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Independent Auditors' Report

Board of Finance
Town of Madison
Madison, 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 Madison, Connecticut, as of and for the year ended June 30, 2009, which collectively comprise the Town's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Town's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the aggregate remaining fund information of the Town of Madison, Connecticut, as of June 30, 2009 and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 14, 2009 on our consideration of the Town's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in conjunction with this report in considering the results of our audit.

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Blum, Shapiro & Company, P.C.

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Management's discussion and analysis on pages 3 through 10 and budgetary comparison information on pages 42 through 45 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town's basic financial statements. The combining and individual nonmajor fund financial statements and schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual nonmajor fund financial statements and schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Blum, Shapiro & Company, P.C.

December 14, 2009

TOWN OF MADISON, CONNECTICUT

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED JUNE 30, 2009

This discussion and analysis of the Town of Madison, Connecticut's (the Town) financial performance is provided by management to provide an overview of the Town's financial activities for the fiscal year ended June 30, 2009. Please read this MD&A in conjunction with the Town's financial statements, Exhibits I to IX.

FINANCIAL HIGHLIGHTS

- Net assets of our governmental activities increased by \$3.9 million, or nearly 4.9%.
- During the year, the Town had expenses that were \$3.9 million less than the \$74.7 million generated in tax and other revenues for governmental programs.
- Total cost of all of the Town's programs was \$70.9 million with no new programs added this year.
- The General Fund reported a fund balance this year of \$8.9 million.
- The resources available for appropriation were \$991 thousand more than budgeted for the General Fund. Expenditures were kept within spending limits.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

Government-Wide Financial Statements

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

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

In the statement of net assets and the statement of activities, the Town reports its activities:

- *Governmental Activities* - The Town's basic services are reported here, including general government, public safety, public works, land and building administration, health and welfare, beach and recreation, library and education. Property taxes, charges for services, and state and federal grants finance most of these activities.

Fund Financial Statements

The fund financial statements begin with Exhibit III and provide detailed information about the most significant funds - not the Town as a whole. Some funds are required to be established by Charter. However, the Board of Finance establishes many other funds to help control and manage financial activities for particular purposes (like the LOCAP Program to provide maintenance of existing buildings and capital projects funds that provide funding for major purchases of emergency equipment and major roads in lieu of bonding) or to show that it is meeting legal responsibilities for using grants and other money (like grants received for education from the State and Federal governments). The Board of Finance also approved regulations regarding fund balance and debt service. The Town's funds are divided into three categories: governmental, proprietary and fiduciary.

- *Governmental Funds (Exhibits III and IV)* - Most of the Town's basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the Town's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the Town's programs. The relationship (or differences) between governmental activities (reported in the statement of net assets and the statement of activities) and governmental funds is described in a reconciliation included with the fund financial statements.
- *Proprietary Funds (Exhibits V through VII)* - When the Town charges customers for the services it provides, whether to outside customers or to other units of the Town, these services are generally reported in proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the statement of net assets and the statement of activities. Internal service funds (the component of proprietary funds) are used to report activities that provide supplies and services for the Town's other programs and activities - such as the Town's Health Internal Service Fund.
- *Fiduciary Funds (Exhibits VIII and IX)* - The Town is the trustee, or fiduciary, for its employees' pension plans. All of the Town's fiduciary activities are reported in separate statements of fiduciary net assets and changes in fiduciary net assets. These activities are excluded from the Town's other financial statements because the Town cannot use these assets to finance its operations. The Town is responsible for ensuring that the assets reported in these funds are used for their intended purposes.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

The Town's combined net assets increased by 4.9% from a year ago from \$79.2 million to \$83.0 million. The analysis below focuses on the net assets (Table 1) and changes in net assets (Table 2) of the Town's governmental activities.

**TABLE 1
NET ASSETS**

	Governmental Activities	
	2009	2008
Current and other assets	\$ 24,937,217	\$ 22,146,570
Capital assets, net of accumulated depreciation	106,969,944	106,986,795
Total assets	<u>131,907,161</u>	<u>129,133,365</u>
Long-term debt outstanding	43,115,029	45,782,409
Other liabilities	5,775,345	4,189,618
Total liabilities	<u>48,890,374</u>	<u>49,972,027</u>
Net Assets:		
Invested in capital assets, net of debt	71,713,841	68,961,192
Restricted	764,593	765,206
Unrestricted	<u>10,538,353</u>	<u>9,434,940</u>
Total Net Assets	<u>\$ 83,016,787</u>	<u>\$ 79,161,338</u>

Unrestricted net assets - the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements increased by \$1.1 million over the last year.

**TABLE 2
CHANGES IN NET ASSETS**

	Governmental Activities	
	<u>2009</u>	<u>2008</u>
Revenues:		
Program revenues:		
Charges for services	\$ 3,471,502	\$ 5,768,018
Operating grants and contributions	7,756,271	16,523,790
Capital grants and contributions	43,795	249,271
General revenues:		
Property taxes	60,765,330	57,245,792
Grants and contributions not restricted to specific purposes	1,016,587	1,074,108
Unrestricted investment earnings	1,255,957	993,644
Other general revenues	433,129	71,794
Total revenues	<u>74,742,571</u>	<u>81,926,417</u>
 Program expenses:		
General government	2,576,317	2,568,737
Public safety	5,993,677	7,877,986
Public works	4,493,356	3,704,364
Land and building administration	584,330	534,950
Health and welfare	1,638,968	1,421,261
Beach and recreation	1,358,271	1,429,226
Education	51,368,482	61,121,227
Library	1,404,382	1,376,430
Debt service	1,469,339	1,258,025
Total program expenses	<u>70,887,122</u>	<u>81,292,206</u>
 Increase in Net Assets	 <u>\$ 3,855,449</u>	 <u>\$ 634,211</u>

The Town's total revenues were \$74.7 million. The total cost of all programs and services was \$70.9 million. Our analysis below separately considers the operations of governmental activities.

Governmental Activities

The increase in the Town's net assets resulted mainly from the retirement of \$3.3 million in debt.

Table 3 presents the cost of each of the Town's four largest programs - general government, public safety, public works and education - as well as each program's net cost (total cost less revenues generated by the activities). The net cost shows the financial burden that was placed on the Town's taxpayers by each of these functions.

**TABLE 3
GOVERNMENTAL ACTIVITIES**

	<u>Total Cost of Services</u>		<u>Net Cost of Services</u>	
	<u>2009</u>	<u>2008</u>	<u>2009</u>	<u>2008</u>
General government	\$ 2,576,317	\$ 2,563,858	\$ 1,530,509	\$ 1,160,177
Public safety	5,993,677	7,628,104	5,872,488	7,485,245
Public works	4,493,356	3,697,327	4,324,894	3,452,866
Education	51,368,482	61,121,227	43,133,561	42,114,966
Other	<u>6,455,290</u>	<u>6,281,690</u>	<u>3,424,877</u>	<u>4,537,873</u>
Total	<u>\$ 70,887,122</u>	<u>\$ 81,292,206</u>	<u>\$ 58,286,329</u>	<u>\$ 58,751,127</u>

TOWN FUNDS FINANCIAL ANALYSIS

Governmental Funds

As the Town completed the year, its governmental funds (as presented in the balance sheet - Exhibit III) reported a combined fund balance of \$15.8 million, which is an increase from last year's total of \$15.3 million. Included in this year's total change in fund balance is an increase in the Town's General Fund fund balance of \$572 thousand. The primary reasons for the General Fund's increase mirrors the governmental activities analysis highlighted in Exhibit IV. There were no new general obligation bonds issued during the year, while \$2,710,000 in bonds were retired. The bonds are reflected as other financing sources or revenue in the governmental funds.

