptions in accordance with its own rules or other agreements with Direct Participants. The Direct Participants and Indirect Participants may allocate reductions of the interests in the Bonds to be redeemed held by the Beneficial Owners. Any such allocation of interests in the Bonds to be redeemed will not be governed by the determination of the Town authorizing the issuance of the Bonds and will not be conducted by or the responsibility of the Town, the Registrar, or Paying Agent.

### **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. The Town may place a lien on the property for the amount of tax relief granted, plus interest, with respect to dwelling houses of qualified elderly persons of low income or of qualified disabled persons. 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 under certain of the statutes upon its power to tax dwelling houses of qualified elderly persons of low income.

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 debt 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 debt 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, amended in 1993, provides that no Connecticut municipality shall file a petition in bankruptcy without the express prior written consent of the Governor. This prohibition applies to any town, city, borough, metropolitan district or any other political subdivision of the State having the power to levy taxes and to issue Bonds or other obligations.

#### **Qualification for Financial Institutions**

The Bonds shall 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 agree to provide, or cause to be provided, as to the Bonds, (i) annual financial information and operating data, (ii) timely notice of the occurrence of certain material events with respect to the Bonds, and (iii) timely notice of a failure by the Town to provide the required annual financial information on or before the date specified in the Continuing Disclosure Agreement, as described in Appendix C. The Town will execute the Continuing Disclosure Agreement in substantially the form set out in Appendix C to this Official Statement. The winning bidder's obligation to purchase the Bonds shall be conditioned upon its receiving, at or prior to the delivery of the Bonds, an executed copy of the Continuing Disclosure Agreement for Bonds.

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.

#### **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 (the "Issuer") 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.

The Depository Trust Company ("DTC"), New York, NY, will act as securities depository for the Bonds (the "Securities"). The Securities 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 Security certificate will be issued for each maturity of the Securities, each in the aggregate principal amount of such maturity, and will be deposited with DTC.

DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities

Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has a Standard & Poor's rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at [www.dtcc.com](http://www.dtcc.com).

Purchases of Securities under the DTC system must be made by or through Direct Participants, which will receive a credit for the Securities on DTC's records. The ownership interest of each actual purchaser of each Security ("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 Securities 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 Securities, except in the event that use of the book-entry system for the Securities is discontinued.

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

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

Redemption notices shall be sent to DTC. If less than all of the Securities within an issue are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Securities 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 Securities 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 Agent, on 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, 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 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 Securities at any time by giving reasonable notice to the Town or Agent. Under such circumstances, in the event that a successor depository is not obtained, Security certificates are required to be printed and delivered.

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

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

**DTC Practices**

The Town can make no assurances that 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 and its participants which are on file with the U.S. Securities and Exchange Commission.

NEITHER THE TOWN, THE PAYING AGENT, NOR THE UNDERWRITER SHALL HAVE ANY RESPONSIBILITY OR OBLIGATION TO DTC PARTICIPANTS, INDIRECT PARTICIPANTS OR ANY BENEFICIAL OWNER WITH RESPECT TO (1) THE ACCURACY OF ANY RECORDS MAINTAINED BY DTC, ANY DTC DIRECT PARTICIPANT OR ANY INDIRECT PARTICIPANT; (2) THE PAYMENT BY DTC, ANY DTC 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 DTC DIRECT PARTICIPANT OR ANY INDIRECT PARTICIPANT, TO ANY DTC PARTICIPANT, INDIRECT PARTICIPANT, OR BENEFICIAL OWNER; (4) ANY CONSENT GIVEN BY DTC OR OTHER ACTION TAKEN BY DTC AS BOND OR NOTE HOLDER; (5) THE SELECTION BY DTC, ANY DTC DIRECT PARTICIPANT OR ANY INDIRECT PARTICIPANT OF ANY BENEFICIAL OWNER TO RECEIVE PAYMENT IN THE EVENT OF A PARTIAL REDEMPTION OF BONDS.

**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.

**Authorization and Purpose**

Avon Free Public Library Expansion/Renovation – The Town, by resolution presented at a September 21, 2009 Special Town Meeting and adopted at an October 22, 2009 Town-wide referendum, appropriated \$9,500,000 and authorized the issuance of up to \$8,000,000 of notes and bonds for the renovations and additions to the Avon Free Public Library at 281 Country Club Road in Avon, and related improvements and appurtenances, contemplated to include building additions of approximately 22,000 square feet, renovations to the existing building, furniture, shelving, circulation, children’s and reference desk additions and improvements, telephone system improvements, security system improvements, technology improvements, a self checkout system, site improvements and other related work.

On December 1, 2010, the Town Council subsequently reduced the scope of the project to \$8,700,000 to be funded by up to \$7,200,000 of borrowing, \$1,000,000 of grants, and \$500,000 raised by the Library Board from private donations. The private donations have been met or pledged.

**Proceeds of the Bonds**

The proceeds of the Bonds will be used to finance the following project:

<u>Project</u>	<u>Amount Authorized</u>	<u>Dates Authorized</u>	<u>BANs Maturing</u>	<u>Bonds This Issue</u>	<u>Paydowns</u>	<u>Approximate Construction Grant</u>
Avon Library	\$8,000,000	10/22/09	\$7,000,000	\$7,100,000	None	\$900,000 <sup>1</sup>

<sup>1</sup> Reflects only grants applied against bonding authorization. The balance of grants and donations received were applied to fund additional appropriated costs in excess of the bonding authorization.

**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 October 30, 2012 the Town expects to receive principal grant reimbursements under the prior program in an aggregate amount of \$67,044.

### **Ratings**

Moody's Investors Service, Inc. ("Moody's") rates the Town's outstanding bonds and the Bonds as "Aaa": Standard & Poor's Corp. ("S&P") rates the Town's currently 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, 23<sup>rd</sup> Floor, New York, NY 1007; Standard & Poor's Corporation, 225 Franklin Street, 15<sup>th</sup> 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



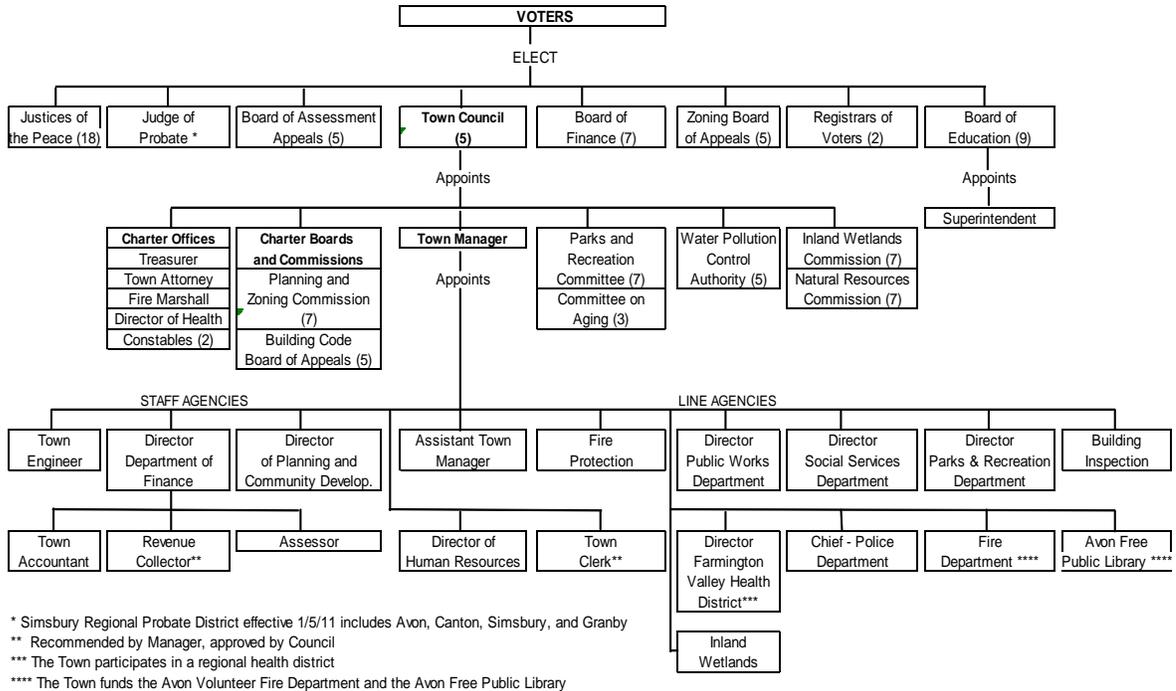
### Description of the Municipality

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-eighth in terms of the 2010 Equalized Net Taxable Grand List (\$3,576,440,736) as prepared by the State of Connecticut Office of Policy and Management. The 2010 Census reflects that Avon's per capita income is \$55,833. 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, and 18,098 in the 2010 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 5,050 single family and 1,961 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.

## Organization Chart



### 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	1/1/12 - 12/31/13	7 years	VP, Prudential Retirement Services
Chairman, Board of Finance	Thomas F. Harrison	Elected	1/1/12 - 12/31/15	17 years	Attorney - Retired
Town Treasurer	James R. McCarthy	Appointed	1/1/12 - 12/31/13	14 years	Financial Consultant
Town Manager	Brandon L. Robertson	Appointed	Indefinite	3 years	Director of Admin. Services - Simsbury
Assessor	Harry R. DerAsadourian	Appointed	Indefinite	27 years	Assessor
Collector of Revenue	Deborah Fioretti	Appointed	Indefinite	16 years	Tax Collector and Assistant Tax Collector
Dir. of Planning and Comm. Dev.	Steven Kushner	Appointed	Indefinite	23 years	Town Planner
Director of Finance	Margaret Colligan	Appointed	Indefinite	31 years	Director of Finance
Superintendent of Schools	Gary S. Mala	Appointed	Indefinite	2 years	Superintendent RSD 17
Interim Dir. of Fin. and Ops - BOE	John H. Spang	Appointed	Indefinite	1 year	Reg. Dir. Ops., Student Trans. of America

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, eight Sergeants, three Detectives, eighteen sworn Patrol Officers, a Community Relations Officer, and a Regional Task Force 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 and is recognized as a CALEA Flagship Agency; one of three departments in the State of Connecticut to receive this prestigious honor for excellence. 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 active members, nine fire police, nineteen administrative members, twenty-four active veteran members, thirteen Explorers, thirty-three lifetime members, and thirteen 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 108 miles of road, 75 miles of storm sewer, more than 4,300 catch basins, 140,000 square feet of buildings, 311 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 currently 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 52.1% of the Town's 6,768 dwelling units are served by public sewers, 2,343 in the Farmington sewer shed, 1,071 in the Simsbury sewer shed, and 113 in the Canton sewer shed. The contractual capacity of the Farmington sewer shed is 600,000 gallons per day, of which 70% is currently used. 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 30% is currently used. The Canton, Farmington, and Simsbury treatment plants are licensed by the State of Connecticut.

The Town of Farmington completed an upgrade of the Farmington Water Pollution Control Plant in 1996. Avon's share of the project was \$989,926 in principal payments and \$198,617 in interest payments at 2% amortized over 20 years. The eighteenth payment of \$66,030 was paid in fiscal year 2012 - 13. The twentieth and final payment of \$66,030 will be paid in July, 2015.

The Town of Simsbury completed the upgrade and expansion of the Simsbury Water Pollution Control plant in 2009. The final cost for the upgrade and expansion was \$26,840,083 which was reduced by State and federal grants to \$21,037,216. Avon was responsible for 23.2% of the State of Connecticut's 2% loan and is making monthly payments of \$24,461 through September 30, 2027.

The Town maintains 77.4 miles of sanitary sewer lines and force mains with four pumping stations and 2,496 manholes. Capital improvements to and maintenance of the system are paid for by users through assessments and connection charges. The cost of treating effluent is paid by users through the Sewer Use Fee, which, since July 1, 2008, has been set at \$300/equivalent dwelling unit (edu). In addition to sanitary sewers, the Town also maintains an estimated 47 miles of storm sewers with related structures.

#### Utilities

Electricity - Supplied by the Connecticut Light & Power Company, a subsidiary of Northeast Utilities.

Natural Gas - Rated at 1.3091 BTU's per cubic foot, natural gas is supplied by the Connecticut Natural Gas Company (Yankee Natural Gas) and Hess Corporation, and competitively bid through a consortium managed by the Capitol Region Council of Governments (CRCOG).

Water - Provided to roughly 60% of the Town's residents by two privately-owned and operated water companies: the Avon Water Company and the Connecticut Water Company. The remainder of the Town is on private wells.

The Avon Water Company currently distributes 522 million gallons distributed through 93 miles of pipe to 4,372 customers in Avon. The company maintains 2.8 million gallons of water in reserve for fire protection in support of the 578 fire hydrants within the system. Water is supplied from groundwater pumped from 10 wells located throughout the Town, the largest of which is located in Fisher Meadows Park and provides 2,083 gallons per minute, one of the highest producing wells in the state.

The Connecticut Water Company was created in 1956 through the merger of the Guilford-Chester and Naugatuck water companies. Immediately after its incorporation, the Connecticut Water Company acquired the water utility holdings of the Connecticut Light & Power Company in East Windsor, Enfield, Stafford, Suffield, and Windsor Locks. Through growth in its service areas and numerous acquisitions of other water utilities, The Connecticut Water Company now serves nearly 300,000 people in 55 Connecticut towns through 90,000 service connections.

#### 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

Comprehensive preventative health programs, food establishment inspections, and communicable disease surveillance are provided by the Farmington Valley Health District. The District is headed by a Health Director. Avon is one of the local jurisdictions comprising the Health District. Avon's Town Manager and a member of the community are active members of the District Board of Directors.

#### 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 (“CRRRA”) 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. CRRRA 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 CRRRA 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, CRRRA 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 CRRRA accepts solid waste delivered by the municipality. CRRRA 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 CRRRA 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 CRRRA 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 CRRRA 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 2013 are \$69.00 per ton for solid waste and \$90.00 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 CRRRA facility and are billed independently by CRRRA. For fiscal year 2011, 10,664 tons were delivered; the three-year average (fiscal years 2010 - 2012) was 10,566 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.

In December 2010, CCSWA issued a Request For Qualifications (“RFQ”) to entities, including CRRRA, seeking proposals for the disposal of municipal solid waste, including refuse and recycling, which were opened in March 2011. Subsequent to the March RFQ opening, several rounds of additional questions and responses between the CCSWA and RFQ respondents ensued. By July 2011, two potential vendors were identified (CRRRA and Murphy Road Recycling), and draft Municipal Solid Waste Agreements (“MSA”) were distributed to CCSWA municipalities for their review. As of September 19, 2011, the Town had completed its review of the various solid waste management options after November of 2012. Staff has recommended execution of a new MSA with CRRRA for the disposal of refuse and recycling for a term ending June 30, 2018, with the option to extend the agreement to June 30, 2022.

### *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 Town provides a comprehensive recycling program, which, in conjunction with private commercial vendors, has successfully surpassed the State mandate to recycle 25% of municipal solid waste. Recent recycling reports reflect that over 35% of the Town's solid waste is being recycled. The Town accepts residential water-based paint and stain under the first permit ever issued by the State for disposal of these materials. On July 1, 2009, the Town initiated single stream recycling, whereby all acceptable recyclable material (glass, cardboard, paper, and plastic) may be deposited in a single roll-off container at the Town landfill. The Town saves money through reduced trucking costs and the move has encouraged residents to recycle more of their waste. In addition, the Town, on August 1, 2009, opened an Electronics Recycling Program for recycling electronic devices such as computers, monitors, cell phones, televisions, copiers, fax machines, and the like. An outside vendor has been retained to provide the recycling service.

The Town does not provide solid waste collection services. Residents either contract with a private refuse collector who brings the refuse directly to the Authority's facility, or they bring the waste directly to the Transfer Station. Of the Town's 7,441 households, approximately 1,720 (23.1%) deliver refuse directly to the landfill transfer station for transport to the CRRA plant in Hartford. It is anticipated that the transfer station and bulky waste site (25 acres) will remain open for the foreseeable future to accommodate these permit holders. The fiscal year 2011-2012 landfill operating budget of \$388,411 was funded by \$206,700 in fees and \$181,711 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 and is being funded, in large part, by this issue. The library has a collection of almost 103,000 items (print and other media) and more than 10,600 items in audio, video, and DVD format. Electronic reference services include an automated public access catalog, 20 on-line databases, wireless 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, 2012 was 208,132. There are currently 8,275 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 January – March. The library maintains its own web site ([www.avonctlibrary.info](http://www.avonctlibrary.info)) and oversees the Town website ([www.town.avon.ct.us](http://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. Also 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 Reflexite Film Fibers, Inc., World Headquarters. 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. In addition, several developers are looking at potential reuse of existing sites and new development in the central business district with hopes of creating a small town center incorporating existing businesses with new housing, retail, and educational office facilities.

