The "Event" popup menu is used to choose the event type. An AppleScript event supports only one event type: the "Subroutine" event. This event calls a subroutine in an AppleScript applet. The event also sends the input value received from the predecessors of the event as a parameter to this subroutine.

If you want the result value of the subroutine (if there are one) to be passed on to the successors of the event, be sure to check the "Expect script reply" option checkbox. Otherwise the event will just pass on zero.