Proprietary Funds

The internal service funds' net assets increased by \$784 thousand this year due to a decrease in medical claims.

General Fund Budgetary Highlights

General property taxes and assessments - property tax revenue was \$598,343 higher than budgeted due to payments and interest on back taxes and a collection rate that exceeded 98.5%. Despite the economic down turn and reduced interest rates with State of Connecticut Short Term investments, interest revenue was \$313,896 more than budgeted due to long-term investment opportunities. Intergovernmental grant revenues remained flat with the exception of funding received in the amount of \$45,024 Heating Assistant Grant to heat District School Buildings on a per pupil basis and the final payment of \$68,861 to close out the Daniel Hand High Schools School Building project upon completion of the audit. Departmental revenues for the Town Clerk which include Document Fees and Real Estate Conveyance Tax were \$245,126, lower than anticipated due to the drop in housing sales and an unfavorable economic climate. The economy had sufficient impact on Building permits which were \$110,874 lower than anticipated due to decreased building activity. Beach and recreation revenue held its own due to increased facilities including parking stickers for vehicles and the elimination of guest passes. This system also allows free access for walkers and bikers. Residents and folks from out of Town are allowed to purchase daily passes at the Surf Club.

At the recommendation of the First Selectmen, Town Departments made a concerted effort to curtail expenditures to offset the required special appropriate to fund legal expenses. Almost all departments contributed to the positive variance recognized for expenditures totaling \$886,898. Major special appropriations during the year included \$495,000 for legal expenditures, a large portion related to the Police Department and Revaluation appeals; \$86,000 for prior year tax refunds and \$75,000 for snow removal.

The Town's General Fund balance of \$8.9 million reported on Exhibit III differs from the General Fund's budgetary fund balance of \$8.3 million reported in the budgetary comparison in the required supplementary information. This is principally because budgetary fund balance includes approximately \$552 thousand of outstanding encumbrances at year end which are reported as expenditures for budgetary purposes.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2009, the Town had \$106.9 million invested in a broad range of capital assets, including land, buildings, park facilities, vehicles and equipment, roads, bridges, and water and storm sewers - Table 4.

**TABLE 4
CAPITAL ASSETS AT YEAR END (Net of Depreciation) (In millions)**

	Governmental Activities	
	2009	2008
Land	\$ 11.6	\$ 11.6
Buildings and improvements	74.9	75.1
Equipment and vehicles	3.6	3.8
Infrastructure	<u>16.8</u>	<u>16.4</u>
Total	<u>\$ 106.9</u>	<u>\$ 106.9</u>

Additional information on the Town's capital assets can be found in Note 5 of this report.

This year's major additions included (in millions):

Communication Equipment	\$.1
Railroad Avenue	.6
School Roof and Window	1.0

The Town's fiscal year 2009-2010 capital budget includes \$762,000 for capital projects, including \$270,000 for Highway and \$385,000 for updating fire, safety and communications. In addition, the Town continues to fund the Long Term Capital Maintenance Projects currently at \$1,124,864 and Planned and Cycles Maintenance for the Town and Madison Public Schools at \$337,938.

Long-Term Debt

At June 30, 2009 the Town had \$35.0 million in bonds outstanding versus \$37.7 million last year - a decrease of 7.0% - as shown in Table 5.

**TABLE 5
OUTSTANDING DEBT, AT YEAR-END (In millions)**

	Governmental Activities	
	2009	2008
General Obligation Bonds (Backed by the Town)	\$ <u>35.0</u>	\$ <u>37.7</u>

The Town’s general obligation bond rating continues to carry an Aa1 and AAA rating from Moodys & Fitch rating agencies, respectively. These ratings have been assigned by these national rating agencies to the Town’s debt since July 2001. The State limits the amount of general obligation debt that cities can issue based on formula determined under State Statutes based on type of debt and tax base. The Town’s outstanding general obligation debt is significantly below this \$426 million state-imposed limit.

ECONOMIC FACTORS AND NEXT YEAR’S BUDGETS AND RATES

The Town’s elected and appointed officials considered many factors when setting the fiscal year 2009-2010 budget tax rates which include continuance of the existing staffing profile and programs; however, no additional staff or programs were added for the Town or Board of Education. One of those factors is the economy. The Towns employment growth has remained stable for the past 7 years. Unemployment in the Town continues to stand below the State’s unemployment rate of 8.0% .

The Town has developed a long-range financial plan to assist in developing future budgets.

CONTACTING THE TOWN’S FINANCIAL MANAGEMENT

This financial report is designed to provide citizens, taxpayers, customers, investors and creditors with a general overview of the Town’s finances and to show the Town’s accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Finance Department, Town of Madison, 8 Campus Drive, Madison, Connecticut 06443.

TOWN OF MADISON, CONNECTICUT

STATEMENT OF NET ASSETS

JUNE 30, 2009

	Primary Governmental Activities
	<u> </u>
Assets:	
Cash and cash equivalents	\$ 12,186,759
Investments	10,998,538
Receivables, net	1,352,016
Due from fiduciary funds	14,666
Inventory	21,224
Net pension asset	364,014
Capital assets:	
Capital assets not being depreciated	11,635,276
Capital assets being depreciated, net	95,334,668
Total assets	<u>131,907,161</u>
Liabilities:	
Accounts and other payables	1,628,937
Due to fiduciary funds	3,181
Unearned revenue	4,143,227
Noncurrent liabilities:	
Due within one year	3,962,553
Due in more than one year	39,152,476
Total liabilities	<u>48,890,374</u>
Net Assets:	
Invested in capital assets, net of related debt	71,713,841
Restricted for:	
Trust purposes:	
Expendable	27,280
Nonexpendable	737,313
Unrestricted	<u>10,538,353</u>
Total Net Assets	<u>\$ 83,016,787</u>

The accompanying notes are an integral part of the financial statements

TOWN OF MADISON, CONNECTICUT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2009

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>			<u>Net (Expense) Revenue And Changes In Net Assets</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Governmental Activities</u>
Governmental activities:					
General government	\$ 2,576,317	\$ 802,233	\$ 243,575	\$	\$ (1,530,509)
Public safety	5,993,677	77,401	43,788	\$	(5,872,488)
Public works	4,493,356	7,871	160,591		(4,324,894)
Land and building administration	584,330	360,925			(223,405)
Health and welfare	1,638,968	75,739	79,139		(1,484,090)
Beach and recreation	1,358,271	1,171,646			(186,625)
Education	51,368,482	975,687	7,215,439	43,795	(43,133,561)
Library	1,404,382				(1,404,382)
Interest on long-term debt	1,469,339		13,739		(1,455,600)
Total	<u>\$ 70,887,122</u>	<u>\$ 3,471,502</u>	<u>\$ 7,756,271</u>	<u>\$ 43,795</u>	<u>(59,615,554)</u>
General revenues:					
Property taxes					60,765,330
Grants and contributions not restricted to specific programs					1,016,587
Unrestricted investment earnings					1,255,957
Miscellaneous					433,129
Total general revenues					<u>63,471,003</u>
Change in net assets					3,855,449
Net Assets, July 1, 2008					<u>79,161,338</u>
Net Assets, June 30, 2009					<u>\$ 83,016,787</u>