**Employee Relations and Collective Bargaining**

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

	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
Board of Education .....	465.30	454.17	443.35	440.29	441
General Government .....	105.00	105.00	106.00	106.00	112
Total .....	570.30	559.17	549.35	546.29	553

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.....	27.0	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 .....	105.0	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 .....	273.40	6/30/13 <sup>1</sup>
Custodians - National Association of Municipal Employees, Local R1-270 .....	29.70	6/30/12 <sup>1</sup>
Administrators and Supervisors - Avon Principals and Supervisors Association .....	12.00	6/30/15
Secretaries and Library Media Technicians - Avon Educational Secretaries Association. CSEA Local 760, SEIU .....	42.80	6/30/13
Paraprofessionals CSEA Local 760, SEIU .....	83.60	6/30/14
Avon Nurses Association .....	6.20	6/30/12 <sup>1</sup>
Organized .....	447.70	
Non-Union .....	17.60	
Sub-Total Board of Education.....	465.30	
<b><u>General Government</u></b>		
Police - IBPO, Local 541.....	31.00	6/30/15
Public Works - AFSCME, AFL-CIO, Local 1303, Council 4.....	17.00	6/30/14
Police Dispatchers - Connecticut Independent Labor Union .....	6.00	6/30/13
Organized .....	54.00	
Non-Union .....	51.00	
Sub-Total General Government .....	105.00	
Total Board of Education and General Government.....	570.30	

<sup>1</sup> *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 10/1/11	Town Maximum Capacity
Pine Grove	PreK-4	1991	42	Brick and cinderblock	623	520
Roaring Brook	PreK-4	1963 ('65, '94)	41	Brick and cinderblock	592	700
Thompson Brook	5-6	2002	42	Brick and cinderblock	604	700
Middle School	7-8	1970 ('91, '09)	41	Brick, cinderblock, concrete	582	700
High School	9-12	1958 ('62, '65, '81, '98, '06, '08)	61	Brick and cinderblock	1,139	1,300
Towpath/Annex	-	1948	--	Brick, cinderblock, wood frame	--	--
			227		3,540	3,920

<sup>1</sup> Excludes special education students tuitioned out and Pre-kindergarten students  
Source: Superintendent's Office, Town of Avon Board of Education

### School Enrollment

As of October 1 <sup>1</sup>

School Year	PreK-4	5-6	7-8	9-12	Total Enrollment <sup>2</sup>
	<b>Actual</b>				
2003-2004	1,278	553	544	859	3,234
2004-2005	1,287	553	572	892	3,304
2005-2006	1,374	566	570	923	3,433
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
	<b>Projected</b>				
2012-2013	1,239	596	632	1,067	3,534
2013-2014	1,213	569	638	1,099	3,519
2014-2015	1,148	598	612	1,105	3,463
2015-2016	1,114	603	591	1,133	3,441
2016-2017	1,086	564	621	1,144	3,415

<sup>1</sup> Except 2010 which is as of 8/31/10

<sup>2</sup> Excludes special education students tuitioned 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 pre-schoolers. 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. Rather than a fragmented array of special classes, however, the program challenges students to integrate and synthesize information, to identify and analyze problems, and to develop inquiry and problem-solving skills. 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 – 5<sup>th</sup> grade with an arts integrated approach to acquiring reading, math, and science skills and expects to enroll up to 450 students in a new, central, piazza-connected set of buildings by the fall of 2013.

### III. ECONOMIC AND DEMOGRAPHIC INFORMATION

#### Population and Density

Year	Actual Population <sup>1</sup>	% Increase	Density <sup>2</sup>
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

<sup>1</sup>1950-2000 - U.S. Department of Commerce, Bureau of Census

<sup>2</sup>Per square mile: 22.6 square miles

#### Age Distribution of the Population

Age	Town of Avon		State of Connecticut	
	Number	Percent	Number	Percent
Under 5 .....	799	4.4	210,470	6.0
5 - 19 .....	4,235	23.4	704,478	20.0
20 - 34 .....	1,534	8.5	644,783	18.3
35 - 44 .....	2,511	13.9	488,453	13.9
45 - 54 .....	3,370	18.6	562,185	16.0
55 - 64 .....	2,650	14.6	419,864	11.9
65 and over .....	2,999	16.6	488,055	13.9
Total .....	18,098	100.0	3,518,288	100.0
Median Age (Years)	44.9		39.5	

Source: U.S. Department of Commerce, Bureau of Census, 2010

#### Income Distribution

Income Range	Town of Avon		State of Connecticut	
	Families	Percent	Families	Percent
Less than \$10,000 .....	99	2.03	32,885	3.7
10,000 - 14,999 .....	70	1.44	20,278	2.3
15,000 - 24,999 .....	102	2.09	51,614	5.8
25,000 - 34,999 .....	152	3.12	62,266	7.0
35,000 - 49,999 .....	270	5.54	90,504	10.1
50,000 - 74,999 .....	427	8.76	142,209	15.9
75,000 - 99,999 .....	642	13.17	131,744	14.8
100,000 - 149,999 .....	963	19.75	174,178	19.5
150,000 - 199,999 .....	714	14.64	87,181	9.8
200,000 or more .....	1,437	29.47	100,242	11.2
Total .....	4,876	100.00	893,101	100.0

Source: U.S. Department of Commerce, Bureau of Census, 2010

### Income Levels

	Town of Avon	State of Connecticut
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, 2010 .....	\$129,651	\$83,106
Median Family Income, 2000 .....	\$109,161	\$65,521
Median Family Income, 1989 .....	\$ 79,278	\$49,199
Percent Below Poverty, 2010 .....	5.1	10.9

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

### Educational Attainment

Years of School Completed Age 25 & Over

Grade Levels	Town of Avon		State of Connecticut	
	Number	Percent	Number	Percent
Less than 9th grade .....	182	1.5	112,719	4.7
9th to 12th grade .....	352	2.9	167,880	7.0
High school graduate .....	1,702	14.0	683,511	28.5
Some college, no degree .....	1,568	12.9	414,903	17.3
Associate's degree .....	826	6.8	175,075	7.3
Bachelor's degree .....	,646	30.0	477,258	19.9
Graduate or professional degree .....	3,877	31.9	366,937	15.3
Total .....	12,154	100.0	2,398,283	100.0
Total high school graduate or higher (%) .....	95.6%		88.4%	
Total bachelor's degree or higher (%) .....	62.0%		35.2%	

Source: U.S. Department of Commerce, Bureau of Census, 2010

### Major Employers

As of August, 2012

Name	Business	Estimated Number of Employees
Town of Avon .....	Municipality	570
Connecticut On-Line Computer Center.....	Computer service	330
Wal-Mart .....	Retail	220
Women's Health U.S.A. ....	Health care	220
Apple Health Care .....	Health care	216
Big Y Supermarket.....	Retail food sales	195
Avon Health Center, Inc.....	Health care	186
O.F.S. Fitel LLC.....	Manufacturing	177
Legere Group.....	Manufacturing	155
Reflexite Tech Center.....	Manufacturing	91

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

**Employment by Industry**  
Employed Persons 16 Years and Over

Sector	Town of Avon		State of Connecticut	
	Number	Percent	Number	Percent
Agriculture, forestry, fisheries, mining .....	12	0.1	7,200	0.4
Construction .....	229	2.8	97,630	5.6
Manufacturing .....	860	10.4	189,245	10.9
Wholesale trade .....	266	3.2	44,110	2.5
Retail trade .....	848	10.3	192,231	11.0
Transportation, Warehousing, Utilities.....	210	2.5	68,289	3.9
Information .....	265	3.2	38,748	2.2
Finance, Insurance, Real Estate .....	1,508	18.3	161,071	9.2
Professional, Scientific, Management, Admin ..	1,013	12.3	185,445	10.6
Education, Health, Social Services .....	1,923	23.3	464,211	26.6
Arts, Entertainment, Recreation, Leisure Serv.	497	6.0	146,302	8.4
Other Services .....	357	4.3	81,954	4.7
Public administration .....	274	3.3	66,058	3.8
<b>Total Labor Force, Employed .....</b>	<b>8,262</b>	<b>100.0</b>	<b>1,742,494</b>	<b>100.0</b>

Source: U.S. Department of Commerce, Bureau of the Census, 2010

**Employment Data**

Period	Town of Avon		Percentage Unemployed		
	Employed	Unemployed	Town of Avon	Hartford Labor Market	State of Connecticut
August, 2012 <sup>1</sup> .....	8,977	588	6.1	9.4	9.2
May, 2012 <sup>1</sup> .....	9,195	511	5.3	8.0	8.0
February, 2012 <sup>1</sup> .....	9,181	507	5.2	8.1	8.2
November, 2011 <sup>1</sup> .....	8,886	453	4.9	7.9	7.9
<b>Annual Averages</b>					
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
2004 <sup>2</sup> .....	8,485	297	3.4	5.2	4.9
2003 <sup>3</sup> .....	8,335	311	3.6	5.8	5.5
2002 <sup>4</sup> .....	8,244	242	2.9	4.5	4.4

<sup>1</sup> Not seasonally adjusted

<sup>2</sup> Revised October, 2006

<sup>3</sup> Revised October, 2006

<sup>4</sup> Revised October, 2006

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 .....	325	4.6	331,140	22.2
1940 to 1969 .....	1,788	25.3	543,921	36.4
1970 to 1979 .....	1,592	22.6	196,123	13.1
1980 to 1989 .....	1,734	24.6	198,976	13.3
1990 to 1999 .....	777	11.0	115,712	7.7
2000 or later .....	840	11.9	108,170	7.2
Total housing units, 2010 .....	7,056	100.0	1,494,042	100.0
Percent Owner Occupied, 2010 .....	82.2%		67.4%	

Source: U.S. Department of Commerce, Bureau of Census, 2010

## Housing Inventory

Type	Town of Avon		State of Connecticut	
	Units	Percent	Units	Percent
1-unit detached .....	4,999	70.8	884,297	59.2
1-unit attached .....	842	11.9	78,814	5.3
2 to 4 units .....	487	6.9	254,625	17.0
5 to 9 units .....	23	0.3	83,319	5.6
10 or more units .....	705	10.0	179,331	12.0
Mobile home, trailer, RV, other .....	0	--	13,656	0.9
Total Inventory .....	7,056	100.0	1,494,042	100.0

Source: U.S. Department of Commerce, Bureau of Census, 2010

## Owner-Occupied Housing Values

Specified Owner-Occupied Units	Town of Avon		State of Connecticut	
	Number	Percent	Number	Percent
Less than \$50,000 .....	13	0.2	17,669	1.9
\$ 50,000 to \$ 99,999 .....	9	0.2	24,913	2.7
\$100,000 to \$149,999 .....	128	2.3	65,406	7.2
\$150,000 to \$199,999 .....	278	5.0	137,241	15.1
\$200,000 to \$299,999 .....	1,189	21.3	262,157	28.8
\$300,000 to \$499,999 .....	1,859	33.3	250,385	27.5
\$500,000 to \$999,999 .....	1,848	33.1	113,294	12.4
\$1,000,000 or more .....	254	4.6	39,994	4.4
Total .....	5,578	100.0	911,059	100.0
Median Sales Price.....	\$421,100		\$278,700	

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

### Building Permits

Fiscal Year Ending 6/30	Single Family		Condominiums		Commercial/Industrial		Total	
	No.	Value	No.	Value	No.	Value	No.	Value
2012	20	\$9,598,472	--	--	3	\$5,051,176	23	\$14,649,648
2011	32	14,779,974	--	--	1	479,400	33	15,258,874
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
2005	110	18,694,120	--	--	--	--	110	18,694,120
2004	84	20,121,734	22	3,289,000	1	657,000	107	24,067,734
2003	128	25,131,505	43	5,755,874	5	8,041,578	176	38,928,957

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.

## IV. TAX BASE DATA

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### Assessments

The Town of Avon completed a general property revaluation effective October 1, 2008. There was no phase in of new property values. Under Section 12-62 of the Connecticut General Statutes, the Town must do a revaluation every five years based on generally accepted mass appraisal methods and a revaluation by physical inspection no later than ten years from the preceding physical inspection. Prior to the completion of each revaluation, the Assessor shall conduct a field review. The Assessor's Office is responsible for the preparation of the Town's annual Grand List. The Grand List is a complete listing of all taxable real and personal property and motor vehicles in the Town, their ownership, and their assessed value as of October 1st in each year. For the list of October 1, 2011, Avon's Net Taxable Grand List amounted to \$2,668,107,050. Grand List information is used by the Board of Finance to set the mill rate which in turn becomes the basis for the Town's annual tax levy. Any property owner who wishes to appeal their assessment may do so before the Board of Assessment Appeals. Assessments for real property are computed at seventy (70%) percent of market value at the time of last revaluation (Grand List of 10/1/08). As the Grand List is prepared, tax maps are also updated. Building changes are updated through extensive field work. The Assessor's Office also administers the State of Connecticut's elderly tax relief programs and the veterans and blind exemption programs.

Motor vehicle lists are furnished to the Town by the State of Connecticut and appraisals of motor vehicles are accomplished in accordance with an automobile price schedule developed by the National Automobile Dealers Association (NADA) and as recommended by the State Office of Policy and Management. Section 12-71b of the Connecticut General Statutes provides that motor vehicles that are registered with the Commissioner of Motor Vehicles after the October 1 assessment date but before the next August 1 are subject to a property tax as if the motor vehicle had been included on the October 1 Grand List. The tax is prorated, and the proration is based on the number of months of ownership between October 1 and the following July 31. Cars purchased in August and September are not taxed until the next October 1 Grand List. If the motor vehicle replaces a motor vehicle that was taxed on the October Grand List, the taxpayer is entitled to certain credits.

All commercial personal property (furniture, fixtures, equipment, machinery, computers, and leased equipment) is assessed 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 present 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 abatement provision to date.

### 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 lienied each year prior to June 30 with legal demands and alias tax warrants used in the collection of personal property and motor vehicle tax bills. Delinquent motor vehicle and personal property accounts 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
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 <sup>1</sup>	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
2004	75.9	12.6	0.2	4.4	6.9	2,150,278,580	21,378,010	2,128,900,570	3.01
2003 <sup>1,2</sup>	75.7	11.9	1.5	4.4	6.5	2,087,579,795	20,932,820	2,066,646,975	24.10
2002	72.4	13.5	0.4	5.3	8.4	1,681,919,030	16,563,930	1,665,355,100	3.04

<sup>1</sup> Revaluation

<sup>2</sup> Includes condominium value reductions

Source: Assessors' Office, Town of Avon

Note: Effective with the 10/1/98 M-13 report filed with the Secretary of State, land use categories have been consolidated such that prior years may not be completely comparable.

Connecticut General Statutes Section 12-81(72), as amended by Public Act 01-06 of the June Special Session, exempts new manufacturing equipment from property taxation by municipalities. The State of Connecticut will directly reimburse the Town for between 66% and 100% of the foregone taxes.

#### Tax Exempt Property

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

<u>Public</u>	<u>Assessed Value 10/1/11 <sup>1</sup></u>
Town of Avon .....	\$115,197,830
State of Connecticut .....	15,297,400
Sub-Total Public .....	130,495,230
<u>Private</u>	
Churches.....	20,068,950
Parish Houses .....	268,590
Nursing, Rest & Residential Care .....	271,460
Volunteer Fire Companies .....	327,590
Cemeteries.....	2,079,380
Scientific, Educational, Historical, Charitable .....	122,510,500
Recreation .....	3,617,480
Sub-Total Private .....	149,143,950
Total Exempt .....	\$279,639,180

Percent Compared to Net Taxable Grand List ..... 10.48%

<sup>1</sup> Net Taxable Grand List 10/1/11: \$2,668,107,050

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 8/31/12
2011	2013	\$2,668,107,050	25.65	\$68,507,726	-- In Process --	--	44.50
2010 <sup>1</sup>	2012	2,638,616,860	25.04	64,229,474	99.64	0.36	0.18
2009	2011	2,618,153,660	24.44	64,184,141	99.74	0.26	Nil
2008 <sup>2</sup>	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
2003 <sup>2</sup>	2005	2,066,646,975	23.46	48,900,411	99.96	0.04	Nil
2002	2004	1,665,355,100	28.30	47,681,390	99.93	0.07	Nil
2001	2003	1,616,239,410	27.30	44,718,487	99.76	0.24	Nil
2000	2002	1,568,883,630	25.90	41,199,644	99.65	0.35	Nil

<sup>1</sup> Subject to accrual and final audit.

<sup>2</sup> Revaluation

Source: Comprehensive Annual Financial Reports, Town of Avon, fiscal years 2002 – 11  
Tax Collector and Assessor, Town of Avon, fiscal year ending June 30, 2012 and June 30, 2013

### Property Taxes Receivable

Fiscal Year Ending 6/30	Total	Current Year
2012 <sup>1</sup>	\$230,449	\$188,704
2011	196,631	167,563
2010	131,310	108,679
2009	127,297	112,956
2008	48,242	39,166
2007	104,097	30,535

<sup>1</sup> Subject to audit.

Source: Comprehensive Annual Financial Reports, 2007-2011, Town of Avon  
Tax Collector's Office, Town of Avon, June 30, 2012

### Ten Largest Taxpayers

Name	Nature of Business	Assessed Value	Percent of Net Taxable Grand List <sup>1</sup>
Avonplace Associates LLC .....	Condominiums	\$ 13,901,020	0.53
Sixty Four Avonwood Road Assoc. LLC...	Apartments	13,647,330	0.53
Connecticut Light & Power .....	Utility	13,286,250	0.52
Two Fifty Five West Main LLC.....	Shopping center	12,652,020	0.50
Avon Marketplace Investors .....	Shopping center	10,813,240	0.48
Ensign-Bickford Realty Corp. ....	Mixed use	10,687,800	0.41
Riverdale Farms LLC .....	Mixed use/shopping center	9,973,030	0.41
Avon Water Company.....	Utility	9,712,470	0.38
Connecticut On Line Computer.....	Computer services	9,039,120	0.37
Nod Brook LLC .....	Shopping Center	8,970,490	0.34
	Total	\$112,682,770	4.46

<sup>1</sup>Based on Net Taxable Grand List 10/1/11: \$2,668,107,050

Source: Assessor's Office, Town of Avon

## V. FINANCIAL ADMINISTRATION

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### **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 and the Finance Department 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, 2011, the books and records of the Town were audited by Blum Shapiro & Company, PC. For the fiscal year ending June 30, 2012, the books and records of the Town will be 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**

The Town’s pension plan and the Board of Education’s pension plan were actuarially valued in February of 2012 and in October of 2011, respectively, for fiscal year 2012/2013. The following table depicts both the ARC and amounts paid in fiscal year 2012 and the estimated ARC and amount budgeted to be paid in fiscal year 2013:

<i>For FYE 2012 ARC</i>		<i>For FYE 2013 ARC</i>	
Police	\$ 899,987	Police	\$ 917,535
Non-organized	767,730	Non-organized	783,838
Dispatchers	21,615	Dispatchers	17,578
Public works	341,497	Public works	400,069
BOE	318,093	BOE	330,426
Total	<u>\$2,348,922</u>	Total	<u>\$2,449,446</u>

Effective for the 2013 fiscal year and beyond, the actuarial investment rate of return was lowered from 8.00% to 7.75% for all Town pension plans (excluding the Board of Education).

See Note 4, Employee Retirement Plans, in the Notes to Financial Statements for the fiscal year ended June 30, 2011 in Appendix A herein.

**Post Retirement Medical Benefits (OPEB)**

The Retiree Medical Benefits Reserve Fund (the “Reserve Fund” or “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.

The actuarial firm, Milliman, Consultants and Actuaries, last reviewed the Town’s OPEB plan as of July 1, 2010 and determined the Town had an actuarial liability of \$17,238,000 and an unfunded actuarial liability of \$16,345,000. Milliman calculated that Avon should pay, over a twenty-two year amortization period, \$1,120,000 for annual amortization of the unfunded actuarial liability and \$497,000 in normal costs for a total annual payment of \$1,617,000 effective July 1, 2011 for the 2012 fiscal year.

<u>Fiscal Year</u>	<u>Annual Contribution Payment Made</u>
2012	\$975,240
2011	786,937
2010	574,203
2009	513,531
2008	635,188
2007	583,115
2006	449,858
2005	399,971

The Town has budgeted \$1,092,387 for fiscal year 2012/2013 with \$1,067,387 for the Town and \$25,000 for the Board of Education.

The actuarial firm, Milliman, Consultants and Actuaries, last reviewed the Board of Education’s OPEB plan as of July 1, 2010 and determined that the Board of Education had an actuarial liability of \$6,844,000 and an unfunded actuarial liability of \$6,844,000. Milliman calculated that the Board of Education should pay, over a twenty-two year amortization period, \$469,000 for annual amortization of the unfunded actuarial liability and \$385,000 in normal costs for a total payment of \$854,000 effective July 1, 2011 for the 2011/2012 fiscal year. The Board of Education’s contribution for fiscal year 2011/2012 in the amount of \$25,000 is for a portion of the actuarially determined Post-Retirement Medical costs. In fiscal year 2010/2011, for the first time, \$25,000 was budgeted by the Board of Education for a portion of the actuarially determined Post-Retirement Medical costs.

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 reserve 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.

Both the Town and the Board of Education are currently in the process of having a valuation of their OPEB plans conducted as of July 1, 2012.

**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 6/30/2011	Actual 6/30/2010	Actual 6/30/2009	Actual 6/30/2008	Actual 6/30/2007
<b>ASSETS</b>					
Cash .....	\$20,774,034	\$12,838,242	\$ 8,674,421	\$ 6,709,256	\$ 1,150
Investments .....	1,075,571	28,544	--	--	16,088,123
Accounts receivable .....	190,969	142,535	95,582	254,541	60,719
Intergovernmental receivables .....	--	--	23,428	166,515	4,599
Property taxes receivable .....	--	--	84,245	48,242	134,632
Due from other funds .....	133,830	305,884	2,103,843	3,141,469	79,212
Other .....	133,724	67,453	39,203	--	--
<b>Total Assets</b> .....	<u>\$22,308,128</u>	<u>\$13,382,658</u>	<u>\$11,020,722</u>	<u>\$10,320,023</u>	<u>\$16,368,435</u>
<b>LIABILITIES AND FUND BALANCES</b>					
Cash overdraft .....	\$ 12,115	\$ 847,306	\$1,225,939	\$ 956,570	\$ 386,942
Accounts payable .....	762,512	781,175	369,489	419,068	397,875
Due to other funds <sup>1</sup> .....	12,636,337	5,817,538	3,233,642	3,956,303	5,709,039
Accrued liabilities .....	286,448	255,595	235,305	224,727	171,994
Deferred revenue .....	560,462	545,505	702,825	87,128	5,925,152
Other liabilities .....	45,000	35,000	--	--	--
<b>Total Liabilities</b> .....	<u>14,302,874</u>	<u>8,282,119</u>	<u>5,767,200</u>	<u>5,643,796</u>	<u>12,591,002</u>
<b>Fund Balances</b>					
Nonspendable .....	133,724	--	--	--	17,118
Restricted .....	---	---	---	---	--
Committed .....	--	--	--	--	--
Assigned .....	1,786,555	--	--	--	--
Unassigned .....	6,084,975	5,100,539	5,253,522	4,676,227	3,760,315
<b>Total Fund Balances</b> .....	<u>8,005,254</u>	<u>5,100,539</u>	<u>5,253,522</u>	<u>4,676,227</u>	<u>3,777,433</u>
<b>TOTAL LIABILITIES AND FUND BALANCES</b> .....	<u>\$22,308,128</u>	<u>\$13,382,658</u>	<u>\$11,020,722</u>	<u>\$10,320,023</u>	<u>\$16,368,435</u>

<sup>1</sup> See Note 3.D. Interfund Receivables, Payables and Transfers in Notes to Financial Statements, June 30, 2011 in Appendix A attached herein.

**General Fund Revenues and Expenditures<sup>1</sup>**  
 Five Year Summary of Audited Revenues and Expenditures,  
 Prior Year Estimated/Unaudited, and Current Year Adopted Budget

	<b>Budget 2012-2013</b>	<b>Estimated Unaudited 6/30/12</b>	<b>Actual 6/30/11</b>	<b>Actual 6/30/10</b>	<b>Actual 6/30/09</b>	<b>Actual 6/30/08</b>	<b>Actual 6/30/07</b>
<b>REVENUES:</b>							
Property Taxes .....	\$68,453,326	\$66,522,354	\$64,340,735	\$61,251,149	\$60,443,984	\$57,607,095	\$54,940,024
Intergovernmental .....	2,820,770	3,463,052	5,710,137	5,477,312	5,662,776	18,352,155 <sup>2</sup>	4,265,347
Other Revenues .....	2,628,979	2,155,529	3,083,510	1,738,015	2,333,789	3,689,737	3,160,076
Total Revenues .....	<u>73,903,075</u>	<u>72,140,935</u>	<u>73,134,382</u>	<u>68,466,476</u>	<u>68,440,549</u>	<u>79,648,987</u>	<u>62,365,447</u>
<b>EXPENDITURES:</b>							
General Government .....	2,907,271	2,862,771	3,039,974	2,712,412	2,782,382	2,526,541	2,459,573
Public Safety .....	8,703,169	8,503,132	7,839,706	7,739,237	8,098,565	7,876,996	7,376,765
Public Works .....	4,266,114	6,558,501	3,768,746	3,716,537	3,824,103	3,697,777	3,642,010
Health and Social Services .....	435,854	443,966	427,990	431,181	407,956	385,590	337,024
Recreation and Parks .....	886,513	844,082	825,565	784,586	766,295	774,178	769,431
Education and Culture - Library .....	1,411,227	1,385,602	1,376,613	1,364,435	1,312,882	1,289,688	1,247,606
Conservation and Development .....	577,030	549,664	524,858	494,145	485,868	461,474	480,232
Miscellaneous .....	337,176	232,805	257,016	293,613	288,255	279,276	244,096
Total Town Council .....	<u>19,524,354</u>	<u>21,380,523</u>	<u>18,060,468</u>	<u>17,536,146</u>	<u>17,966,306</u>	<u>17,291,520</u>	<u>16,556,737</u>
Board of Education .....	48,463,683	46,734,377	46,977,726	45,144,616	44,212,809	54,645,090 <sup>2</sup>	38,966,040
Debt Service .....	4,511,052	4,648,029	4,776,412	5,080,764	4,738,189	4,960,243	4,575,704
Total Expenditures .....	<u>72,499,089</u>	<u>72,762,929</u>	<u>69,814,606</u>	<u>67,761,526</u>	<u>66,917,304</u>	<u>76,896,853</u>	<u>60,098,481</u>
Excess (Deficiency) of Revenues over Expenditures .....	<u>1,403,986</u>	<u>(621,994)</u>	<u>3,319,776</u>	<u>704,950</u>	<u>1,523,245</u>	<u>2,752,134</u>	<u>2,266,966</u>
<b>Other Financing Sources (Uses):</b>							
Proceeds from Sale of Capital Assets .....	--	--	--	--	--	--	--
Capital Projects Funds .....	(\$ 1,403,986)	(903,060)	(818,177)	(1,003,242)	(2,296,625)	(3,078,993)	(2,796,240)
FEMA Reimbursement .....	--	1,757,890	--	--	--	--	--
Operating Transfers In .....	--	--	--	335,809	1,350,678	1,225,653	--
Operating Transfers Out .....	--	(85,370)	(736,975)	(190,500)	--	--	--
Net Other Financing Sources (Uses) .....	<u>--</u>	<u>769,460</u>	<u>(1,555,152)</u>	<u>(857,933)</u>	<u>(945,947)</u>	<u>(1,853,340)</u>	<u>(2,796,240)</u>
Net Change in Fund Balances .....	--	\$ 147,466	1,764,624	(152,983)	577,298	898,794	(529,274)
Fund Balance Beginning of Year (as restated <sup>3</sup> )	--	--	6,240,630	5,253,522	4,676,224	3,777,433	4,306,707
Fund Balance End of Year .....	--	--	<u>\$ 8,005,254</u>	<u>\$ 5,100,539</u>	<u>\$ 5,253,522</u>	<u>\$ 4,676,227</u>	<u>\$ 3,777,433</u>

<sup>1</sup> GAAP basis, except budget 2012-2013.

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

<sup>3</sup> See Note 2.A. Budgets and Budgetary Accounting in Notes to Financial Statements, June 30, 2011 in Appendix A attached herein.

**CAPITAL IMPROVEMENT PROGRAM  
2013 - 2017 PROJECT SUMMARY**

	<u>Total Cost</u>	<u>FY 13</u>	<u>FY 14</u>	<u>FY 15</u>	<u>FY 16</u>	<u>FY 17</u>	<u>5 Year Cost</u>
<b>I. GENERAL GOVERNMENT</b>							
A. 2013 Revaluation	\$ 225,000	\$ 75,000	\$ 100,000	\$ 50,000	\$ -	\$ -	\$ 225,000
B. Vault Expansion	372,692	372,692	-	-	-	-	372,692
C. Building #1 Renovations	1,050,000	50,000	-	100,000	900,000	-	1,050,000
<b>TOTAL GENERAL GOV.</b>	<b>1,647,692</b>	<b>497,692</b>	<b>100,000</b>	<b>150,000</b>	<b>900,000</b>	<b>-</b>	<b>1,647,692</b>
<b>I. PUBLIC SAFETY</b>							
FIRE DEPARTMENT	6,955,000	525,000	1,190,000	890,000	4,350,000	-	6,955,000
<b>II. PUBLIC WORKS</b>							
A. HIGHWAY DIVISION							
1. Facilities Improvement	7,578,460	1,012,594	1,918,366	1,450,000	1,414,500	1,623,000	7,418,460
2. Capital Equipment	1,480,000	795,000	395,000	290,000	-	-	1,480,000
<b>Total Highway Department</b>	<b>9,058,460</b>	<b>1,807,594</b>	<b>2,313,366</b>	<b>1,740,000</b>	<b>1,414,500</b>	<b>1,623,000</b>	<b>8,898,460</b>
B. BUILDINGS & GROUNDS	420,000	230,000	60,000	70,000	60,000	-	420,000
C. ENGINEERING DIVISION							
1. Pub. Facility Improv.	36,201,000	1,595,000	4,160,000	7,765,000	13,571,000	9,110,000	36,201,000
<b>Total Public Works</b>	<b>45,679,460</b>	<b>3,632,594</b>	<b>6,533,366</b>	<b>9,575,000</b>	<b>15,045,500</b>	<b>10,733,000</b>	<b>45,519,460</b>
<b>III. HEALTH &amp; SOCIAL SERVICE</b>	50,000	50,000					50,000
<b>IV. RECREATION &amp; PARKS</b>							
A. FACILITIES IMPROVEMENTS	4,909,092	40,000	1,316,892	160,000	100,000	3,212,000	4,828,892
<b>TOTAL TOWN</b>	<b>59,241,244</b>	<b>4,745,286</b>	<b>9,140,258</b>	<b>10,775,000</b>	<b>20,395,500</b>	<b>13,945,000</b>	<b>59,001,044</b>
<b>V. BOARD OF EDUCATION</b>							
A. EQUIPMENT	327,500	85,000	-	65,000	-	177,500	327,500
B. PUBLIC BLDG. IMPROVEMENTS	5,792,769	830,522	1,210,369	1,534,378	1,017,500	1,200,000	5,792,769
<b>TOTAL BOARD OF EDUCATION</b>	<b>6,120,269</b>	<b>915,522</b>	<b>1,210,369</b>	<b>1,599,378</b>	<b>1,017,500</b>	<b>1,377,500</b>	<b>6,120,269</b>
<b>TOTAL TOWN AND BOE</b>	<b>\$ 65,361,513</b>	<b>\$ 5,660,808</b>	<b>\$10,350,627</b>	<b>\$ 12,374,378</b>	<b>\$ 21,413,000</b>	<b>\$ 15,322,500</b>	<b>\$ 65,121,313</b>

\* SOURCE OF FUNDS:

(1) General Revenues	1	\$ 11,793,769	1, 7	\$ 220,000
(2) Long Term Bonds	1, 2	7,402,692	2, 3	1,875,000
(3) Short Term Notes	1, 2, 3	1,050,000	4, 7	112,000
(4) State Aid	1, 4	6,340,960	4, 8	300,000
(5) Federal Aid	1, 4, 5	16,065,000	6, 8	2,535,000
(6) Special Assessments	1, 4, 5, 7	12,885,000	8	245,000
(7) Other	1, 4, 5, 6, 7	4,296,892		65,121,313
(8) Sewers				

**FISCAL YEAR 2012/2013  
CAPITAL BUDGET PROJECTS**

**Account 485.01 CIP Facilities**

<b>TOWN:</b>	
Road Improvements	\$ 302,797
Town Hall – Building #1 Renovations	30,000
Install Box Culvert – Tillotson Road	10,000
Lateral Extension Program *	<u>275,000</u>
TOTAL TOWN	\$ 617,797

**BOARD OF EDUCATION:**

Avon Middle School Floor Covering Rpl.	\$ 115,000
RBS Floor Covering Replacement	<u>39,986</u>
TOTAL BOE	\$ 154,986

**CAPITAL RESERVE:**

Designated Funds for Future Projects	\$ 25,000
TOTAL RESERVE	<u>25,000</u>
TOTAL	\$ 797,783

**Account 485.03 CIP Equipment**

<b>TOWN:</b>	
Equipment Replacement Fund:	
Fire Engine Replacement	\$ 200,000
Highway Division Equipment Rpl.	190,000
Buildings & Grounds Equip. Rpl.	<u>120,000</u>
TOTAL TOWN	\$ 510,000

**BOARD OF EDUCATION:**

Wireless Infrastructure – District Wide	
Tech. Interactive Boards & LCD Projectors	\$ 65,000
TOTAL BOE	<u>300,000</u>

**CAPITAL RESERVE:**

Designated Funds for Future Purchases	\$ 365,000
TOTAL RESERVE	
TOTAL	<u>\$ 25,000</u>
	25,000
	\$ 900,000

**Account 493 Capital & Nonrecurring Exp.**

<b>TOWN:</b>	
2013 Revaluation	\$ 75,000
TOTAL TOWN	\$ 75,000

**BOARD OF EDUCATION:**

TOTAL BOE	
TOTAL	
TOTAL CASH CIP	\$ 0
	<u>75,000</u>
	\$1,772,783

**Account 491 Bond & Notes**

Existing General Fund Debt	\$4,511,052
Sewer Debt	<u>35,286</u>
<b>TOTAL DEBT:</b>	<b>\$4,546,338</b>
<b>TOTAL CAPITAL PROGRAM</b>	<b><u>\$6,319,121</u></b>

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\* Paid from Fund 05 – Sewer Operation & Maintenance Fund; does not affect tax rate.

## VI. DEBT SUMMARY

### Principal Amount of Indebtedness

As of October 30, 2012

(Pro Forma)

#### Long-Term Debt

##### Bonds

<u>Date</u>	<u>Purpose</u>	<u>Rate %</u>	<u>Original Issue</u>	<u>Debt Outstanding (Pro Forma)</u>	<u>Date of Fiscal Year Maturity</u>
7/15/98	School	4.75-4.10	\$ 6,915,000	\$ 431,250	2013
7/15/98	Sewer	4.75-4.10	550,000	33,750	2013
7/15/02	School	3.00-5.00	14,245,000	3,672,000	2016
7/15/02	Public Improvement	3.00-5.00	1,295,000	328,000	2016
10/15/09	School	2.00-3.25	25,590,000	21,295,000	2027
10/15/09	Public Improvement	2.00-3.25	2,295,000	1,910,000	2027
			50,890,000	27,670,000	
<u>This Issue</u>					
10/30/12	Public Improvement	--	7,100,000	7,100,000	2028
	Total Bonds		\$57,990,000	\$34,770,000	

##### Short-Term Debt

None

##### Other Long-Term Commitments

None

### Annual Bonded Debt Maturity Schedule

As of October 30, 2012

(Pro Forma)

<u>Fiscal Year Ending 6/30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>	<u>Pro Forma</u>	
				<u>This Issue</u>	<u>Cumulative Percent Principal Retired</u>
2013 <sup>1</sup>	\$1,465,000	\$537,248	\$ 2,002,248	--	4.21
2014	2,420,000	821,788	3,241,788	\$ 475,000	12.54
2015	2,300,000	739,988	3,039,988	475,000	20.52
2016	2,420,000	657,938	3,077,938	350,000	28.49
2017	1,890,000	558,288	2,448,288	475,000	35.29
2018	1,870,000	501,888	2,371,888	350,000	41.67
2019	1,870,000	445,788	2,315,788	350,000	48.06
2020	1,785,000	390,963	2,175,963	450,000	54.49
2021	1,650,000	339,438	1,989,438	525,000	60.74
2022	1,650,000	289,938	1,939,938	525,000	67.00
2023	1,650,000	240,438	1,890,438	525,000	73.25
2024	1,650,000	189,906	1,839,906	525,000	79.51
2025	1,650,000	137,313	1,787,313	525,000	85.76
2026	1,700,000	82,875	1,782,875	525,000	92.16
2027	1,700,000	27,625	1,727,625	525,000	98.56
2028	--	--	--	500,000	100.00
Total	\$27,670,000	\$5,961,422	\$33,631,422	\$7,100,000	

<sup>1</sup> Excludes \$1,900,000 of principal and \$354,182 of interest due and paid in fiscal year 2013.