TOWN OF MADISON, CONNECTICUT

BALANCE SHEET - GOVERNMENTAL FUNDS

JUNE 30, 2009

	<u>General</u>	<u>Capital Projects</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS				
Cash and cash equivalents	\$ 6,564,615	\$ 997,000	\$ 1,860,823	\$ 9,422,438
Investments	10,998,538			10,998,538
Receivables, net	750,681		12,592	763,273
Due from other funds	491,628	4,455,212	157,626	5,104,466
Due from other governments	259,691	52,087	53,313	365,091
Inventory			21,224	21,224
Total Assets	<u>\$ 19,065,153</u>	<u>\$ 5,504,299</u>	<u>\$ 2,105,578</u>	<u>\$ 26,675,030</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts and other payables	\$ 612,706	\$ 106,657	\$ 100,304	\$ 819,667
Due to other funds	4,616,580		476,962	5,093,542
Due to other governments			2,818	2,818
Deferred revenue	4,966,430		41,524	5,007,954
Total liabilities	<u>10,195,716</u>	<u>106,657</u>	<u>621,608</u>	<u>10,923,981</u>
Fund Balances:				
Reserved	552,345	804,961	766,287	2,123,593
Unreserved, reported in:				
General Fund	8,317,092			8,317,092
Special Revenue Funds			717,683	717,683
Capital Project Funds		4,592,681		4,592,681
Total fund balances	<u>8,869,437</u>	<u>5,397,642</u>	<u>1,483,970</u>	<u>15,751,049</u>
Total Liabilities and Fund Balances	<u>\$ 19,065,153</u>	<u>\$ 5,504,299</u>	<u>\$ 2,105,578</u>	<u>\$ 26,675,030</u>

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TOWN OF MADISON, CONNECTICUT

BALANCE SHEET - GOVERNMENTAL FUNDS (CONTINUED)

JUNE 30, 2009

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

Amounts reported for governmental activities in the statement of net assets (Exhibit I) are
different because of the following:

Fund balances - total governmental funds	\$ 15,751,049
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Capital assets used in governmental activities are not financial
resources and, therefore, are not reported in the funds:

Governmental capital assets	\$ 143,425,955	
Less accumulated depreciation	<u>(36,456,011)</u>	
Net capital assets		106,969,944

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

Net pension asset	364,014
Property tax receivables greater than 60 days	597,020
Interest receivable on property taxes	175,152
Assessments receivable	56,516
Receivable from the state for school construction projects	259,691

Internal service funds are used by management to charge the costs of
risk management to individual funds. The assets and liabilities of
the internal service funds are reported with governmental activities
in the statement of net assets.

2,224,766

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

Bonds and notes payable	(35,348,712)
Interest payable on bonds and notes	(266,336)
Compensated absences	(2,677,355)
Net other post-employment benefits payable	(624,000)
Heart and hypertension	(2,112,495)
Deferred charges on refunding	92,609
Termination benefits	<u>(2,445,076)</u>

Net Assets of Governmental Activities (Exhibit I)	\$ <u>83,016,787</u>
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The accompanying notes are an integral part of the financial statements

TOWN OF MADISON, CONNECTICUT

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

FOR THE YEAR ENDED JUNE 30, 2009

	<u>General</u>	<u>Capital Projects</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues:				
Property taxes	\$ 60,749,964	\$	\$	\$ 60,749,964
Intergovernmental	7,376,662	23,643	1,587,804	8,988,109
Charges for services	1,530,402	65,000	1,875,565	3,470,967
Income on investments	1,232,120		23,837	1,255,957
Miscellaneous		134,955	174,407	309,362
Total revenues	<u>70,889,148</u>	<u>223,598</u>	<u>3,661,613</u>	<u>74,774,359</u>
Expenditures:				
Current:				
General government	1,864,092		6,016	1,870,108
Public safety	4,131,202		24,896	4,156,098
Public works	2,776,229		236,749	3,012,978
Land and building administration	432,348			432,348
Health and welfare	1,028,710		188,853	1,217,563
Beach and recreation	437,041		704,780	1,141,821
Education	48,244,440	197,057	2,183,951	50,625,448
Library	1,186,960			1,186,960
Insurance, employee benefits and miscellaneous	3,301,920	355,448	293,216	3,950,584
Capital outlay	157,297	2,352,445		2,509,742
Debt service	4,263,514			4,263,514
Total expenditures	<u>67,823,753</u>	<u>2,904,950</u>	<u>3,638,461</u>	<u>74,367,164</u>
Excess (Deficiency) of Revenues over Expenditures	<u>3,065,395</u>	<u>(2,681,352)</u>	<u>23,152</u>	<u>407,195</u>
Other Financing Sources (Uses):				
Transfers in	207,962	2,735,902		2,943,864
Transfers out	(2,700,902)	(68,862)	(174,100)	(2,943,864)
Total other financing sources (uses)	<u>(2,492,940)</u>	<u>2,667,040</u>	<u>(174,100)</u>	<u>-</u>
Net Change in Fund Balances	572,455	(14,312)	(150,948)	407,195
Fund Balance, July 1, 2008	<u>8,296,982</u>	<u>5,411,954</u>	<u>1,634,918</u>	<u>15,343,854</u>
Fund Balance, June 30, 2009	<u>\$ 8,869,437</u>	<u>\$ 5,397,642</u>	<u>\$ 1,483,970</u>	<u>\$ 15,751,049</u>

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TOWN OF MADISON, CONNECTICUT

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES - GOVERNMENTAL FUNDS (CONTINUED)

FOR THE YEAR ENDED JUNE 30, 2009

Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund
Balances of 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) \$ 407,195

Governmental funds report capital outlays as expenditures. In the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense:

Capital outlay	2,808,535
Depreciation expense	(2,770,714)

The statement of activities reports losses arising from the trade-in of existing capital assets to acquire new capital assets. Conversely governmental funds do not report any gain or loss on a trade-in of capital assets. (54,672)

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	(47,154)
Property tax receivable - accrual basis change	27,933
Property tax interest and lien revenue - accrual basis change	(12,567)
Assessment receivable - accrual basis change	(7,452)
Net pension asset	4,633

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 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 amortized and deferred in the statement of activities. The details of these differences in the treatment of long-term debt and related items are as follows:

Bond principal payments	2,710,000
Capital lease principal payments	20,088
Capital lease interest payments	460
Other post-employment benefits obligation	(624,000)
Notes payable	77,363

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 the governmental funds.