**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.

<u>Special Tax Districts</u>	<u>Outstanding Debt As of October 5, 2012</u>
Farmington Woods Tax District	None
Hunter's Run Tax District	None
Lakeview Association, Inc.	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 10/1/11 assessment date, \$151,876,960 of the District's net taxable property was located in Avon and \$26,632,950 in Farmington. Consequently, 85.08% of any District indebtedness would be treated as underlying debt of the Town of Avon and 14.92% as underlying debt of the Town of Farmington.

**Debt Statement**

As of October 30, 2012  
(Pro Forma)

LONG-TERM DEBT

Bonds

General Public Improvement (Includes \$7,100,000 of this issue).....	\$9,338,000
Schools .....	25,398,250
Sewer .....	<u>33,750</u>
TOTAL LONG-TERM DEBT .....	34,770,000
SHORT-TERM DEBT .....	<u>--</u>
TOTAL DIRECT DEBT .....	34,770,000
Less: Amount due from State of Connecticut <sup>1</sup>	
Principal grants for Outstanding School Bonds (Prior program) .....	<u>(67,044)</u>
TOTAL OVERALL NET DEBT .....	<u>\$34,702,956</u>

<sup>1</sup> 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 October 30, 2012  
(Pro Forma)

Population <sup>1</sup> .....	18,098
Net Taxable Grand List (10/1/11) <sup>2</sup> .....	\$2,668,107,050
Estimated Full Value (70%).....	\$3,769,452,657
Equalized Net Taxable Grand List (2010) <sup>3</sup> .....	\$3,576,440,736
Money Income per Capita (2010) <sup>4</sup> .....	\$55,833

	<b>Total Direct Debt \$34,770,000</b>	<b>Total Overall Net Debt \$34,702,956</b>
Per Capita .....	\$1,921.21	\$1,917.50
Ratio to Net Taxable Grand List .....	1.30%	1.30%
Ratio to Estimated Full Value .....	0.92%	0.92%
Ratio to Equalized Net Taxable Grand List.....	0.97%	0.97%
Debt per Capita to Money Income per Capita .....	3.44%	3.43%

<sup>1</sup> US Department of Commerce, Bureau of Census, 2010

<sup>2</sup> Revalued 10/1/08

<sup>3</sup> Office of Policy and Management, State of Connecticut; Assessor's Office, Town of Avon

<sup>4</sup> US Department of Commerce, Bureau of Census, 2000

**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 October 30, 2012

(Pro Forma)

Total Tax Collections (Including interest and lien fees) received by Town for fiscal year ended June 30, 2011 <sup>1</sup> .....	\$64,260,932
Total Tax Collections (Including interest and lien fees) received by all taxing districts within Town for fiscal year ended June 30, 2011 <sup>1</sup> .....	2,882,151
BASE.....	<u>\$67,143,083</u>

	<u>General Purposes</u>	<u>Schools</u>	<u>Sewers</u>	<u>Urban Renewal</u>	<u>Pension Obligation</u>
<b>DEBT LIMITATION:</b>					
2.25 times base.....	\$151,071,937	--	--	--	--
4.50 times base.....	--	\$302,143,874	--	--	--
3.75 times base.....	--	--	\$251,786,561	--	--
3.25 times base.....	--	--	--	\$218,215,020	--
3.00 times base.....	--	--	--	--	\$201,429,249
Total debt limitation .....	<u>151,071,937</u>	<u>302,143,874</u>	<u>251,786,561</u>	<u>218,215,020</u>	<u>201,429,249</u>
<b>INDEBTEDNESS:</b>					
Bonds Outstanding.....	9,338,000	25,398,250	33,750	--	--
Notes Outstanding .....	--	--	--	--	--
Authorized but Unissued <sup>2</sup> .....	66,875	2,802,361	--	--	--
Total Indebtedness.....	<u>9,404,875</u>	<u>28,200,611</u>	<u>33,750</u>	<u>--</u>	<u>--</u>
Less:					
School Construction Grants <sup>3</sup> .....	--	(67,044)	--	--	--
Total Net Indebtedness for Debt Limitation Calculation .....	<u>9,404,875</u>	<u>28,133,567</u>	<u>33,750</u>	<u>--</u>	<u>--</u>
<b>DEBT LIMITATION IN EXCESS OF OUTSTANDING INDEBTEDNESS .....</b>					
	<u>\$141,667,062</u>	<u>\$274,010,307</u>	<u>\$251,752,811</u>	<u>\$218,215,020</u>	<u>\$201,429,249</u>

<sup>1</sup> Although tax collection figures for the fiscal year ended June 30, 2012 have not yet been audited, the Town believes the final figure will not be less than that reflected for June 30, 2011.

<sup>2</sup> Includes authorization to be defrayed from state progress payment grants yet to be received for school building projects approved after July 1, 1996.

<sup>3</sup> 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 \$37,672,192, total indebtedness for all classes cannot exceed seven times the base or \$470,001,581.

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

**Authorized but Unissued Debt**

As of October 30, 2012

(Pro Forma)

Project	Authorized	Debt Issued	Grants/Paydowns	Debt Authorized but Unissued <sup>1</sup>		
				General Purpose	School	Sewer
Thompson Brook School	\$20,785,000	\$14,245,000	\$ 4,237,269 <sup>2</sup>	--	\$2,302,731	--
Fisher Farms Open Space	2,235,000	1,295,000	938,125	\$ 1,875	--	--
High School Renovations	30,698,000	23,218,000	7,093,370 <sup>2</sup>	--	386,630	--
Middle School Roof Replace	2,845,000	2,372,000	360,000 <sup>3</sup>	--	113,000	--
Avon Free Public Library	8,000,000	7,100,000	900,000	--	--	--
Town Hall Renovations	2,360,000	2,295,000	--	65,000	--	--
	<u>\$66,923,000</u>	<u>\$50,525,000</u>	<u>\$13,528,764</u>	<u>\$66,875</u>	<u>\$2,802,361</u>	<u>--</u>

<sup>1</sup> The Town intends to rescind all outstanding authorized but unissued debt by resolution of the Town Council.

<sup>2</sup> State of Connecticut school building construction progress payment grants received or estimated and Town paydowns

<sup>3</sup> Estimated school building construction progress payment grants

<sup>4</sup> Reflects only grants applied against bonding authorization. The balance of grants and donations received were applied to fund additional appropriated costs in excess of the bonding authorization.

**Principal Amount of Outstanding Debt**

Last Five Fiscal Years

As of June 30

(Pro Forma)

	2012	2011	2010	2009	2008
<b>Long-Term Debt</b>					
Bonds .....	\$29,570,000	\$33,120,000	\$36,770,000	\$12,185,000	\$15,285,000
<b>Short-Term Debt</b>					
Bond Anticipation Notes...	7,000,000	7,000,000	--	28,312,000	26,422,000
Totals .....	<u>\$36,570,000</u>	<u>\$40,120,000</u>	<u>\$36,770,000</u>	<u>\$40,497,000</u>	<u>\$41,707,000</u>

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

Fiscal Year Ended 6/30	Net Assessed Value	Estimated Full Value <sup>1</sup>	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 <sup>2</sup>	Net Direct Long Term Debt per Capita	Ratio of Direct Long-Term Debt per Capita to Income (%) <sup>3</sup>
2012	\$2,668,107,050	\$3,811,581,500	\$29,502,956	1.11	0.77	18,098	\$1,630.18	2.92
2011	2,618,153,660	3,740,219,514	32,864,000	1.26	0.88	18,098	1,815.89	3.25
2010	2,605,775,050	3,722,535,786	36,342,378	1.39	0.98	18,098	2,008.09	3.60
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
2005	2,066,646,975	2,952,352,821	24,860,000	1.20	0.84	17,209	1,444.59	2.59
2004	1,665,355,100	2,379,078,714	28,560,000	1.71	1.20	16,992	1,680.79	3.01
2003	1,616,239,410	2,308,912,014	32,005,000	1.98	1.39	16,709	1,915.43	3.43

<sup>1</sup> Assessment Ratio: 70%.

<sup>2</sup> Population: State of Connecticut, Department of Health Services estimates, 2002 – 2009; US Department of Commerce, Bureau of Census, 2010 - 2012

<sup>3</sup> Money Income per Capita 2010: \$55,833

Note: Excludes capital lease payments.

**Ratios of Annual Long-Term General Fund Debt  
Service Expenditures to General Fund Expenditures <sup>1</sup>**

<b>Fiscal Year Ended 6/30</b>	<b>Long-Term General Fund Debt Service</b>	<b>Total General Fund Expenditures</b>	<b>Ratio of Long-Term General Fund Debt Service To Total General Fund Expenditures (%)</b>
2012 <sup>2</sup>	\$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 <sup>3</sup>	6.20
2007	4,575,704	62,894,721	7.28
2006	4,315,098	59,806,970	7.22
2005	4,822,048	55,274,483	8.72
2004	4,700,887	53,814,117	8.74
2003	4,239,387	50,165,330	8.45
2002	4,161,400	46,609,740	8.93

<sup>1</sup> Also includes Transfers Out.

<sup>2</sup> Preliminary. Subject to audit.

<sup>3</sup> 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

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### **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 original purchaser(s) 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 bids on the Bonds were accepted 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.
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 October 5, 2012. 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 at the Town's expense ten (10) copies of the Official Statement to the winning purchaser of the Bonds.

### **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**

\_\_\_\_\_  
BRANDON L. ROBERTSON, *Town Manager*

\_\_\_\_\_  
JAMES R. MCCARTHY, *Treasurer*

\_\_\_\_\_  
MARGARET COLLIGAN, *Director of Finance*

October 5, 2012

**APPENDIX A**

**BASIC FINANCIAL STATEMENTS**

**TOWN OF AVON, CONNECTICUT**

**As of and for the Fiscal Year Ended June 30, 2011**



Accounting | Tax | Business Consulting

## Independent Auditors' Report

To the Board of Finance  
Town of Avon, Connecticut

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, 2011, which collectively comprise the Town of Avon, Connecticut's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Town's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the aggregate remaining fund information of the Town of Avon, Connecticut, as of June 30, 2011 and the respective changes in financial position and cash flows, where applicable, thereof, and the respective budgetary comparison for the General Fund for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

Management's discussion and analysis on pages A-3 through A-13 and the required supplementary information on pages A-56 and A-58 are not required parts of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

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

December 14, 2011

**TOWN OF AVON, CONNECTICUT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2011**

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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, 2011. 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 2011 fiscal year by \$123,673,393 (net assets). Of this amount, \$16,205,739 (unrestricted net assets) may be used to meet the government's ongoing obligations to citizens and creditors.
- Total net assets increased by \$5,453,910 primarily due to favorable results in tax collections, intergovernmental revenues, charges for services (revenues exceeded budget appropriations), and return of unused expenditure appropriations.
- As of the close of the current fiscal year, governmental funds reported combining ending fund balances of \$10,885,579, a decrease of \$513,050 in comparison from last year's \$11,398,629. Of this total amount, \$139,024 is nonspendable (prepaid and inventory), \$128,262 use is restricted by governmental grants or other legal restriction, \$2,821,971 is committed by the Town Council (budget-making authority), \$1,786,555 is assigned and \$6,009,767 is unassigned. \$6,084,975 of General Fund and (\$75,208) in CIFA is available for spending at the government's discretion (unassigned fund balance). In CIFA (\$75,208) unassigned fund balance is a negative amount due to the issuance of bond anticipation notes that are reported as a fund liability until the notes are replaced with long-term debt.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$6,084,975 or 8.53% of total General Fund expenditures and transfers out of \$71,369,758, including the State's contribution and offsetting expenditures for teacher's retirement.
- Total debt decreased by \$3,680,571 or 9.90% to \$33,487,141 (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 assets presents information on all of the Town's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets 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 assets changed during the most recent fiscal year. All changes in net assets 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.

## MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

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 26-58 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 56-58 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 59-79 of this report.

### Government-Wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of Avon, our assets exceeded liabilities by \$123,673,393 at the close of the most recent fiscal year.

By far the largest portion of the Town's net assets, \$107,467,654 (86.90%), 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.

### NET ASSETS JUNE 30, 2011 AND 2010

	Governmental Activities	
	2011	2010
Current assets	\$ 23,357,385	\$ 16,058,457
Capital assets	147,954,795	146,402,109
Noncurrent assets	261,469	354,642
Total assets	<u>171,573,649</u>	<u>162,815,208</u>
Long-term liabilities outstanding	33,490,536	36,735,403
Other liabilities	14,409,720	7,860,322
Total liabilities	<u>47,900,256</u>	<u>44,595,725</u>
Net assets:		
Invested in capital assets, net of related debt.	107,467,654	109,234,397
Unrestricted	<u>16,205,739</u>	<u>8,985,086</u>
Total Net Assets	<u>\$ 123,673,393</u>	<u>\$ 118,219,483</u>

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

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

The Town's net assets increased by \$5,453,910 during the current fiscal year. Unrestricted net assets, the portion of net assets that may be used to meet the government's ongoing obligations to citizens and creditors without constraints established by debt covenants, enabling legislation or other legal requirements is \$16,205,739. The Town generated net general revenues of \$66,347,885, which exceeded its net operating expenses for governmental activities of \$60,893,975 by the amount of the net asset increase. Gross expenses of \$74,582,906 were offset by \$5,899,335 in charges for services, \$7,603,548 in operating grants and contributions, and \$186,048 in capital grants and contributions. Of the net expenses, the largest amount was \$42,197,423, which was for the operating of the Town's school system. Net public safety expenses of \$7,929,153, public works net outlays of \$3,993,593, net general government costs of \$2,401,307, interest expense of \$1,072,513, and education-cultural (library) expenses of \$1,323,686 accounted for almost all net expenses. The majority of the Town's revenue was \$64,376,632 in property tax collections, \$13,688,931 in charges for services and grants, and \$1,971,253 in nonrestricted grants, investment income, miscellaneous and transfers.

**Governmental Activities.** Governmental activities increased the Town's net assets by \$5,453,910. Key elements of this increase are as follows:

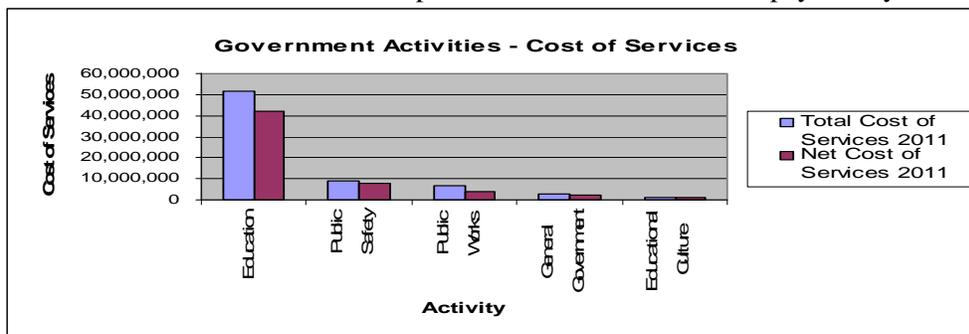
<b>CHANGE IN NET ASSETS FOR THE YEARS ENDED JUNE 30, 2011 AND 2010</b>		
	<u>2011</u>	<u>2010</u>
Revenues:		
Program revenues:		
Charges for services	\$ 5,899,335	\$ 5,243,859
Operating grants and contributions	7,603,548	8,068,566
Capital grants and contributions	186,048	940,145
General revenues:		
Property taxes	64,376,632	61,214,157
Grants and contributions not restricted to specific programs	466,877	631,497
Investment income	259,529	231,295
Miscellaneous	1,244,847	471,241
Total revenues	<u>80,036,816</u>	<u>76,800,760</u>
Program Expenses:		
General government	2,997,029	3,363,784
Public safety	8,837,647	8,584,227
Public works	6,459,180	6,767,622
Health and social services	449,695	429,622
Recreation and parks	1,407,889	1,270,094
Educational - cultural	1,341,831	1,390,254
Conservation and development	621,526	495,403
Board of Education	51,384,252	50,168,747
Interest expense	1,083,857	1,847,632
Total program expenses	<u>74,582,906</u>	<u>74,317,385</u>
Increase in net assets	5,453,910	2,483,375
Net assets - Beginning of Year	118,219,483	115,736,108
Net Assets - End of Year	<u>\$ 123,673,393</u>	<u>\$ 118,219,483</u>

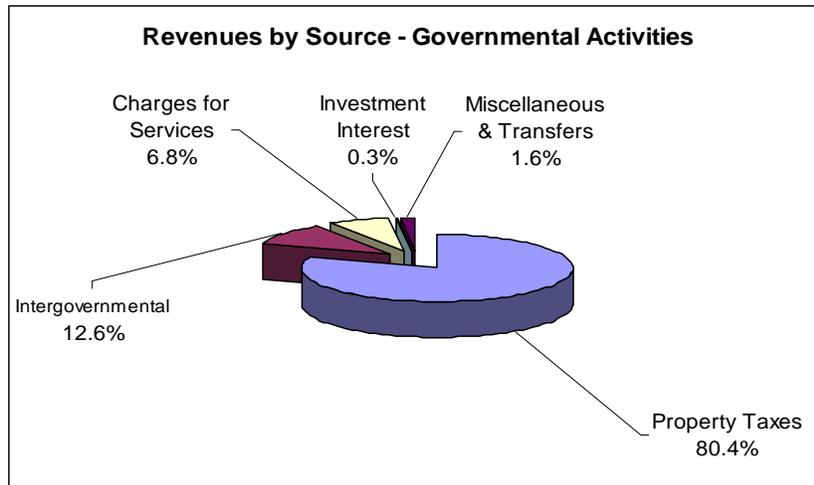
MANAGEMENT’S DISCUSSION AND ANALYSIS (CONTINUED)

On the revenue side, Property taxes, which comprise 80.4% of Town revenues, increased by \$3,162,475 (5.17%) to \$64,376,632 due to high collections on the current levy (99%), prior levies, and on supplemental motor vehicle. Charges for services saw an increase overall of \$655,476. General government reported increased activity in recording and conveyance, public safety reported increased activity in building, structure and equipment permit activity; both directly related to improvements in the housing market and commercial growth. Education reported fees for various programs partially funded by parents, students, and interdistrict tuition payments. Operating grants and contributions and capital grants and contributions decreased \$1,119,115 primarily due to overall decreases in state grants-in-aid, the completion of phased-in public works projects funded by ARRA, STEAP, and DEP funds, completion of Board of Education capital projects for the high school and roof repair, funded in part with school construction grants, State Department of Education grants, and United States Department of Education grants passed through the State (ARAA). Investment income increased slightly from \$231,295 in 2010 to \$259,529 in 2011 and miscellaneous revenues increased \$773,606 due to one time revenues received for recycling rebate (CRRRA), FEMA payment (winter storm January 2011), energy incentives (CL&P), insurance payment (salt shed damage, CIRMA member’s equity distribution), and cell phone tower rent.

Major program expenses in 2011 were lower for general government, public works, and educational - cultural as these functions experienced retirements, vacancies, delays in hiring, position duties absorbed elsewhere, energy efficiencies realized, and sewer installations completed; overall functions experienced tighter budgets with mandatory freezes, and contractual services that were not utilized. Public safety costs were higher (\$253,420) due to overtime, hydrant and water usage costs, and parts and repairs on older equipment. Health and social services experienced client workload increase and increased funding (\$20,073) along with recreation and parks (\$137,795) due to program demands from the residents. Interest expense showed an expected decrease (\$763,775) due to favorable rates on note issuance and retired debt. The increase in the Board of Education program expenses, (\$1,215,505) is related to the additional intergovernmental, tuition, and program revenues received. 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) 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 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.

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 58% of the service charges, \$3,426,578, are generated by public works, public safety and general government. The Board of Education contributed \$1,970,112 or 33% 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 \$10,885,579, a decrease of \$513,050 in comparison with the prior year. Of this total amount, \$139,024 is nonspendable (prepaid and inventory), \$128,262 use is restricted by governmental grants or other legal restriction, \$2,821,971 is committed by the Town Council (budget-making authority), \$1,786,555 is assigned and \$6,009,767 is unassigned. \$6,084,975 of General Fund and (\$75,208) in CIFA 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 \$6,084,975, while total fund balance reached \$8,005,254. 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. Unreserved fund balance represents 8.53% of total General Fund expenditures and transfers out of \$71,369,758, while total General Fund balance represents 11.22% of that same amount.

## MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

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The fund balance of Avon's General Fund increased by \$2,904,715 during the current fiscal year. Key factors contributing to this increase was implementation of GASB Statement No. 54, which required a special revenue fund to be reclassified to the General Fund as a substantial portion of the resources of the fund is restricted (\$1,083,387), management plan to return unused appropriations for consideration in capital requests for the 2013 budget, management plan to build fund balance for credit rating review in 2012 for Library debt issuance, management plan to fund compensated absences, and supplemental appropriations made during the year which required the use of \$30,416 of fund balance.

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 decreased \$2,663,555 from (\$2,588,347) to (\$75,208) primarily due to the issuance of BANs that are reported as a fund liability until the notes were replaced with long term debt. The CIFA Fund Balance of (\$75, 208) that is available for future capital projects is negative due to the issuance of the BANs. The Town also accepted \$52,833 of open space fees in 2010-2011.

**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.

Unrestricted net assets of the Internal Service Fund at the end of the year amounted to \$1,847,630. The total change in net assets for the fund was an increase of \$1,043,524. Operating revenues for the fund, representing charges for services that are health insurance premiums paid by Town and Board of Education, amounted to \$8,266,533. Operating expenses for medical claims were \$7,223,009.

### **General Fund Budgetary Highlights**

The original budget of \$67,834,793 increased \$719,151 during the year to \$68,553,944. The significant supplemental and additional appropriations are noted below:

#### **Revenues**

- \$500,000 appropriation from fund balance for funding Town employee retirement expenditures for accumulated vacation and/or sick time due employees;
- \$224,475 addition from CHOICE Special Education reimbursements for education expenses;
- (\$175,861) transfer of appropriation from the General Fund to be accounted for in State and Federal Grants Fund for American Recovery and Reinvestment fund pass through the State ECS entitlement;
- \$97,600 addition from charges for services revenues for user and program fees in education;
- \$30,416 appropriation of fund balance, which includes funding for temporary part-time position in building and fire marshal (\$10,000), funding for increased hours for permanent part-time position in fire prevention (\$7,916), and to fund Avon Middle Schools tennis courts (\$12,500);
- \$20,250 addition of a state revenue grant for Youth Services Program for health and social services;
- \$18,268 addition of revenue for program funding for animal control officer hours generated from an interlocal contractual arrangement with a valley town;
- \$3,000 addition of a State DEP grant for rain barrels at no cost to residents;
- \$1,003 addition of a private donation for public safety use;

## MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

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### Expenditures

- \$500,000 for funding Town employee retirement expenditures for accumulated vacation and/or sick time due employees;
- \$224,475 for funding new financial system software, hardware and consulting services for education;
- (\$175,861) for Board of Education transfer of appropriation from General Fund operating budget to State and Federal Grants Fund operating budget to account for ARRA funds;
- \$97,600 for funding education expenditures incurred for SPED Interdistrict tuition activity;
- \$30,416 appropriation of fund balance, which includes funding for temporary part-time position in building and fire marshal (\$10,000), funding for increased hours for permanent part-time position in fire prevention (\$7,916), and to fund Avon Middle Schools tennis courts (\$12,500);
- \$20,250 for health and social services to fund the Youth Services Program;
- \$18,268 for public safety animal control officer hours generated from an interlocal contractual arrangement with a valley town;
- \$3,000 for conservation and development for rain barrels to residents at no cost;
- \$1,003 for public safety for funding mountain patrol bikes.

Of the increase, \$188,735 was funded out of miscellaneous increases in various grants, charges for services, one-time revenues, interlocal funding, transfers in from other line items, and reductions in other expenditures, detail as provided in the highlights above. The remaining \$530,416 was budgeted from available fund balance with the detail provided in the first and fifth bullet under General Fund Budgetary Highlights, Revenues.

### 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 increase in our investment in capital assets for the current fiscal year was \$1,552,686 (1.06%).

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

- AMS Boiler replacement has been completed for a total of \$241,060 in the current year.
- Phase II of Lighting Town Center has been completed in the amount of \$163,826.
- The Library Expansion Project; current year expenditures were \$2,482,534.
- Deepwood Drive Sewer Project; \$344,190 spent in the current year for initial costs of multi-year project.
- Department of Public Works Salt Shed Replacement commenced. Total expenditures during the year were \$93,199.
- Police Communication Center Upgrade continued; expenditures for the year of \$323,536.
- PGS Playground replacement primarily completed with funding from the capital budget, donations, and in-kind services; total amount of \$212,102.

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

- Financial system upgrade commenced, purchased a van and a milling machine for the Board of Education, a GPS unit for Engineering, and a sound system for the Senior Center.

**CAPITAL ASSETS, NET OF DEPRECIATION  
JUNE 30, 2011 AND 2010**

	<b>Governmental Activities</b>	
	<b>2011</b>	<b>2010</b>
Land	\$ 7,662,553	\$ 7,662,553
Construction in progress	54,474,809	51,682,002
Land improvements	1,508,372	1,206,778
Buildings and improvements	45,229,225	46,757,176
Equipment	2,637,770	1,953,285
Vehicles	2,195,436	2,441,027
Infrastructure	34,246,630	34,699,288
Total	\$ <u>147,954,795</u>	\$ <u>146,402,109</u>

Additional information on the Town of Avon's capital assets can be found in Note 3C on page 38 of this report.

**Long-Term Debt.** At the end of the current fiscal year, the Town of Avon had \$33,120,000 of long-term general obligation bonded debt issued and no bond anticipation notes 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 AND BOND ANTICIPATION NOTES  
JUNE 30, 2011**

<b>Bonds</b>					<b>Date of Fiscal Year Maturity</b>
<b>Date</b>	<b>Purpose</b>	<b>Rate %</b>	<b>Original Issue</b>	<b>Debt Outstanding</b>	
9/15/97	High School Renovations	4.25-6.25	\$ 4,300,000	\$ 250,000	2012
9/15/97	Police Department Renovations	4.25-6.25	1,800,000	100,000	2012
1/15/98	High School Renovations	4.00-5.75	5,825,000	450,000	2012
7/15/98	High School Renovations	4.10-4.75	6,915,000	987,000	2013
7/15/98	Sewer Interceptor	4.10-4.75	550,000	78,000	2013
7/15/02	Fisher Farms Open Space	3.00-5.00	1,295,000	410,000	2016
7/15/02	Thompson Brook School	3.00-5.00	14,245,000	4,360,000	2016
10/15/09	Town Hall Renovations	2.00-3.25	2,295,000	2,180,000	2027
10/15/09	High School Renovations	2.00-3.25	23,218,000	22,055,000	2027
10/15/09	Avon Middle School Roof	2.00-3.25	2,372,000	2,250,000	2027
	Total Bonds		\$ <u>62,815,000</u>	\$ <u>33,120,000</u>	
<b>Notes</b>					
11/2/10	Avon Free Public Library	1.50	\$ <u>7,000,000</u>	\$ <u>7,000,000</u>	2011

## MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

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The Town of Avon's total debt decreased by \$3,370,977 (8.26%) during the current fiscal year. The Town issued \$7,000,000 of BANs used to temporarily finance the renovations, additions and improvements to the Avon Free Public Library.

The primary source of funding will be the Town issuing bonds and notes. The Town was awarded a \$1,000,000 grant from the State Library for this project. The Library Board of Trustees planned a fundraising campaign and has raised the final \$500,000 needed for this project. 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 & Poors for all of its general obligation debt. In September 2009, the Town's credit rating was affirmed by both Moody's and Standard & Poors.

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 \$67,143,083). For June 30, 2011 the maximum amount of borrowing permitted under the formula would be \$470,001,581. With net borrowings of \$58,609,091 the Town of Avon's outstanding general obligation debt is \$411,392,490 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 3F on pages 40-42 of this document.

### **Economic Factors and Next Year's Budget and Rates**

- Grand list growth is expected to increase by .782%.
- Property tax collections will exceed 99% with the reserve for uncollectible at \$665,565.
- Assessment appeals and tax refunds will approximate 1% of tax revenues.
- Anticipating slow growth in new single family housing permits as the Town matures. However, housing prices have remained relatively stable.
- Declining revenues from recording and conveyance fees based on current sales of existing properties and current mortgage interest rates.
- Discretionary grant revenues are expected to decrease in some areas and remain essentially the same in others. The Town's adopted budget for 2012 reflects a total reduction in State aid of \$236,752 as compared to 2011. The State's adopted budget reflects an increase of \$276,171 when compared to the local adopted. Although Avon receives such a small portion of its revenues from state grants, reductions in these grants may 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 charges will remain at \$300 per year and landfill fees are anticipated to decrease slightly as a result of less bulky waste revenues due to E-waste recycling.
- Construction grants continue to decline in the education construction reimbursement area, reflecting the State's change to progress payments versus reimbursements.
- The Town has projected investment income to decline \$200,000 to \$150,000, due to historically low interest rates pushed down to nearly zero.

## MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

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- Personal services (salary and benefits) increase (not including sewers) will amount to \$454,031 (72.37%) of the Town General Fund expenditures. Overall wages increased by \$140,595 as compared to 2011. The Town operating expenditures reflect hourly increases for nonorganized personnel, classification adjustments, step increases and a net increase of one full-time position. Conversion, reassignments and re-alignments account for a decrease in funded full time position from 106 to 105.
- 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 \$320,440 (5.83%). The increase is caused by a number of factors including increased contribution to the defined benefit plan (\$68,967 or 3.42%), increased contribution for dental, workers compensation, life/long term disability insurance largely due to market experience and increased funding of the actuarially determined OPEB contribution (\$125,000).
- 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.
- Virtually the entire Board of Education increase relates to teacher salary and benefit increases.
- Continue cooperative ventures regionally, and with the Town and Board of Education. Renewed arrangements with the Town of Canton to provide Assessing and Animal Control Officer Services for a fee.
- Fund larger multi-year capital projects on a phased-in basis, with \$420,000 of the cash CIP projects funded from the Sewer Fund Special Revenue Fund.
- At the close of the 2011 fiscal year, unassigned fund balance in the General Fund amounted to \$6,084,975. The Board of Finance has decided no use of General Fund unassigned fund balance to mitigate the tax impact of the October 1, 2009 revaluation in the 2011-2012 budget.

All of these factors were considered in preparing the budget for the 2012 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.

## TOWN OF AVON, CONNECTICUT

## STATEMENT OF NET ASSETS

JUNE 30, 2011

	<b>Governmental Activities</b>
Assets:	
Current assets:	
Cash and cash equivalents	\$ 21,489,717
Investments	1,075,571
Receivables, net of allowance for uncollectibles	644,943
Other current assets and deferred charges	147,154
Total current assets	<u>23,357,385</u>
Noncurrent assets:	
Receivables, net of allowance for uncollectibles	175,184
Net pension asset	67,530
Deferred charges	18,755
Capital assets, nondepreciable	62,137,362
Capital assets, net of accumulated depreciation	85,817,433
Total noncurrent assets	<u>148,216,264</u>
Total assets	<u>171,573,649</u>
Liabilities:	
Current liabilities:	
Bank overdraft	12,115
Accounts payable	1,745,635
Accrued liabilities	830,927
Unearned revenue	637,302
Bond anticipation notes	7,000,000
Due to fiduciary funds	13,310
Other current liabilities	230,005
Noncurrent liabilities, due within one year	3,940,426
Total current liabilities	<u>14,409,720</u>
Noncurrent liabilities:	
Due in more than one year	33,490,536
Total liabilities	<u>47,900,256</u>
Net Assets:	
Invested in capital assets, net of related debt	107,467,654
Unrestricted	16,205,739
Total Net Assets	<u>\$ 123,673,393</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, 2011**

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<b>Functions/Programs</b>	<b>Expenses</b>	<b>Program Revenues</b>			<b>Net (Expenses) Revenue and Changes in Net Assets</b>
		<b>Charges for Services</b>	<b>Operating Grants and Contributions</b>	<b>Capital Grants and Contributions</b>	<b>Total Governmental Activities</b>
Governmental Activities:					
General government	\$ 2,997,029	\$ 595,722	\$ 37,553	\$ 163,826	\$ (2,401,307)
Public safety	8,837,647	870,941	341,846		(7,929,153)
Public works	6,459,180	1,959,915			(3,993,593)
Health and social services	449,695	21,318			(428,377)
Recreation and parks	1,407,889	450,498	16,459		(940,932)
Educational - cultural	1,341,831	16,294	1,851		(1,323,686)
Conservation and development	621,526	14,535			(606,991)
Board of Education	51,384,252	1,970,112	7,205,839	10,878	(42,197,423)
Interest on long term debt	1,083,857			11,344	(1,072,513)
<b>Total Governmental Activities</b>	<b>\$ 74,582,906</b>	<b>\$ 5,899,335</b>	<b>\$ 7,603,548</b>	<b>\$ 186,048</b>	<b>(60,893,975)</b>
General Revenues:					
Property taxes					64,376,632
Grants and contributions not restricted to specific programs					466,877
Investment income					259,529
Miscellaneous					1,244,847
Total general revenues					66,347,885
Change in net assets					5,453,910
Net Assets at Beginning of Year					118,219,483
Net Assets at End of Year					\$ 123,673,393

The accompanying notes are an integral part of the financial statements

## TOWN OF AVON, CONNECTICUT

## BALANCE SHEET - GOVERNMENTAL FUNDS

JUNE 30, 2011

	<u>General</u>	<u>CIFA</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>ASSETS</b>				
Cash and cash equivalents	\$ 20,774,034	\$ 526,759	\$ 188,924	\$ 21,489,717
Investments	1,075,571			1,075,571
Receivables, net	190,969	7,500	360,850	559,319
Due from other funds	133,830	7,110,954	3,119,964	10,364,748
Other	133,724		8,930	142,654
Total Assets	<u>\$ 22,308,128</u>	<u>\$ 7,645,213</u>	<u>\$ 3,678,668</u>	<u>\$ 33,632,009</u>
<b>LIABILITIES AND FUND BALANCES</b>				
Liabilities				
Bank overdraft	\$ 12,115	\$	\$	\$ 12,115
Accounts payable	762,512	720,421	262,702	1,745,635
Accrued liabilities	286,448			286,448
Due to other funds	12,636,337		133,830	12,770,167
Deferred revenue	560,462		326,603	887,065
Bond anticipation notes payable		7,000,000		7,000,000
Other liabilities	45,000			45,000
Total liabilities	<u>14,302,874</u>	<u>7,720,421</u>	<u>723,135</u>	<u>22,746,430</u>
Fund balances:				
Nonspendable	133,724		5,300	139,024
Restricted			128,262	128,262
Committed			2,821,971	2,821,971
Assigned	1,786,555			1,786,555
Unassigned	6,084,975	(75,208)		6,009,767
Total fund balances	<u>8,005,254</u>	<u>(75,208)</u>	<u>2,955,533</u>	<u>10,885,579</u>
Total Liabilities and Fund Balances	<u>\$ 22,308,128</u>	<u>\$ 7,645,213</u>	<u>\$ 3,678,668</u>	<u>\$ 33,632,009</u>