Compensated absences	(41,863)
Accrued interest	24,215
Amortization of deferred charge on refunding	(37,951)
Early retirement incentive	585,011
Heart and hypertension	(21,268)

Internal service funds are used by management to charge costs to individual funds. The net revenue of certain activities of internal services funds is reported with governmental activities.

807,657

Change in Net Assets of Governmental Activities (Exhibit II)

\$ 3,855,449

The accompanying notes are an integral part of the financial statements

TOWN OF MADISON, CONNECTICUT

PROPRIETARY FUNDS

STATEMENT OF NET ASSETS

JUNE 30, 2009

	Governmental Activities
	Internal Service Funds
Assets:	
Cash and cash equivalents	\$ 2,764,321
Due from other funds	561
Total assets	<u>2,764,882</u>
Liabilities:	
Risk management claims	<u>540,116</u>
Net Assets:	
Restricted	29,559
Unrestricted	<u>2,195,207</u>
Total Net Assets	<u>\$ 2,224,766</u>

The accompanying notes are an integral part of the financial statements

TOWN OF MADISON, CONNECTICUT

PROPRIETARY FUNDS

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS

FOR THE YEAR ENDED JUNE 30, 2009

	<u>Governmental Activities</u> <u>Internal Service Funds</u>
Operating Revenues:	
Employee contributions and charges for services	\$ <u>7,969,912</u>
Operating Expenses:	
Administrative expense	722,255
Employee benefits	<u>6,459,373</u>
Total operating expenses	<u>7,181,628</u>
Operating Income	788,284
Nonoperating Revenues:	
Income on investments	<u>19,373</u>
Change in Net Assets	807,657
Total Net Assets, July 1, 2008	<u>1,417,109</u>
Total Net Assets, June 30, 2009	<u>\$ <u>2,224,766</u></u>

The accompanying notes are an integral part of the financial statements

TOWN OF MADISON, CONNECTICUT

PROPRIETARY FUNDS

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED JUNE 30, 2009

	<u>Governmental Activities</u> <u>Internal</u> <u>Service Funds</u>
Cash Flows from Operating Activities:	
Cash received from charges for services	\$ 7,971,753
Cash payments for claims paid	(6,472,281)
Cash payments to providers of benefits	(722,255)
Net cash provided by operating activities	<u>777,217</u>
Cash Flows from Investing Activities:	
Income on investments	<u>19,373</u>
Net Increase in Cash and Cash Equivalents	796,590
Cash and Cash Equivalents, July 1, 2008	<u>1,967,731</u>
Cash and Cash Equivalents, June 30, 2009	<u>\$ 2,764,321</u>
Reconciliation of Operating Income to Net Cash Provided by Operating Activities:	
Operating income	\$ 788,284
Adjustments to reconcile operating income to net cash provided by operating activities:	
Change in assets and liabilities:	
(Increase) decrease in due from other funds	1,841
Increase (decrease) in other liabilities	<u>(12,908)</u>
Net Cash Provided by Operating Activities	<u>\$ 777,217</u>

The accompanying notes are an integral part of the financial statements

TOWN OF MADISON, CONNECTICUT
FIDUCIARY FUNDS
STATEMENT OF FIDUCIARY NET ASSETS
JUNE 30, 2009

	Pension Trust Funds	Agency Funds
	<u> </u>	<u> </u>
Assets:		
Cash and cash equivalents	\$ 697,433	\$ 830,464
Investments, at fair value:		
U.S. Government obligations	3,905,375	
Marketable equity securities	10,568,800	
Corporate bonds	2,292,538	
Foreign bonds	651,250	
Mutual funds	653,426	241,786
Annuities	815,172	
Due from other funds		<u>3,181</u>
 Total assets	 <u>19,583,994</u>	 <u>\$ 1,075,431</u>
Liabilities:		
Due to employees and others		\$ 1,069,765
Due to other funds	<u>9,000</u>	<u>5,666</u>
 Total liabilities	 <u>9,000</u>	 <u>\$ 1,075,431</u>
Net Assets:		
Held in trust for pension benefits	<u>\$ 19,574,994</u>	

The accompanying notes are an integral part of the financial statements

TOWN OF MADISON, CONNECTICUT

FIDUCIARY FUNDS

STATEMENT OF CHANGES IN PLAN NET ASSETS

PENSION TRUST FUNDS

FOR THE YEAR ENDED JUNE 30, 2009

Additions (reductions):	
Contributions:	
Employer	\$ 804,320
Plan members	153,501
Total contributions	<u>957,821</u>
Investment income (loss):	
Interest	633,204
Net depreciation in fair value of investments	<u>(3,808,088)</u>
Total investment loss	<u>(3,174,884)</u>
Net reductions	<u>(2,217,063)</u>
Deductions:	
Benefits	1,260,852
Administration	90,460
Total deductions	<u>1,351,312</u>
Net Decrease	(3,568,375)
Net Assets Held in Trust for Pension Benefits, July 1, 2008	<u>23,143,369</u>
Net Assets Held in Trust for Pension Benefits, June 30, 2009	<u>\$ 19,574,994</u>

The accompanying notes are an integral part of the financial statements

TOWN OF MADISON, CONNECTICUT

NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity

The Town operates under the provisions of its charter and the General Statutes of the State of Connecticut. The legislative body is the Town Meeting. The executive body is made up of a Board of Selectmen, consisting of a First Selectman, the chief executive officer and four other board members. Election to the Board of Selectmen is for two-year terms. A six-member Board of Finance is responsible for presenting fiscal operating budgets to the Annual Town Meeting. Board of Finance members are elected for four-year terms. A nine-member elected Board of Education is responsible for the operation of the school system.

B. Government-Wide and Fund Financial Statements

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

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services or privileges provided by a given function or segment, and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds, proprietary funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

The various funds included in the financial statements are described below:

Governmental Funds

Governmental funds are those through which most governmental functions typically are financed.

The *General Fund* is the primary operating fund of the Town. This fund is used to account for all financial transactions and resources except those required to be accounted for in another fund. Revenues are derived primarily from property taxes, state and federal grants, licenses, permits, charges for service and interest income.

Special Revenue Funds account for revenue derived from specific sources (other than major capital projects) that are restricted by legal and regulatory provisions to finance specific activities.

Capital Project Funds account for all financial resources used for the acquisition or construction of major capital facilities not being financed by proprietary funds.

Permanent Funds used to report resources that are legally restricted to the extent that only earnings, and not principal, may be used for purposes that support the Town's programs.

Proprietary Funds

Proprietary funds are used to account for activities that are similar to those often found in the private sector. These funds are accounted for on the flow of economic resources measurement focus and use the accrual basis of accounting. The following is the Town's proprietary fund:

Internal Service Funds account for the financing of goods or services provided by one department to other departments or agencies of the Town on a cost-reimbursement basis. The Health Benefits Fund and the Flexible Spending Fund are the Town's internal service funds.

Fiduciary Funds

Fiduciary funds are used to account for assets held by the Town in a trustee capacity or as an agent for individuals, private organizations and other governments. Fiduciary funds are not included in the government-wide statements. The fiduciary funds are as follows:

Pension Trust Fund accounts for the Police Department Retirement Plan, Town Employees' Retirement Plan and the Volunteer Fire Department Supplemental Retirement Program.