(Continued on next page)

## TOWN OF AVON, CONNECTICUT

BALANCE SHEET - GOVERNMENTAL FUNDS (CONTINUED)  
STATEMENT OF NET ASSETS

JUNE 30, 2011

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

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

Total fund balance (Exhibit III)	\$ 10,885,579
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds:	
Capital assets	190,926,615
Accumulated depreciation	(42,971,820)
Other long-term assets are not available to pay for current period expenditures and, therefore, are not reported in the funds:	
Property tax and sewer assessment interest and lien accrual	14,878
Property tax and sewer assessment receivable - accrual basis change	249,763
School building grant receivable	256,000
Allowance for doubtful accounts	(10,070)
Bond issue costs	23,255
Net pension asset	67,530
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 assets.	1,847,630
Some liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds:	
Bonds payable	(33,120,000)
Compensated absences	(1,802,130)
Net other post employment benefit obligation	(1,751,691)
Landfill postclosure liability	(390,000)
Bond premium	(367,141)
Accrued interest payable	(185,005)
Net Assets of Governmental Activities (Exhibit I)	<u>\$ 123,673,393</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, 2011

	<u>General</u>	<u>CIFA</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues:				
Property taxes	\$ 64,340,735	\$	\$	\$ 64,340,735
Intergovernmental	5,710,137	174,705	2,524,261	8,409,103
Charges for services	1,945,466		3,953,869	5,899,335
Investment income	180,754	78,535	240	259,529
Other local revenues	957,290	196,143	140,833	1,294,266
Total revenues	<u>73,134,382</u>	<u>449,383</u>	<u>6,619,203</u>	<u>80,202,968</u>
Expenditures:				
Current:				
Town Council:				
General government	3,039,974		226,018	3,265,992
Public safety	7,839,706		318,875	8,158,581
Public works	3,768,746		1,764,182	5,532,928
Health and social services	427,990		710	428,700
Recreation and parks	825,565		396,625	1,222,190
Educational - cultural	1,376,613		35,832	1,412,445
Conservation and development	524,858			524,858
Miscellaneous	257,016			257,016
Total town council	<u>18,060,468</u>	-	<u>2,742,242</u>	<u>20,802,710</u>
Board of Education	46,977,726		3,647,893	50,625,619
Debt service	4,776,412			4,776,412
Capital outlay		4,305,190	206,087	4,511,277
Total expenditures	<u>69,814,606</u>	<u>4,305,190</u>	<u>6,596,222</u>	<u>80,716,018</u>
Excess (Deficiency) of Revenues over Expenditures	<u>3,319,776</u>	<u>(3,855,807)</u>	<u>22,981</u>	<u>(513,050)</u>
Other Financing Sources (Uses):				
Transfers in		1,262,252	626,400	1,888,652
Transfers out	(1,555,152)	(70,000)	(263,500)	(1,888,652)
Net other financing sources (uses)	<u>(1,555,152)</u>	<u>1,192,252</u>	<u>362,900</u>	<u>-</u>
Net Change in Fund Balances	1,764,624	(2,663,555)	385,881	(513,050)
Fund Balances at Beginning of Year, as Restated	<u>6,240,630</u>	<u>2,588,347</u>	<u>2,569,652</u>	<u>11,398,629</u>
Fund Balances at End of Year	<u>\$ 8,005,254</u>	<u>\$ (75,208)</u>	<u>\$ 2,955,533</u>	<u>\$ 10,885,579</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, 2011

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)	\$ (513,050)
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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	4,229,646
Depreciation expense	(2,649,481)
Loss on disposal of capital assets	(27,479)

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:

School building grant receipts	(188,956)
Increase in property tax and assessments receivable - accrual basis change	177,874
Increase in property tax interest and lien revenue	4,380
Increase in property tax and sewer use allowance for doubtful accounts	(4,986)
Net pension asset	(523)

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

Accrued interest	16,484
Principal payments	3,650,000
Amortization of bond issue costs	(4,500)
Amortization of bond premiums	30,571

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:

Change in long-term compensated absences	130,551
Increase in other post employment benefit obligation	(470,145)
Landfill postclosure payments	30,000

The net income of the internal service funds is reported with the governmental activities.	<u>1,043,524</u>
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Change in Net Assets of Governmental Activities (Exhibit II)	<u><u>\$ 5,453,910</u></u>
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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, 2011

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
Revenues:				
Property taxes	\$ 64,027,285	\$ 64,027,285	\$ 64,340,735	\$ 313,450
Intergovernmental	1,902,000	1,749,389	2,016,671	267,282
Charges for services	1,334,620	1,432,220	2,263,001	830,781
Investment income	200,000	200,000	60,526	(139,474)
Other local revenues	270,888	514,634	615,951	101,317
Total revenues	<u>67,734,793</u>	<u>67,923,528</u>	<u>69,296,884</u>	<u>1,373,356</u>
Expenditures:				
Current:				
Town Council:				
General government	2,853,913	2,966,015	2,852,721	113,294
Public safety	8,146,875	8,108,197	7,825,445	282,752
Public works	4,011,956	3,948,198	3,774,328	173,870
Health and social services	419,259	436,307	426,634	9,673
Recreation and parks	837,582	829,099	826,355	2,744
Educational - cultural	1,404,889	1,390,839	1,375,107	15,732
Conservation and development	543,816	541,049	524,463	16,586
Miscellaneous	307,894	488,213	257,131	231,082
Total town council	<u>18,526,184</u>	<u>18,707,917</u>	<u>17,862,184</u>	<u>845,733</u>
Board of Education	43,530,019	43,451,758	43,451,758	-
Debt service	4,960,413	4,839,117	4,776,412	62,705
Total expenditures	<u>67,016,616</u>	<u>66,998,792</u>	<u>66,090,354</u>	<u>908,438</u>
Excess of Revenues over Expenditures	<u>718,177</u>	<u>924,736</u>	<u>3,206,530</u>	<u>2,281,794</u>
Other Financing Sources (Uses):				
Appropriation of fund balance	100,000	630,416		(630,416)
Transfers out	(818,177)	(1,555,152)	(1,555,152)	-
Net other financing uses	<u>(718,177)</u>	<u>(924,736)</u>	<u>(1,555,152)</u>	<u>(630,416)</u>
Net Change in Fund Balance	<u>\$ -</u>	<u>\$ -</u>	1,651,378	<u>\$ 1,651,378</u>
Fund Balance at Beginning of Year			<u>5,250,287</u>	
Fund Balance at End of Year			<u>\$ 6,901,665</u>	

The accompanying notes are an integral part of the financial statements

## TOWN OF AVON, CONNECTICUT

## STATEMENT OF NET ASSETS

## PROPRIETARY FUND

JUNE 30, 2011

	<u>Governmental Activities</u>
	<u>Internal Service Fund</u>
Asset:	
Current assets:	
Due from other funds	\$ <u>2,392,109</u>
Liabilities:	
Current liabilities:	
Claims payable	<u>544,479</u>
Total Net Assets	\$ <u><u>1,847,630</u></u>

The accompanying notes are an integral part of the financial statements

## TOWN OF AVON, CONNECTICUT

## STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS

## PROPRIETARY FUND

FOR THE YEAR ENDED JUNE 30, 2011

	<u>Governmental Activities</u>
	<u>Internal Service Fund</u>
Operating revenues:	
Charges for services:	
Town	\$ 2,362,358
Board of Education	5,904,175
Total operating revenues	<u>8,266,533</u>
Operating expenses:	
Medical claims:	
Town	2,259,708
Board of Education	4,963,301
Total operating expenses	<u>7,223,009</u>
Operating Income	1,043,524
Net Assets at Beginning of Year	<u>804,106</u>
Net Assets at End of Year	<u><u>\$ 1,847,630</u></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, 2011**

	<b>Governmental Activities</b>
	<b>Internal Service Fund</b>
Cash Flows from Operating Activities:	
Receipts from customers and users	\$ 7,084,720
Claims paid	(7,084,720)
Net cash provided by operating activities	-
Net Increase in Cash	-
Cash at Beginning of Year	-
Cash at End of Year	\$ -
Reconciliation of Operating Income to Net Cash Provided by Operating Activities:	
Operating income	\$ 1,043,524
Adjustments to reconcile operating income to net cash provided by operating activities:	
Increase in due from other funds	(1,181,813)
Increase in claims payable	138,289
Net Cash Provided by Operating Activities	\$ -

The accompanying notes are an integral part of the financial statements

## TOWN OF AVON, CONNECTICUT

## STATEMENT OF FIDUCIARY NET ASSETS - FIDUCIARY FUNDS

JUNE 30, 2011

	<u>Pension</u>	<u>Other Post Employment Benefit Fund</u>	<u>Agency Funds</u>
Assets:			
Cash and cash equivalents	\$ 363,914	\$ 43,922	\$ 321,340
Investments, at fair value:			
Guaranteed interest contract	1,908,918		
Mutual funds	18,427,964	1,354,533	
Total investments	<u>20,336,882</u>	<u>1,354,533</u>	<u>-</u>
Accounts receivable:			
Employer		25,000	
Total accounts receivable	<u>-</u>	<u>25,000</u>	<u>-</u>
Due from other funds		13,310	
Total assets	<u>20,700,796</u>	<u>1,436,765</u>	<u>\$ 321,340</u>
Liabilities:			
Fiduciary deposits			<u>\$ 321,340</u>
Net Assets:			
Net Assets Held in Trust for Pension Benefits and Other Purposes	<u>\$ 20,700,796</u>	<u>\$ 1,436,765</u>	

The accompanying notes are an integral part of the financial statements

**TOWN OF AVON, CONNECTICUT**  
**STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS**  
**FIDUCIARY FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2011**

	<u>Pension</u>	<u>Other Post Employment Benefit Fund</u>
Additions:		
Contributions:		
Employer	\$ 2,249,862	\$ 987,264
Plan members	554,393	
Total contributions	<u>2,804,255</u>	<u>987,264</u>
Investment income:		
Net appreciation in fair value of investments	2,828,110	
Interest and dividends	504,082	194,041
Total investment income	<u>3,332,192</u>	<u>194,041</u>
Less investment expenses	26,501	648
Net investment income	<u>3,305,691</u>	<u>193,393</u>
Total additions	<u>6,109,946</u>	<u>1,180,657</u>
Deductions:		
Benefits	3,704,540	636,937
Administration	13,106	345
Total deductions	<u>3,717,646</u>	<u>637,282</u>
Changes in Net Assets	2,392,300	543,375
Net Assets at Beginning of Year	<u>18,308,496</u>	<u>893,390</u>
Net Assets at End of Year	<u>\$ 20,700,796</u>	<u>\$ 1,436,765</u>

The accompanying notes are an integral part of the financial statements

**TOWN OF AVON, CONNECTICUT**  
**NOTES TO FINANCIAL STATEMENTS**

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**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 which 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 assets and the statement of activities) report information on all of the nonfiduciary activities of the Town. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities 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.

## TOWN OF AVON, CONNECTICUT

### NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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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.

#### **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 generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

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 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.

## TOWN OF AVON, CONNECTICUT

### NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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Additionally, the government reports the following fund types:

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

The *Pension Trust Funds* account for the activities of the Avon Employees Retirement System, which accumulates resources for pension benefit payments to qualified employees. The postemployment healthcare trust fund accounts for resources for postretirement medical costs.

The *Other Post Employment Benefit Trust Fund* is used to account for the activities for both Town and Board of Education for other postemployment benefits (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.

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, 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.

## TOWN OF AVON, CONNECTICUT

### NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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#### **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 uncollectibles. Allowance percentages range from 2% to 47% of outstanding receivable balances at June 30, 2011 and are calculated based upon prior collections.

In the fund financial statements, all property taxes receivable at June 30, 2011, which have not been collected within 60 days of June 30, have been recorded as deferred 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.

#### **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.

# TOWN OF AVON, CONNECTICUT

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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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 Assets/Net Other Post Employment Benefit Obligation**

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

### **I. 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.

### **J. 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 assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

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

## TOWN OF AVON, CONNECTICUT

### NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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#### **K. Fund Equity and Net Assets**

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 assets are classified into the following categories:

Invested in Capital Assets, Net of Related Debt - This category presents the net assets that reflect capital assets net of only the debt applicable to the acquisition or construction of these assets. Debt issued for noncapital purposes is excluded.

Restricted Net Assets - This category presents the net assets restricted by external parties (creditors, grantors, contributors or laws and regulations).

Unrestricted Net Assets - This category represents the net assets of the Town which are not restricted.

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

Nonspendable Fund Balance - This represents amounts that cannot be spent due to form (e.g., inventories and prepaid amounts).

Restricted Fund Balance - This 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 represents amounts constrained for a specific purpose by a government using its highest level of decision-making authority (Town Council).

Assigned Fund Balance - For all governmental funds other than the General Fund, this represents any remaining positive amounts not classified as restricted or committed. For the General Fund, this includes 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.

Unassigned Fund Balance - This 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.

# TOWN OF AVON, CONNECTICUT

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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### **L. 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 \$719,151 of additional appropriations during the year in the General Fund.

- 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 their budget at their 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.

**TOWN OF AVON, CONNECTICUT**

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

- 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.

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

	<b>Revenues</b>	<b>Expenditures and Transfers</b>	<b>Fund Balance</b>
Balance, budgetary basis - June 30, 2011	\$ 69,296,884	\$ 67,645,506	\$ 6,901,665
Encumbrances outstanding June 30, 2011 charged to budgetary expenditures during the year ended June 30, 2011		(200,803)	200,803
Change in accrued payroll		30,849	(180,597)
State Teachers' Retirement on-behalf payment	3,693,466	3,693,466	
Revenues and expenditures of OPEB Special Revenue, combined with General Fund for GASB 54	144,032	200,740	1,083,383
Balance, GAAP basis - June 30, 2011	\$ 73,134,382	\$ 71,369,758	\$ 8,005,254

**B. Capital Projects Authorizations**

The following is a summary of capital projects at June 30, 2011:

<b>Capital Project</b>	<b>Authorization</b>	<b>Current Year Expenditures</b>	<b>Cumulative Expenditures</b>	<b>Balance June 30, 2011</b>
Capital and nonrecurring	\$ 1,311,138	\$ 206,087	\$ 1,099,611	\$ 211,527
CIFA:				
General government	15,697,208	3,815,278	8,162,230	7,534,978
Board of Education	31,437,585	489,912	30,791,193	646,392
Total	\$ 48,445,931	\$ 4,511,277	\$ 40,053,034	\$ 8,392,897

## TOWN OF AVON, CONNECTICUT

### NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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#### 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.

Based on the criteria described in GASB Statement No. 40, *Deposits and Investment Risk Disclosures*, \$-0- of the Town’s bank balance of \$1,706,900 was exposed to custodial credit risk at June 30, 2011.

**TOWN OF AVON, CONNECTICUT**

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

**Cash Equivalents**

At June 30, 2011, the Town's cash equivalents amounted to \$21,488,567. 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.

	<b>Standard &amp; Poor's</b>
SBT Investment Services*	
Webster Investments*	
Cutwater Asset Management	
CT CLASS Plus	AAAm

\*Not rated

**Investments**

As of June 30, 2011, the Town had the following investments:

<b>Investment Type</b>	<b>Credit Rating</b>	<b>Fair Value</b>	<b>Investment Maturities (Years)</b>		
			<b>Less Than 1</b>	<b>1-10</b>	<b>More Than 10</b>
Guaranteed Investment Certificate	A	\$ 1,277,447	\$	\$ 1,277,447	\$
Guaranteed Investment Certificate	A-2/P-2	631,471	631,471		
Mutual Fund	N/A	20,858,069	20,858,069		
		\$ 22,766,987	\$ 21,489,540	\$ 1,277,447	\$

*Interest Rate Risk* - The Town limits their maximum final stated maturities to 15 years, unless specific authority is given to exceed. 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 type of investments as State Statutes.

*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, 2011, 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.