Agency Funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operation.

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and 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 revenue as soon as all eligibility requirements imposed by the provider have been met.

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

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

The Town reports the following major governmental funds:

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

The Capital Projects Fund is used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by Proprietary Funds or Trust Funds).

Additionally, the Town reports the following fund types:

The Internal Service Fund accounts for the risk management activities of the Town.

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

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

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

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

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Town's internal service funds are charges to customers for services. Operating expenses for the internal service fund include the cost of services 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.

D. Deposits and Investments

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

State statutes authorize the Town to invest in obligations of the U.S. Treasury, commercial paper, corporate bonds, repurchase agreements and certain other investments as described in Note 3.

Investments for the Town are reported at fair value.

E. Receivables and Payables

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

Property taxes are assessed on property as of October 1. Assessed values are established by the Town Assessor’s Office at 70% of appraised value. Taxes are billed in the following July and are due in two installments, July 1 and the following January 1. Taxes become overdue one month after the installment due date. Interest at the rate of 1.5% per month accrues on all overdue taxes. Liens are effective on the assessment date and are continued by filing on May 1 following the due date.

Section 12-165 of the general statutes of the State of Connecticut requires each municipality to write-off, on an annual basis, the property taxes which are deemed uncollectible. Property taxes receivable as of June 30, 2009 are stated net of allowance for estimated uncollectible amounts of \$48,500.

F. Inventories and Prepaid Items

All inventories are valued at cost using the first-in/first-out (FIFO) method. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

G. Capital Assets

Capital assets, which include property, plant, equipment and infrastructure assets (e.g., roads, bridges, sidewalks and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed.

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

<u>Assets</u>	<u>Years</u>
Buildings and improvements	25-50
Equipment and vehicles	3-20
Infrastructure	10-65

H. Compensated Absences

Under the terms of its various contracts, Town and Board of Education employees are granted vacation and sick leave in varying amounts. Certain employees may carry over a limited number of unused vacation and sick days to subsequent years and, in the event of termination, are reimbursed for these days based upon various formulas. Accumulated vacation and sick leave is recognized as a liability of the Town in the government-wide statement of net assets. These liabilities are liquidated by the General Fund.

I. Long-Term Obligations

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

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

J. Fund Equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change. The following is a summary of fund balance reservations at June 30, 2009:

	<u>General Fund</u>	<u>Capital Projects Fund</u>	<u>Nonmajor Governmental Total</u>
Reserved for Encumbrances	\$ 552,345	\$ 804,961	\$ 766,287

2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Budgetary Information

An annual referendum to vote on the recommended Town budget, including the Board of Education budget, shall be held no later than the 25th of May by use of voting machines. The operating budget includes proposed expenditures and the means of financing them.

The Board of Finance is authorized to make special appropriations of up to \$50,000 to any single agency or department and transfer budgeted amounts up to \$50,000 within departments. Any special appropriation or transfer over \$50,000 must be approved at a Town Meeting.

Formal budgetary integration is employed as a management control device during the year for the General Fund. Additional appropriations approved during the year amounted to \$656,000. All unencumbered appropriations lapse at year end, except those for capital projects and certain special revenue grants. Appropriations for capital projects are continued until completion of applicable projects, even when projects extend more than one fiscal year. Encumbrance accounting is employed in governmental funds.

Encumbrances (e.g., purchase orders, contracts) outstanding at year end are reported as reservations of fund balances and do not constitute expenditures or liabilities because the commitments will be reappropriated and honored during the subsequent year.

B. Deficit Fund Equity

The following funds had fund balance deficits at June 30, 2009:

Nonmajor Fund:	
Cafeteria Fund	\$ (6,573)

The deficit will be reduced or eliminated by the receipt of grant funds or future transfers from the General Fund.

3. 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*, \$5,517,317 of the Town's bank balance of \$5,860,978 was exposed to custodial credit risk as follows:

Uninsured and uncollateralized	\$ 5,025,635
Uninsured and collateral held by the pledging bank's trust department, not in the Town's name	<u>491,682</u>
Total Amount Subject to Custodial Credit Risk	<u><u>\$ 5,517,317</u></u>

Cash Equivalents

At June 30, 2009, the Town's cash equivalents amounted to \$7,382,307. 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. The pools all have maturities of less than one year.

	<u>Standard and Poor's</u>
State Tax Exempt Proceeds Fund*	
State Short-Term Investment Fund (STIF)	AAAm

*Not rated

Investments

As of June 30, 2009, the Town had the following investments:

Investment Type	Credit Rating	Fair Value	Investment Maturities (Years)		
			Less Than 1	1 - 10	More Than 10
Interest Bearing Investments:					
U.S. Treasury notes	AAA	\$ 508,832	\$ 508,832	\$	
U.S. Treasury notes	AAA	2,241,756		2,241,756	
U.S. Treasury bonds	AAA	11,603,468		11,603,468	
U.S. Treasury bonds	AAA	395,429			395,429
U.S. Treasury bonds	N/A	614,995		614,995	
Foreign bonds	N/A	3,203			3,203
Foreign bonds	A1-BAA1	648,047		648,047	
Corporate bonds	A-A+	1,965,303		1,965,303	
Corporate bonds	CC- AA+	292,000			292,000
Corporate bonds	CCC	21,285		21,285	
Corporate bonds	N/A	<u>13,950</u>			<u>13,950</u>
Total		18,308,268	<u>\$ 508,832</u>	<u>\$ 17,094,854</u>	<u>\$ 704,582</u>
Other Investments:					
Equities		10,350,019			
Mutual funds		653,426			
Annuities		<u>815,172</u>			
Total Investments		<u>\$ 30,126,885</u>			

*Subject to coverage by Federal Depository Insurance and collateralization.
N/A Not applicable

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 does not have a 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, 2009, 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.

4. RECEIVABLES

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

	<u>General</u>	<u>Capital Projects</u>	<u>Nonmajor and Other Funds</u>	<u>Total</u>
Receivables:				
Interest*	\$ 2,855	\$	\$	\$ 2,855
Taxes	702,435			702,435
Intergovernmental	259,691	52,087	53,313	365,091
Accounts	40,231		12,592	52,823
Special assessments	53,660			53,660
Gross receivables	<u>1,058,872</u>	<u>52,087</u>	<u>65,905</u>	<u>1,176,864</u>
Less allowance for uncollectibles	<u>48,500</u>			<u>48,500</u>
Net Total Receivables	<u>\$ 1,010,372</u>	<u>\$ 52,087</u>	<u>\$ 65,905</u>	<u>\$ 1,128,364</u>

*Accrued interest on property taxes in the amount of \$175,152 is not included in the fund financial statements.

Governmental funds report deferred revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned.

At the end of the current fiscal year, the various components of deferred revenue and unearned revenue reported in the governmental funds were as follows:

	<u>Unavailable</u>	<u>Unearned</u>
Property taxes collected in advance	\$	\$ 4,101,703
Delinquent property taxes receivable	548,520	
Special assessments not yet due	56,516	
Grant drawdowns prior to meeting all eligibility requirements		41,524
School building grants	<u>259,691</u>	
Total Deferred/Unearned Revenue for Governmental Funds	<u>\$ 864,727</u>	<u>\$ 4,143,227</u>

5. CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2009 was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ <u>11,635,276</u>	\$ _____	\$ _____	\$ <u>11,635,276</u>
Capital assets being depreciated:				
Buildings and improvements	93,275,500	1,585,007		94,860,507
Equipment and vehicles	7,451,118	433,186	(165,221)	7,719,083
Infrastructure	<u>28,420,747</u>	<u>790,342</u>		<u>29,211,089</u>
Total capital assets being depreciated	<u>129,147,365</u>	<u>2,808,535</u>	<u>(165,221)</u>	<u>131,790,679</u>
Less accumulated depreciation for:				
Buildings and improvements	(18,157,423)	(1,730,400)		(19,887,823)
Equipment and vehicles	(3,643,145)	(617,909)	110,549	(4,150,505)
Infrastructure	<u>(11,995,278)</u>	<u>(422,405)</u>		<u>(12,417,683)</u>
Total accumulated depreciation	<u>(33,795,846)</u>	<u>(2,770,714)</u>	<u>110,549</u>	<u>(36,456,011)</u>
Total capital assets being depreciated, net	<u>95,351,519</u>	<u>37,821</u>	<u>(54,672)</u>	<u>95,334,668</u>
Governmental Activities Capital Assets, Net	<u>\$ 106,986,795</u>	<u>\$ 37,821</u>	<u>\$ (54,672)</u>	<u>\$ 106,969,944</u>

Depreciation expense was charged to functions/programs as follows:

Governmental activities:	
General government	\$ 194,345
Public safety	457,705
Public works	538,881
Land and building administration	2,878
Health and welfare	6,651
Beach and recreation	34,210
Education	<u>1,536,044</u>
Total Depreciation Expense - Governmental Activities	<u>\$ 2,770,714</u>

6. INTERFUND ACCOUNTS

At June 30, 2009 the amounts due to and from other funds were as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Nonmajor Governmental Fund	\$ 476,962
General Fund	Fiduciary Funds	14,666
Capital Projects Fund	General Fund	4,455,212
Nonmajor Governmental Fund	General Fund	157,626
Internal Service Fund	General Fund	561
Agency Fund	General Fund	<u>3,181</u>
Total		<u>\$ 5,108,208</u>

All interfund receivables and payables represent routine recurring transactions that are temporary in nature.

Interfund transfers:

	<u>Transfers In</u>		
	<u>General Fund</u>	<u>Capital Projects Fund</u>	<u>Total</u>
Transfers out:			
General Fund	\$	\$ 2,700,902	\$ 2,700,902
Capital Projects	68,862		68,862
Nonmajor governmental	<u>139,100</u>	<u>35,000</u>	<u>174,100</u>
Total Transfers Out	<u>\$ 207,962</u>	<u>\$ 2,735,902</u>	<u>\$ 2,943,864</u>

All transfers represent routine recurring transactions to move resources from one fund to another.

7. LONG-TERM DEBT

General Obligation Bonds

The following is a summary of bond maturities at June 30, 2009:

<u>Fiscal Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Requirements</u>
2010	\$ 2,930,000	\$ 1,441,565	\$ 4,371,565
2011	2,980,000	1,319,314	4,299,314
2012	2,710,000	1,193,234	3,903,234
2013	2,800,000	1,090,416	3,890,416
2014	2,675,000	980,823	3,655,823
2015	2,730,000	873,485	3,603,485
2016	2,805,000	763,793	3,568,793
2017	2,260,000	647,556	2,907,556
2018	2,295,000	552,219	2,847,219
2019	2,355,000	452,044	2,807,044
2020	1,850,000	358,844	2,208,844
2021	1,850,000	271,266	2,121,266
2022	1,875,000	192,922	2,067,922
2023	1,500,000	112,531	1,612,531
2024	975,000	50,156	1,025,156
2025	425,000	9,563	434,563
Total	\$ <u>35,015,000</u>	\$ <u>10,309,731</u>	\$ <u>45,324,731</u>

Note Payable

On October 6, 2005, the Town entered into a \$560,000 note payable with the Seashore Construction Company for the purchase of 82 Nathan's Lane. The note carries an interest rate of 3% per annum with payments due each year on September 15th through 2012. The note payment schedule is as follows:

<u>Fiscal Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Requirements</u>
2010	\$ 79,716	\$ 10,150	\$ 89,866
2011	82,140	7,726	89,866
2012	84,639	5,227	89,866
2013	87,217	2,649	89,866
Total	\$ <u>333,712</u>	\$ <u>25,752</u>	\$ <u>359,464</u>

Changes in Long-Term Liabilities

Long-term liability activity for the year ended June 30, 2009 was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Governmental Activities:					
Bonds payable:					
General obligation bonds	\$ 37,725,000	\$ -	\$ (2,710,000)	\$ 35,015,000	\$ 2,930,000
Less deferred amounts for issuance discounts on refunding	<u>(130,560)</u>	<u>-</u>	<u>37,951</u>	<u>(92,609)</u>	<u>2,930,000</u>
Total bonds payable	37,594,440	-	(2,672,049)	34,922,391	2,930,000
Capital leases	20,088	-	(20,088)	-	-
Termination benefits	3,030,087	-	(585,011)	2,445,076	506,513
Compensated absences	2,635,492	65,788	(23,925)	2,677,355	309,763
Heart and hypertension	2,091,227	21,268	-	2,112,495	136,561
Note payable	411,075	-	(77,363)	333,712	79,716
Net OPEB obligation	<u>-</u>	<u>1,084,000</u>	<u>(460,000)</u>	<u>624,000</u>	<u>-</u>
Total Governmental Activities	<u>\$ 45,782,409</u>	<u>\$ 1,171,056</u>	<u>\$ (3,838,436)</u>	<u>\$ 43,115,029</u>	<u>\$ 3,962,553</u>
Long-Term Liabilities	<u>\$ 45,782,409</u>	<u>\$ 1,171,056</u>	<u>\$ (3,838,436)</u>	<u>\$ 43,115,029</u>	<u>\$ 3,962,553</u>

Legal Debt Limit

The Town's indebtedness does not exceed the legal debt limitations as established 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	\$ 137,049,068	\$ 12,182,712	\$ 124,866,356
Schools	274,098,137	28,421,309	245,676,828
Sewers	228,415,114	-	228,415,114
Urban renewal	197,959,765	-	197,959,765
Pension deficit	182,732,091	-	182,732,091

Total overall statutory debt limit for the Town is equal to seven times annual receipts from taxation or \$426,374,879.

8. 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 generally obtains commercial insurance for these risks, but, as of July 1, 1995, has chosen to retain the risks for employee health and medical claims. The Town's claims for risks covered by insurance have not exceeded covered losses during the past three years.

The Health Insurance Internal Service Fund is utilized to report the self-insurance activity. Anthem Blue Cross/Blue Shield administers the plan, for which the Town pays a fee. The Town's general government and the Board of Education, contribute based on estimates made using historical data. The Town covers all claims up to \$150,000 per employee per year with a stop-loss policy covering amounts exceeding the limit. The

Town also has an aggregate stop-loss policy that would cover claims exceeding 125% of the total estimated claims for the plan year.