## TOWN OF AVON, CONNECTICUT

### NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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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 (CONTINUED)**

**B. Receivables**

Fund receivables as of June 30, 2011, including the applicable allowances for collection losses, are as follows:

	<b>General</b>	<b>CIFA</b>	<b>Nonmajor and Other Funds</b>	<b>Total</b>
Property taxes	\$ 196,631	\$	\$	\$ 196,631
Assessments			153,841	153,841
Intergovernmental	15,490	7,500	137,673	160,663
Accounts	33,948		69,336	103,284
Gross receivables	246,069	7,500	360,850	614,419
Allowances	(55,100)			(55,100)
Net Receivables	\$ 190,969	\$ 7,500	\$ 360,850	\$ 559,319

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

	<b>Unavailable</b>	<b>Unearned</b>
General Fund:		
Delinquent property taxes receivable	\$ 95,922	\$
Property taxes collected in advance		464,540
Nonmajor Funds:		
Special assessments not yet due	153,841	
Special assessments collected in advance		10,838
Education revenues collected in advance		48,414
Grant draw downs prior to meeting eligibility requirements		113,510
	\$ 249,763	\$ 637,302

**TOWN OF AVON, CONNECTICUT**

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

**C. Capital Assets**

Capital asset activity for the year ended June 30, 2011 was as follows:

	<u>Balance July 1, 2010</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance June 30, 2011</u>
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 7,662,553	\$	\$	\$ 7,662,553
Construction in progress	<u>51,682,002</u>	<u>3,881,494</u>	<u>1,088,687</u>	<u>54,474,809</u>
Total capital assets not being depreciated	<u>59,344,555</u>	<u>3,881,494</u>	<u>1,088,687</u>	<u>62,137,362</u>
Capital assets being depreciated:				
Land improvements	1,590,534	399,395		1,989,929
Buildings and improvements	69,200,535	84,346		69,284,881
Equipment	7,084,677	947,148	40,832	7,990,993
Vehicles	5,275,907	5,950	61,768	5,220,089
Infrastructure	<u>44,303,361</u>			<u>44,303,361</u>
Total capital assets being depreciated	<u>127,455,014</u>	<u>1,436,839</u>	<u>102,600</u>	<u>128,789,253</u>
Less accumulated depreciation for:				
Land improvements	383,756	97,801		481,557
Buildings and improvements	22,443,359	1,612,297		24,055,656
Equipment	5,131,392	253,923	32,092	5,353,223
Vehicles	2,834,880	232,802	43,029	3,024,653
Infrastructure	<u>9,604,073</u>	<u>452,658</u>		<u>10,056,731</u>
Total accumulated depreciation	<u>40,397,460</u>	<u>2,649,481</u>	<u>75,121</u>	<u>42,971,820</u>
Total capital assets being depreciated, net	<u>87,057,554</u>	<u>(1,212,642)</u>	<u>27,479</u>	<u>85,817,433</u>
Governmental Activities Capital Assets, Net	<u>\$ 146,402,109</u>	<u>\$ 2,668,852</u>	<u>\$ 1,116,166</u>	<u>\$ 147,954,795</u>

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

Governmental Activities:	
General government	\$ 238,560
Public safety	272,964
Public works	591,929
Recreation and parks	142,553
Educational - cultural	17,246
Board of Education	<u>1,386,229</u>
Total Depreciation Expense - Governmental Activities	<u>\$ 2,649,481</u>

**TOWN OF AVON, CONNECTICUT**

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

**D. Interfund Receivables, Payables and Transfers**

A summary of interfund balances as of June 30, 2011 is as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Nonmajor Governmental Funds	\$ 133,830
CIFA	General Fund	7,110,954
Nonmajor Governmental Funds	General Fund	3,119,964
Internal Service Fund	General Fund	2,392,109
Other Post-Employment Benefit Fund	General Fund	<u>13,310</u>
		<u>\$ 12,770,167</u>

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

A summary of interfund transfers as of June 30, 2011 is as follows:

	<u>General Fund</u>	<u>CIFA Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Transfers In</u>
Transfers Out:				
CIFA	\$ 998,752	\$ -	\$ 263,500	\$ 1,262,252
Nonmajor Governmental Funds	<u>556,400</u>	<u>70,000</u>	<u>-</u>	<u>626,400</u>
Total Transfers Out	<u>\$ 1,555,152</u>	<u>\$ 70,000</u>	<u>\$ 263,500</u>	<u>\$ 1,888,652</u>

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

**E. Short-Term Obligations - Bond Anticipation Notes**

The Town uses bond anticipation notes during the construction period of various public projects prior to the issuance of bonds at the completion of the project.

Short-term obligation activity for the year ended June 30, 2011 was as follows:

<u>Type of Obligation</u>	<u>Balance July 1, 2010</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance June 30, 2011</u>
Bond Anticipation Notes:				
Avon Free Public Library - interest rate +/- 1.50%, matures November 1, 2011	\$ -	\$ 7,000,000	\$ -	\$ 7,000,000
	<u>\$ -</u>	<u>\$ 7,000,000</u>	<u>\$ -</u>	<u>\$ 7,000,000</u>

**TOWN OF AVON, CONNECTICUT**

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

**F. Long-Term Debt**

**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 generally are issued as 15-year serial bonds with varying annual principal payments. School building grants of \$256,000 will be used to repay a portion of the respective debt; however, the Town is liable for all outstanding bonds.

General obligation bonds currently outstanding are as follows:

<b>Description</b>	<b>Interest Rate (%)</b>	<b>Amount</b>
General purpose:		
General obligation improvement	2-6.25%	\$ 2,690,000
Sewer:		
General obligation improvement	4.1-4.75%	78,000
School:		
School improvement	2-6.25%	<u>30,352,000</u>
Total Outstanding		<u>\$ 33,120,000</u>

Future maturities for outstanding bonds are as follows:

<b>General Obligation Bonds</b>		
	<b>Principal</b>	<b>Interest</b>
2012	\$ 3,550,000	\$ 1,051,305
2013	3,365,000	922,247
2014	2,420,000	821,789
2015	2,300,000	739,989
2016	2,420,000	657,939
2017-2021	9,065,000	2,236,370
2021-2026	8,300,000	940,474
2027	<u>1,700,000</u>	<u>27,626</u>
Total	<u>\$ 33,120,000</u>	<u>\$ 7,397,739</u>

**TOWN OF AVON, CONNECTICUT**

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

**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	\$ 36,770,000	\$	\$ 3,650,000	\$ 33,120,000	\$ 3,550,000
Plus deferred amounts:					
Issuance premium on refunding	<u>397,712</u>		<u>30,571</u>	<u>367,141</u>	
Total bonds payable	37,167,712	-	3,680,571	33,487,141	3,550,000
Compensated absences	1,932,681	704,768	835,319	1,802,130	360,426
Other post retirement benefits obligation	1,281,546	470,145		1,751,691	
Landfill post-closure costs	<u>420,000</u>		<u>30,000</u>	<u>390,000</u>	<u>30,000</u>
Total Governmental Activities					
Long-Term Liabilities	<u>\$ 40,801,939</u>	<u>\$ 1,174,913</u>	<u>\$ 4,545,890</u>	<u>\$ 37,430,962</u>	<u>\$ 3,940,426</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	\$ 151,071,937	\$ 14,095,000	\$ 136,976,937
Schools	302,143,874	44,589,000	257,554,874
Sewers	251,786,561	(74,909)	251,861,470
Urban renewal	218,215,020		218,215,020
Pension deficit	201,429,249		201,429,249

The total overall statutory debt limit for the Town is equal to seven times annual receipts from taxation, \$470,001,581.

The indebtedness reflected above includes bonds outstanding in addition to the amount of bonds authorized and unissued against which bond anticipation notes are issued and outstanding. School building grants receivable of \$256,000 are reflected as deductions in the computation of net indebtedness.

**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 13 years at \$30,000 per year are \$390,000. This amount is based on estimates that are subject to change due to inflation, technology or applicable laws and regulations.

**TOWN OF AVON, CONNECTICUT**

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

**Authorized/Unissued Bonds**

At June 30, 2011, the amount of authorized, unissued bonds for general purposes is \$11,405,000 and \$14,493,000 for school purposes.

**G. Fund Balance**

The components of fund balance for the governmental funds at June 30, 2011 are as follows:

	<b>General Fund</b>	<b>CIFA</b>	<b>Nonmajor Governmental Funds</b>	<b>Total</b>
Fund balances:				
Nonspendable:				
Inventory	\$ 133,724	\$	\$ 5,300	\$ 139,024
Restricted:				
Fisher Meadow donations			128,262	128,262
Committed to:				
Public safety			370,969	370,969
Public works			1,520,457	1,520,457
Recreation and parks			106,525	106,525
Education			362,415	362,415
Capital projects			281,526	281,526
Debt service			180,079	180,079
Assigned to:				
General government obligations	680,803			680,803
Capital asset purchase	22,369			22,369
Other Post-Employment Benefits	1,083,383			1,083,383
Unassigned	6,084,975	(75,208)		6,009,767
<b>Total Fund Balances</b>	<b>\$ 8,005,254</b>	<b>\$ (75,208)</b>	<b>\$ 2,955,533</b>	<b>\$ 10,885,579</b>

Significant encumbrances at June 30, 2011 are contained in the above table in the assigned category of the General Fund and the committed category of the Nonmajor Governmental Funds.

**4. EMPLOYEE RETIREMENT PLANS**

**A. Defined Benefit Pension Plans**

The Town of Avon administers five single-employer, contributory, defined benefit pension plans (Police Plan, Public Works Plan, Nonorganized Plan, Board of Education Plan and Dispatchers Plan) to provide pension benefits for its police officers, public works employees, management unclassified and classified nonorganized employees, dispatchers 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 plans closed to new entrants effective January 1, 1997, and public works and dispatchers closed to new

# TOWN OF AVON, CONNECTICUT

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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.

### Plan Description

Plan provisions and contribution requirements and the authority to amend the provisions are established by the plans approved by the Town Council. Under the plans, all employees hired before age 65, having attained age 23 for police officers, age 22 for public works, nonorganized employees and dispatchers, or 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 all plans.

### Summary of Significant Accounting Policies and Plan Asset Matters

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.

The last actuarial valuation relevant to the plan year was July 1, 2009 for Police, Public Works, Nonorganized and Dispatchers and Board of Education.

### Classes of Employees Covered

	<u>Police</u>	<u>Public Works</u>	<u>Non-Organized</u>	<u>Board of Education</u>	<u>Dispatchers</u>
Retirees and beneficiaries					
currently receiving benefits	29	13	39	32	2
Terminated employees					
entitled to benefits but not yet receiving them		2	2	13	1
Current active employees	<u>6</u>	<u>4</u>	<u>19</u>	<u>103</u>	<u>1</u>
Total	<u>35</u>	<u>19</u>	<u>60</u>	<u>148</u>	<u>4</u>

**TOWN OF AVON, CONNECTICUT**

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

**Benefit Provisions**

Required employee contributions under the plans are as follows:

<u>Police</u>	<u>Public Works</u>	<u>Non-Organized</u>	<u>Board of Education</u>	<u>Dispatchers</u>
7.5%	7.5%	7.5%	4% or 7%	7.5%

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

**Schedule of Employer Contributions and Net Pension Obligation (Asset)**

	<u>Year Ended</u>	<u>Actual Contribution</u>	<u>Annual Required Contribution (ARC)</u>	<u>Percentage of ARC Contributed</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation (Asset)</u>
Police	6/30/2009	\$ 647,809	\$ 647,809	100.0%	\$ 647,791	100.0%	\$ (7,848)
	6/30/2010	789,719	789,719	100.0%	789,728	100.0%	(7,839)
	6/30/2011	894,260	894,260	100.0%	894,292	100.0%	(7,807)
Public Works	6/30/2009	259,686	259,686	100.0%	259,684	100.0%	(718)
	6/30/2010	274,338	274,338	100.0%	274,339	100.0%	(717)
	6/30/2011	322,597	322,597	100.0%	322,600	100.0%	(714)
Non-organized	6/30/2009	609,472	609,472	100.0%	609,440	100.0%	(13,823)
	6/30/2010	677,793	677,793	100.0%	677,809	100.0%	(13,807)
	6/30/2011	731,670	731,670	100.0%	731,726	100.0%	(13,751)
Board of Education	6/30/2009	227,962	210,811	108.1%	211,063	108.0%	(41,420)
	6/30/2010	210,811	210,811	100.0%	211,236	99.8%	(40,995)
	6/30/2011	283,000	283,245	99.9%	283,419	99.9%	(40,582)
Dispatchers	6/30/2009	14,022	14,022	100.0%	14,054	99.8%	(4,748)
	6/30/2010	16,657	16,657	100.0%	16,710	99.7%	(4,695)
	6/30/2011	18,335	18,335	100.0%	18,354	99.9%	(4,676)

**TOWN OF AVON, CONNECTICUT**

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

**Funded Status and Funding Progress - Pension Plans**

The funded status of the Police, Public Works, Nonorganized and Dispatchers and Board of Education plans as of July 1, 2009, the most recent actuarial valuation date, are as follows:

<u>Plan</u>	<u>Actuarial Value of Assets</u>	<u>Actuarial Accrued Liability (AAL)</u>	<u>Unfunded AAL (UAAL)</u>	<u>Funded Ratio</u>	<u>Covered Payroll</u>	<u>UAAL as a Percentage of Covered Payroll</u>
Police	\$ 8,771,018	\$ 18,279,098	\$ 9,508,080	48.0%	\$ 560,064	1697.7%
Public Works	2,519,123	5,878,996	3,359,873	42.8%	276,889	1213.4%
Non-Organized	8,403,336	14,919,613	6,516,277	56.3%	1,582,583	411.7%
BOE	3,687,949	4,728,413	1,040,464	78.0%	3,754,830	27.7%
Dispatchers	564,378	745,179	180,801	75.7%	62,266	290.4%

The schedules of funding progress, presented as required supplementary information (RSI) following the notes to the financial statements, present multiyear trend information about whether the actuarial values of plan assets are increasing or decreasing over time relative to the AALs for benefits.

**Actuarial Assumptions**

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

	<u>Police</u>	<u>Public Works</u>	<u>Non- Organized</u>	<u>Board of Education</u>	<u>Dispatchers</u>
Valuation Date	July 1, 2009	July 1, 2009	July 1, 2009	July 1, 2009	July 1, 2009
Actuarial Cost Method	Entry Age	Entry Age	Entry Age	Entry Age	Entry Age
Amortization Method	Level Percent	Level Percent	Level Percent	Level Percent	Level Percent
Remaining Amortization Period (closed)	18	18	18	18	18
Asset Valuation Method	*	*	*	*	*
Investment Return Rate	8.0%	8.0%	8.0%	8.5%	8.0%
Projected Salary Increases	3.5%	3.5%	3.5%	3.5%	3.5%

\*Investment gains/losses are recognized over 5 years.

**TOWN OF AVON, CONNECTICUT**

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

**Annual Pension Cost and Net Pension Asset (NPA)**

	<u>Police</u>	<u>Public Works</u>	<u>Non-Organized</u>	<u>Board of Education</u>	<u>Dispatchers</u>
Annual required contribution	\$ 894,260	\$ 322,597	\$ 731,670	\$ 283,245	\$ 18,335
Interest on net pension obligation	(627)	(57)	(1,105)	(3,280)	(376)
Adjustment to annual required contribution	659	60	1,161	3,448	395
Annual pension cost	<u>894,292</u>	<u>322,600</u>	<u>731,726</u>	<u>283,413</u>	<u>18,354</u>
Contribution made	<u>894,260</u>	<u>322,597</u>	<u>731,670</u>	<u>283,000</u>	<u>18,335</u>
Decrease in net pension asset	32	3	56	413	19
Net pension asset at beginning of year	<u>(7,839)</u>	<u>(717)</u>	<u>(13,807)</u>	<u>(40,995)</u>	<u>(4,695)</u>
Net Pension Asset at End of Year	<u>\$ (7,807)</u>	<u>\$ (714)</u>	<u>\$ (13,751)</u>	<u>\$ (40,582)</u>	<u>\$ (4,676)</u>

Financial statements for each individual pension plan as of and for the year ended June 30, 2011 are as follows:

	<u>Pension Trust Funds</u>					<u>Total Pension Trust Funds</u>
	<u>Police</u>	<u>Public Works</u>	<u>Non-Organized</u>	<u>Board of Education</u>	<u>Dispatchers</u>	
<b>Assets:</b>						
Cash and cash equivalents	\$ 158,726	\$ 56,386	\$ 75,886	\$ 63,963	\$ 8,953	\$ 363,914
Investments, at fair value:						
Guaranteed investment contract	403,465	133,348	392,019	969,632	10,454	1,908,918
Mutual funds	5,968,882	1,534,645	7,207,195	3,312,309	404,933	18,427,964
Total investments	<u>6,372,347</u>	<u>1,667,993</u>	<u>7,599,214</u>	<u>4,281,941</u>	<u>415,387</u>	<u>20,336,882</u>
Total assets	<u>6,531,073</u>	<u>1,724,379</u>	<u>7,675,100</u>	<u>4,345,904</u>	<u>424,340</u>	<u>20,700,796</u>
<b>Net Assets:</b>						
Held in Trust for Pension Benefits	<u>\$ 6,531,073</u>	<u>\$ 1,724,379</u>	<u>\$ 7,675,100</u>	<u>\$ 4,345,904</u>	<u>\$ 424,340</u>	<u>\$ 20,700,796</u>

**TOWN OF AVON, CONNECTICUT**

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

	<b>Pension Trust Funds</b>					<b>Total Pension Trust Funds</b>
	<b>Police</b>	<b>Public Works</b>	<b>Non- Organized</b>	<b>Board of Education</b>	<b>Dispatchers</b>	
Additions:						
Contributions:						
Employer	\$ 894,260	\$ 322,597	\$ 731,670	\$ 283,000	\$ 18,335	\$ 2,249,862
Plan members	26,328	10,522	248,030	269,513		554,393
Total contributions	<u>920,588</u>	<u>333,119</u>	<u>979,700</u>	<u>552,513</u>	<u>18,335</u>	<u>2,804,255</u>
Investment income:						
Net appreciation in fair value of investments	967,735	272,884	1,080,373	443,082	64,036	2,828,110
Interest and dividends	154,297	41,036	174,932	124,239	9,578	504,082
Total investment income	<u>1,122,032</u>	<u>313,920</u>	<u>1,255,305</u>	<u>567,321</u>	<u>73,614</u>	<u>3,332,192</u>
Less investment expenses	<u>5,599</u>	<u>1,698</u>	<u>6,746</u>	<u>12,199</u>	<u>259</u>	<u>26,501</u>
Net investment income	<u>1,116,433</u>	<u>312,222</u>	<u>1,248,559</u>	<u>555,122</u>	<u>73,355</u>	<u>3,305,691</u>
Total additions	<u>2,037,021</u>	<u>645,341</u>	<u>2,228,259</u>	<u>1,107,635</u>	<u>91,690</u>	<u>6,109,946</u>
Deductions:						
Benefits	1,579,966	618,434	1,105,804	328,396	71,940	3,704,540
Administration	2,491	1,981	3,879	4,578	177	13,106
Total deductions	<u>1,582,457</u>	<u>620,415</u>	<u>1,109,683</u>	<u>332,974</u>	<u>72,117</u>	<u>3,717,646</u>
Net change in net assets	454,564	24,926	1,118,576	774,661	19,573	2,392,300
Net assets at beginning of year	<u>6,076,509</u>	<u>1,699,453</u>	<u>6,556,524</u>	<u>3,571,243</u>	<u>404,767</u>	<u>18,308,496</u>
Net Assets at End of Year	<u>\$ 6,531,073</u>	<u>\$ 1,724,379</u>	<u>\$ 7,675,100</u>	<u>\$ 4,345,904</u>	<u>\$ 424,340</u>	<u>\$ 20,700,796</u>

**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 a third-party vendor. 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.