The claims liability of \$540,116 reported in the Internal Service Fund at June 30, 2009 is based on the Government Accounting Standards Board Statement No. 10, which requires that a liability for estimated claims incurred but not reported be recorded. Changes in the claims liability were as follows:

	<u>Liability July 1,</u>		Current Year Claims and Changes In Estimates		<u>Claim Payment</u>		<u>Liability June 30,</u>
2007-08	\$ 622,824	\$	7,086,733	\$	7,156,533	\$	553,024
2008-09	553,024		7,181,628		7,194,536		540,116

The Town also maintains the risk related to heart and hypertension claims payable to police employees under State benefit requirements. The Town does not maintain a separate cash reserve to cover the benefits provided by the heart and hypertension program and does not prefund the benefits to be paid in future years. Expenditures related to this program are funded annually from General Fund appropriations. The estimated liability at June 30, 2009 is \$2,112,495.

9. EMPLOYEE RETIREMENT SYSTEMS AND PENSION PLANS

A. Plan Description

The Town of Madison is the administrator of three single-employer Public Retirement Systems (PERS) established and administered by the Town to provide pension benefits for its employees. The PERS are considered to be part of the Town of Madison's financial reporting entity and are included in the Town's financial reports as Pension Trust Funds. The Town does not issue stand alone financial statements for the Pension Trust Fund. The plans are established under authority of a Town Meeting, and any changes to the plans must also be approved at a Town Meeting.

At July 1, 2008 PERS membership consisted of:

	<u>Police</u>	<u>Town</u>	<u>Fire</u>
Retirees and beneficiaries currently receiving benefits	22	60	21
Terminated employees entitled to benefit but not yet receiving them	10	37	5
Current employees:			
Vested	22	184	61
Nonvested			<u>11</u>
Total	<u>54</u>	<u>281</u>	<u>98</u>

Police Department Retirement Plan - The Town of Madison Police Department Retirement Plan (Police Retirement Plan) provides retirement benefits as well as disability benefits. All benefits vest after 10 years of service. Members who retire after age 55 with 10 years of service, or 20 years of service, are entitled to an annuity retirement benefit, payable monthly for life, in an amount equal to 2.5% of average monthly compensation, times years of credited service (maximum 20 years).

Town Employees' Retirement Plan - The retirement plan for Town employees is a noncontributory plan that provides retirement benefits only. However, Town NAGE employees will pay 2.0% of pre-tax salary through payroll deduction to the pension fund. Beginning July 1, 2004, the vesting period was reduced from 10 years to 5 years of credited service. Members who retire at or after age 65 with 10 years of

credited service are entitled to an annuity benefit, payable monthly for life, in an amount equal to 2% average compensation (average salary over highest 5 consecutive years) times credited service, with a maximum benefit of 70% of average compensation. Employees may elect actuarial equivalent options including joint and survivor or contingent annuities. Early retirement is available at age 55 and 10 years of employment at a reduced benefit level.

Volunteer Fire Department Supplemental Retirement Program - In addition to the above, the Town maintains a defined benefit pension plan for the volunteer firemen. All active firemen on July 1, 1989 are eligible for the plan; however, all eligible members, including those over age 60 must complete at least five years of additional service subsequent to July 1, 1989 in order to receive benefits. Firemen joining the department after July 1, 1989 become eligible for the plan on the anniversary date of the plan upon attaining one year of active service if they are also under the age of 60. Benefits vest as follows:

<u>Total Years of Active Service</u>	<u>Percent Benefits</u>
12	50%
16	75%
20	100%

Upon retirement after 20 years of active service and having attained the age of 60, members receive monthly payments of \$250 for 15 years, with the member's beneficiary receiving the remainder of payments in event of the member's death. If the member dies before age 60, the beneficiary will receive the benefits due the member.

B. Summary of Significant Accounting Policies and Plan Asset Matters

Basis of Accounting: Financial statements are prepared using the accrual basis of accounting. Employee and employer contributions are recognized as revenues in the period in which employee services are performed. Benefit payments and refunds are recognized when due and payable in accordance with the terms of the PERS.

Method Used to Value Investments: Investments are reported at fair value. Investments in the following organizations represent 5% or more of net assets available for benefits: Metropolitan Life Insurance Company and Fidelity Institutional Retirement Services Company.

C. Funding Policy

Employer contribution rates are established by the Board of Selectmen and approved by the Board of Finance. Employees covered under the police plan are required to contribute 7.5% of their earnings to the Plan. Police hired after January 1, 2006 are required to contribute 9.0% of their salary. Town and Fire employees hired on or before January 1, 2006 are not required to contribute to their plans. However, Town NAGE employees may voluntarily contribute 2% of their earnings. The Town is required to contribute the remaining amounts necessary to finance the benefits for the participants as determined by its actuaries. The Town's required contributions to the Town, Police and Fire Plans was \$554,093, \$181,058 and \$69,169 for the plan years, respectively.

D. Annual Pension Cost and Net Pension Obligations

The Town's annual pension cost and net pension obligation to the Plans for the current year were as follows:

	<u>Police</u>	<u>Town</u>	<u>Fire</u>
Annual required contribution	\$ 181,058	\$ 554,093	\$ 69,169
Interest on net pension obligation	(4,210)	(24,540)	
Adjustment to annual required contribution	4,983	19,134	
Annual pension cost	181,831	548,687	69,169
Contributions made	181,058	554,093	69,169
(Increase) decrease in net pension asset	773	(5,406)	-
Net pension asset, beginning of year	(52,625)	(306,756)	-
Net Pension asset, end of year	\$ (51,852)	\$ (312,162)	\$ -

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

	<u>Police</u>	<u>Town</u>	<u>Fire</u>
Actuarial valuation date	7/1/08	7/1/08	7/1/08
Actuarial cost method	Entry Age Normal	Projected Unit Credit	Frozen Initial Liability
Amortization method	Level Dollar Closed	Level Dollar Closed	Level Dollar Closed
Remaining amortization period	13 years	13 years	15 years
Asset valuation method	Fair Value	Fair Value	Fair Value
Actuarial assumptions:			
Investment rate of return	8.0%	8.0%	6.5%
Projected salary increases	4.5%	4.5%	N/A

E. Trend Information

<u>Police</u>			
<u>Fiscal Year</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation (Asset)</u>
6/30/07	\$ 205,355	99.8%	\$ (53,144)
6/30/08	243,665	99.8	(52,625)
6/30/09	181,831	99.6	(51,852)

<u>Town</u>			
<u>Fiscal Year</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation (Asset)</u>
6/30/07	\$ 526,936	99.1%	\$ (312,253)
6/30/08	562,394	99.0	(306,756)
6/30/09	548,687	101.1	(312,162)

Fire			
Fiscal Year	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation (Asset)
6/30/07	\$ 86,601	100%	\$ -
6/30/08	68,945	100	-
6/30/09	69,169	100	-