## TOWN OF AVON, CONNECTICUT

### NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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#### 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, 2011 were \$23,541 and \$430,018, 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 \$23,541 and \$430,018, respectively.

#### **C. State Teachers Retirement - On-Behalf Payments**

Teachers participate in a contributory defined-benefit plan established under Chapter 167a of the Connecticut General Statutes and administered by the Connecticut State Teachers' Retirement Board. Full-time certified teachers are vested in the system after ten years of service in this state.

All certified teachers are eligible to participate in the plan and are required to contribute 7.25% of their annual earnings. The Board of Education does not contribute to the plan. Prior to July 1, 1989, teachers were vested in their contributions up to 5% of their earnings prior to five years of service. After five years of service, teachers were fully vested in their own contributions. After 10 years of service, teachers are fully vested and entitled to a monthly pension benefit that is payable at the age of 60. The State of Connecticut contributes amounts based on the actuarial reserve basis described in C.G.S. Sections 10-183b(7). For the year ended June 30, 2011, teachers of the Town contributed \$1,684,543 to the plan, and covered payroll for the year was \$23,235,076. The State's contribution to the plan on behalf of the Town for the fiscal year ended June 30, 2011 was \$3,693,466 and is recognized in the governmental funds GAAP-basis income statement.

**TOWN OF AVON, CONNECTICUT**

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

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**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**

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.

At July 1, 2010, plan membership consisted of the following:

	<b>Other Post-Employment Benefits Program</b>	
	<b>Town</b>	<b>Board of Education</b>
Retired members	69	34
Spouses of retired members	43	23
Active plan members	81	377
Total Participants	<u>193</u>	<u>434</u>

**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 OF AVON, CONNECTICUT**

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

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**Town Employees**

<u>2010-2011 Monthly COBRA Premiums</u>	<u>Employee</u>	<u>Spouse</u>
Medical - Groups 046, 047 Pre 65	\$ 619.19	\$ 710.36
Medical - Groups 046, 047 Post 65	553.05	634.46
Medical - Group 023 Post 65	404.77	404.77
Dental - All Groups	47.18	66.75

**Board of Education Employees**

<u>2010-2011 Monthly COBRA Premiums</u>	<u>Employee</u>	<u>Spouse</u>
Medical	\$ 532.08	\$ 576.70
Dental	49.92	70.63

For the year ended June 30, 2011, 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 \$1,754,000 were made in accordance with actuarially determined requirements, including \$350,000 to fund future benefits.

The Town has assigned a portion of general fund fund balance to fund these benefits in the future. Net assets available for future benefits at June 30, 2011 were \$1,083,383. The Town plans on transferring these monies into the OPEB Trust Fund in the future.

**TOWN OF AVON, CONNECTICUT**

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

**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:

	<b>Other Post-Employment Benefits Program</b>	
	<b>Town</b>	<b>Board of Education</b>
Annual required contribution (ARC)	\$ 1,389,000	\$ 825,000
Interest on net OPEB obligation	34,480	68,045
Adjustment to annual required contribution	<u>(31,069)</u>	<u>(61,311)</u>
Annual OPEB cost (expense)	1,392,411	831,734
Contributions made	<u>1,040,000</u>	<u>714,000</u>
Increase in net OPEB obligation	352,411	117,734
Net OPEB obligation, beginning of year	<u>431,000</u>	<u>850,546</u>
Net OPEB Obligation, End of Year	<u>\$ 783,411</u>	<u>\$ 968,280</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, 2011 is presented below:

<b>Fiscal Year Ended</b>	<b>Annual OPEB Cost (AOC)</b>	<b>Actual Contribution</b>	<b>Percentage of AOC Contributed</b>	<b>Net OPEB Obligation (Asset)</b>
<b>Town</b>				
6/30/2009	\$ 1,233,000	\$ 1,233,000	100.0%	\$ -
6/30/2010	1,294,000	863,000	66.7%	431,000
6/30/2011	1,392,411	1,040,000	74.7%	783,411
<b>Board of Education</b>				
6/30/2009	\$ 1,052,000	\$ 628,000	59.7%	\$ 424,000
6/30/2010	1,090,546	664,000	60.9%	850,546
6/30/2011	831,734	714,000	85.8%	968,280

## TOWN OF AVON, CONNECTICUT

### NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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As of July 1, 2010, the most recent actuarial valuation date, the plan was 3.7% funded. The actuarial accrued liability for benefits was \$24,082,000 (\$17,238,000 Town and \$6,844,000 BOE) and the actuarial value of assets was \$893,000, resulting in an unfunded actuarial accrued liability (UAAL) of \$23,189,000. The covered payroll (annual payroll of active employees covered by the plan) was not available.

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, 2010 actuarial valuation, the projected unit credit actuarial cost method was used. The actuarial assumptions include an 8% 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 4.5% after 52 years. Projected salary increases were 3.5%. 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, 2011 was 25 years.

## 6. 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 (CONTINUED)**

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:

	<b>Balance</b>		<b>Current</b>		<b>Balance</b>
	<b>July 1</b>		<b>Year Claims</b>		<b>June 30</b>
	<b>July 1</b>		<b>and Changes</b>	<b>Claims</b>	
	<b>July 1</b>		<b>in Estimates</b>	<b>Payments</b>	<b>June 30</b>
Medical Claims Fund:					
2010-2011	\$ 406,190	\$	7,223,009	\$ 7,084,720	\$ 544,479
2009-2010	479,148		7,184,379	7,257,337	406,190

**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 (CONTINUED)

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#### **D. Subsequent Events**

##### **Storm Alfred**

On Saturday, November 5, 2011, the Town issued an emergency Invitation for Bid (IFB) to firms specializing in storm-debris management. This was to assist with the estimated 100,000 cubic yards of storm debris strewn throughout the community by Winter Storm Alfred that occurred on October 29, 2011. Our IFB was developed based on guidance from FEMA, and was reviewed by Murtha Cullina.

Pursuant to Charter Section 9.5.1(g), the Town Council and Board of Finance could approve emergency appropriations up to 4% of the current year tax levy (\$2,643,822 in Fiscal Year 2011-2012). On November 9, 2011, the Town Council and Board of Finance approved emergency appropriations in the amount of \$1,476,190. The Town Council authorized the Town Manager to execute a contract with Michael's Tree & Loader Services for storm debris removal. An additional appropriation of \$850,000 was approved on November 23, 2011 to complete the storm debris removal work, and brought the total emergency appropriation for the Winter Storm Alfred work to \$2,326,190; up to 75% of which is anticipated to qualify for reimbursement under FEMA.

The Town decided to collect storm related debris in Secret Lake and Lakeview, and along non-association private roadways. This was not part of the original bidding process or budget estimate. This expansion of scope was responsible for some of the revised cost estimates included in the \$850,000 additional appropriation. State-maintained roadways (Routes 10, 44, 167, 177, and 202) had storm debris collected by AshBritt (the State of Connecticut's contractor).

##### **Bond Issuance**

On November 1, 2011, the Town issued \$7,000,000 of general obligation bond anticipation notes to temporarily finance the design and construction of renovations, additions, and improvements to the Avon Free Public Library, in anticipation of issuance of general obligation bonds to permanently finance these activities. The notes bear interest of 1.5% and mature on October 30, 2012.

#### **7. PRIOR PERIOD ADJUSTMENTS**

During the year, the Town implemented GASB Statement No. 54. This required the Town to review its special revenue funds and determine if they have a revenue source that is restricted or committed for a specific purpose. This revenue source also needs to constitute a substantial portion of the resources in the fund. As a result, one special revenue fund did not meet those requirements and is now reported as part of the General Fund.

**TOWN OF AVON, CONNECTICUT**

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

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The beginning fund balances for the following funds were restated as follows:

	<u>General Fund</u>	<u>Postemployment Healthcare Fund</u>
Balance June 30, 2010	\$ 5,100,539	\$ 1,140,091
Reclassify to General Fund	<u>1,140,091</u>	<u>(1,140,091)</u>
Restated Fund Balance, July 1, 2010	\$ <u>6,240,630</u>	\$ <u>-</u>

## TOWN OF AVON, CONNECTICUT

## REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF FUNDING PROGRESS  
AVON RETIREMENT SYSTEM

JUNE 30, 2011

<b>Police</b>						
<b>Actuarial Valuation Date</b>	<b>Actuarial Value of Assets</b>	<b>Actuarially Accrued Liability (AAL) Projected Unit Credit</b>	<b>Under Funded AAL</b>	<b>Funded AAL Ratio</b>	<b>Covered Payroll</b>	<b>Under Funded AAL as a Percentage of Covered Payroll</b>
January 1,						
2004	\$ 8,570,406	\$ 13,548,473	\$ (4,978,067)	63.3%	\$ 1,450,828	(343.1)%
2005	9,591,824	13,897,698	(4,305,874)	69.0%	1,306,158	(329.7)%
2006	9,713,517	14,516,980	(4,803,463)	66.9%	1,081,533	(444.1)%
2007	9,809,097	16,332,911	(6,523,814)	60.1%	877,531	(743.4)%
July 1,						
2008	9,531,801	17,747,165	(8,215,364)	53.7%	784,302	(1047.5)%
2009	8,771,018	18,279,098	(9,508,080)	48.0%	560,064	(1697.7)%
<b>Public Works</b>						
<b>Actuarial Valuation Date</b>	<b>Actuarial Value of Assets</b>	<b>Actuarially Accrued Liability (AAL) Projected Unit Credit</b>	<b>Under Funded AAL</b>	<b>Funded AAL Ratio</b>	<b>Covered Payroll</b>	<b>Under Funded AAL as a Percentage of Covered Payroll</b>
January 1,						
2004	\$ 1,901,704	\$ 3,930,724	\$ (2,029,020)	48.4%	\$ 573,530	(353.8)%
2005	2,217,515	4,051,406	(1,833,891)	54.7%	542,871	(337.8)%
2006	2,351,521	4,397,134	(2,045,613)	53.5%	611,625	(334.5)%
2007	2,572,578	5,196,224	(2,623,646)	49.5%	568,978	(461.1)%
2008	2,859,985	5,611,114	(2,751,129)	51.0%	321,026	(857.0)%
2009	2,519,123	5,878,996	(3,359,873)	42.8%	276,889	(1213.4)%
<b>Nonorganized</b>						
<b>Actuarial Valuation Date</b>	<b>Actuarial Value of Assets</b>	<b>Actuarially Accrued Liability (AAL) Projected Unit Credit</b>	<b>Under Funded AAL</b>	<b>Funded AAL Ratio</b>	<b>Covered Payroll</b>	<b>Under Funded AAL as a Percentage of Covered Payroll</b>
January 1,						
2004	\$ 5,710,713	\$ 9,166,831	\$ (3,456,118)	62.3%	\$ 1,914,087	(180.6)%
2005	6,686,654	9,807,260	(3,120,606)	68.2%	1,878,045	(166.2)%
2006	7,311,314	10,593,831	(3,282,517)	69.0%	1,708,965	(192.1)%
2007	7,830,949	12,266,859	(4,435,910)	63.8%	1,726,076	(257.0)%
July 1,						
2008	8,496,758	14,118,092	(5,621,334)	60.2%	1,660,858	(338.5)%
2009	8,403,336	14,919,613	(6,516,277)	56.3%	1,582,583	(411.7)%

(Continued on next page)

## TOWN OF AVON, CONNECTICUT

## REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF FUNDING PROGRESS (CONTINUED)  
AVON RETIREMENT SYSTEM

JUNE 30, 2011

## Board of Education

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets</u>	<u>Actuarially Accrued Liability (AAL) Projected Unit Credit</u>	<u>Over (Under) Funded AAL</u>	<u>Funded AAL Ratio</u>	<u>Covered Payroll</u>	<u>Over/Under Funded AAL as a Percentage of Covered Payroll</u>
January 1,						
2004	\$ 2,416,425	\$ 2,529,991	\$ (113,566)	95.5%	\$ 1,671,965	(6.8)%
2005	2,599,242	2,516,806	82,436	103.3%	2,147,958	3.8%
2006	2,742,769	3,105,729	(362,960)	88.3%	2,506,058	(14.5)%
2007	3,076,069	3,663,003	(586,934)	84.0%	3,132,908	(18.7)%
2008	3,477,901	3,983,460	(505,559)	87.3%	3,485,158	(14.5)%
July 1,						
2009	3,687,949	4,728,413	(1,040,464)	78.0%	3,754,830	(27.7)%

## Dispatchers

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets</u>	<u>Actuarially Accrued Liability (AAL) Projected Unit Credit</u>	<u>Under Funded AAL</u>	<u>Funded AAL Ratio</u>	<u>Covered Payroll</u>	<u>Under Funded AAL as a Percentage of Covered Payroll</u>
January 1,						
2004	\$ 421,699	\$ 697,007	\$ (275,308)	60.5%	\$ 109,766	(250.8)%
2005	497,371	617,946	(120,575)	80.5%	114,956	(104.9)%
2006	529,549	652,940	(123,391)	81.1%	57,492	(214.6)%
2007	560,893	677,069	(116,176)	82.8%	54,317	(213.9)%
July 1,						
2008	584,157	724,297	(140,140)	80.7%	58,302	(240.4)%
2009	564,378	745,179	(180,801)	75.7%	62,266	(290.4)%

## TOWN OF AVON, CONNECTICUT

## REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF FUNDING PROGRESS  
OTHER POST EMPLOYMENT BENEFITS PROGRAM

JUNE 30, 2011

## Town

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets</u>	<u>Actuarially Accrued Liability (AAL)</u>	<u>(Under) Funded AAL</u>	<u>Funded AAL Ratio</u>	<u>Covered Payroll</u>	<u>Under Funded AAL as a Percentage of Covered Payroll</u>
7/1/2008	\$ -	\$ 14,353,000	\$ (14,353,000)	0.0%	\$ N/A	N/A
7/1/2010	893,000	17,238,000	(16,345,000)	5.2%	N/A	N/A

## Board of Education

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets</u>	<u>Actuarially Accrued Liability (AAL) Projected Unit Credit</u>	<u>Under Funded AAL</u>	<u>Funded AAL Ratio</u>	<u>Covered Payroll</u>	<u>Under Funded AAL as a Percentage of Covered Payroll</u>
7/1/2008	\$ -	\$ 10,164,000	\$ (10,164,000)	0.0%	\$ N/A	N/A
7/1/2010	-	6,844,000	(6,844,000)	0.0%	N/A	N/A

N/A - Covered payroll is not available

## **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 successful bidder 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 successful bidder.

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 \$7,100,000 General Obligation Bonds, Issue of 2012, dated as of October 30, 2012.

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 The Bank of New York Mellon Trust Company, N.A.; 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. The representations and agreements also provide that the Bonds are designated or deemed designated as "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.

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; (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; and (3) the Bonds are "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.

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 Town's Tax Compliance Agreement will contain certain representations and covenants to ensure that the Bonds will 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 Bonds having original issue premium, and especially any owner who is not an original owner of a bond who bought the bond at its initial public offering price, should consult their tax advisors with respect to the Federal and state income tax consequences of the disposition of such Bonds.

## **GENERAL.**

Bond Counsel has not undertaken to advise in the future whether any events after the date of issuance of the Bonds may affect the tax status of interest on the Bonds. Legislation affecting municipal bonds is regularly under consideration by the United States Congress. For example, on September 13, 2011, S.B. 1549, the "American Jobs Act of 2011" (the "Jobs Act"), was introduced into the United States Senate, which legislation, if enacted as introduced, would have subjected to federal income taxation a portion of the interest on all tax-exempt bonds (including the Bonds) received for taxable years beginning on or after January 1, 2013 by certain individuals with incomes above specified limits. The Jobs Act was not enacted; however, on February 13, 2012, President Obama released his fiscal 2013 Federal budget request, which includes a proposal to cap at 28% the value of tax preferences, including tax-exempt interest for municipal bonds. No assurance can be given that Federal legislation enacted or proposed after the date of issuance of the Bonds will not have an adverse effect on the tax-exempt status or market price of the Bonds or will not change the effect of other Federal tax law consequences 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 affecting municipal bonds.

The information above does not purport to deal with all aspects of Federal or State of Connecticut taxation that may be relevant to a particular owner of the 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 October 30, 2012 by the Town of Avon, Connecticut (the "Issuer") acting by its undersigned officers, duly authorized, in connection with the issuance of \$7,100,000 General Obligation Bonds, Issue of 2012, dated as of October 30, 2012 (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 October 16, 2012 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, 2012) 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:

- (1) amounts of the gross and the net taxable grand list applicable to the fiscal year,
- (2) listing of the ten largest taxpayers on the applicable grand list, together with each such taxpayer's taxable valuation thereon,

- (3) percentage of the annual property tax levy uncollected as of the close of the fiscal year,
- (4) schedule of annual debt service on outstanding long-term bonded indebtedness as of the close of the fiscal year,
- (5) 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,
- (6) total direct debt, total net direct debt and total overall net debt of the Issuer per capita,
- (7) 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,
- (8) statement of statutory debt limitation as of the close of the fiscal year, and
- (9) funding status of the Issuer's pension benefit obligation.

(b) The financial information and operating data described above will be provided on or before the date eight months after the close of the fiscal year for which such information is being provided. The Issuer's fiscal year currently ends on June 30.

(c) Annual financial information and operating data may be provided in whole or in part by cross-reference to other documents 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.

#### **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.**

(o) 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.

(p) 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.

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

(r) 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.

(s) 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