F. Pension Plan Required Supplementary Information

Schedule of Funding Progress

Police						
Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Liability (AAL) (b)	Funded (Unfunded) AAL (UAAL) (a-b)	Percentage Funded (a/b)	Covered Payroll (c)	UAAL as a % of Covered Payroll ((a-b)/c)
7/1/03	\$ 7,319,467	\$ 9,001,574	\$ (1,682,107)	81.31%	\$ 1,205,147	139.58%
7/1/04	7,911,725	8,465,736	(554,011)	93.46	1,649,337	33.59
7/1/05	8,977,591	9,442,295	(464,704)	95.08	1,717,985	27.05
7/1/06	9,866,208	10,570,705	(704,497)	93.34	1,703,295	41.36
7/1/07	10,703,571	10,838,073	(134,502)	98.80	1,629,320	8.30
7/1/08	11,401,835	12,064,850	(663,015)	94.50	1,611,345	41.10

Town						
Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Liability (AAL) (b)	Funded (Unfunded) AAL (UAAL) (a-b)	Percentage Funded (a/b)	Covered Payroll (c)	UAAL as a % of Covered Payroll ((a-b)/c)
7/1/03	\$ 7,028,942	\$ 8,804,322	\$ (1,775,380)	79.80%	\$ 4,538,870	39.12%
7/1/04	7,605,838	9,581,954	(1,976,116)	79.40	4,555,378	43.38
7/1/05	8,833,514	9,822,328	(988,814)	90.00	4,785,753	20.70
7/1/06	9,800,123	10,726,781	(926,658)	91.40	5,321,243	17.41
7/1/07	10,754,373	11,442,890	(688,517)	94.00	6,050,618	11.38
7/1/08	12,048,208	12,296,712	(248,504)	98.00	6,316,555	3.93

Fire						
Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Liability (AAL) (b)	Funded (Unfunded) AAL (UAAL) (a-b)	Percentage Funded (a/b)	Covered Payroll (c)	UAAL as a % of Covered Payroll ((a-b)/c)
7/1/03	\$ 672,345	\$ 831,922	\$ (159,577)	80.82%	N/A	N/A
7/1/04	741,678	855,231	(113,553)	86.72	N/A	N/A
7/1/05	848,719	903,158	(54,439)	94.00	N/A	N/A
7/1/06	919,660	1,008,565	(88,905)	91.19	N/A	N/A
7/1/07	1,026,407	1,146,806	(120,399)	89.50	N/A	N/A
7/1/08	1,778,861	1,847,637	(68,776)	96.30	N/A	N/A

Schedule of Employer Contributions

Fiscal Year Ended	Police		Town		Fire	
	Annual Required Contribution	Percentage Contributed	Annual Required Contribution	Percentage Contributed	Annual Required Contribution	Percentage Contributed
6/30/03	\$ 198,045	100.0%	\$ 491,198	100.0%	\$ 48,254	100.0%
6/30/04	207,151	100.0	491,194	100.0	49,961	100.0
6/30/05	260,607	100.0	605,788	100.0	46,187	100.0
6/30/06	205,062	100.0	620,561	100.0	86,601	100.0
6/30/07	243,146	100.0	556,001	100.0	68,945	100.0
6/30/08	181,058	100.0	554,093	100.0	69,169	100.0

The information presented in the required supplementary schedules was determined as part of the actuarial valuations at the dates indicated. Additional information as of the latest actuarial valuation is presented in Section D above.

G. Defined Contribution Plan

The custodial employees of the Board of Education, covered under a collective bargaining agreement with the Teamsters, Chauffeurs, Warehousemen and Helpers Local 443 (an affiliate of the International Brotherhood of Teamsters, Chauffeurs, Warehousemen and Helpers of America), participate in the New England Teamsters and Trucking Industry Pension Fund (Fund). For each hour for which a covered employee receives pay, the Board of Education is required to make a contribution of \$3.16, but no more than \$126.40 per week for any one employee. The total Board of Education payroll for the year ended June 30, 2009 covered by this plan amounted to \$1,271,546. The total contribution for the year ended June 30, 2009 amounted to \$270,426.

H. Teachers' Retirement

All Town of Madison teachers participate in the State of Connecticut Teachers' Retirement System under Section 10.183 of the General Statutes of the State of Connecticut. A teacher is eligible to receive a normal retirement benefit if he or she has: 1) attained age 60 and has accumulated 20 years of credited service in the public schools of Connecticut, or 2) attained any age and has accumulated 35 years of credited service, at least 25 years of which are service in the public schools of Connecticut.

The Board of Education withholds 7.25% of all teachers' annual salaries and transmits the funds to the State Teachers' Retirement Board. Teacher payroll subject to retirement amounted to \$21,504,195 or 78.9% of the total Board of Education payroll of \$28,047,035.

The retirement system for teachers is funded by the State based upon the recommendation of the Teachers' Retirement Board. Such contribution includes amortization of the actuarially computed unfunded liability. These obligations are established under the authority of the Connecticut General Statutes. The Town has recorded, in the General Fund, intergovernmental revenue and education expenditures in the amount of \$3,319,186 as payments made by the State of Connecticut on-behalf of the Town. The Town does not have any liability for teacher pensions.

The State of Connecticut Teacher Retirement System is considered to be a part of the State of Connecticut financial reporting entity and is included in the State's financial reports as a pension trust fund. Those reports may be obtained by writing to the State of Connecticut, Office of the State Comptroller, 55 Elm Street, Hartford, Connecticut 06106.

Pension Trust Funds

The Town maintains three pension trust funds (Police Department Retirement Plan, Town Employees' Retirement Plan and Volunteer Fire Department Supplemental Retirement Program) to account for its fiduciary responsibility. The following schedules present the net assets held in trust for pension benefits at June 30, 2009 and the changes in net assets for the year then ended.

	Combining Statement of Net Assets			
	Employee Retirement Funds			
	<u>Police</u>	<u>Town</u>	<u>Fire</u>	<u>Total</u>
Assets:				
Cash and cash equivalents	\$ 440,290	\$ 250,149	\$ 6,994	\$ 697,433
Investments	<u>8,940,085</u>	<u>9,131,303</u>	<u>815,173</u>	<u>18,886,561</u>
Total Assets	9,380,375	9,381,452	822,167	19,583,994
Liabilities:				
Due to other funds	<u> </u>	<u> </u>	<u>9,000</u>	<u>9,000</u>
Net Assets Held in Trust for Pension Benefits	<u>\$ 9,380,375</u>	<u>\$ 9,381,452</u>	<u>\$ 813,167</u>	<u>\$ 19,574,994</u>

	Combining Statement of Net Assets			
	Employee Retirement Funds			
	<u>Police</u>	<u>Town</u>	<u>Fire</u>	<u>Total</u>
Additions (reductions):				
Contributions:				
Employer	\$ 181,058	\$ 554,093	\$ 69,169	\$ 804,320
Plan members	<u>145,776</u>	<u>7,725</u>	<u> </u>	<u>153,501</u>
Total contributions	<u>326,834</u>	<u>561,818</u>	<u>69,169</u>	<u>957,821</u>
Investment income (loss):				
Interest	339,961	279,044	14,199	633,204
Net depreciation in fair value of investments	<u>(1,616,353)</u>	<u>(2,110,758)</u>	<u>(80,977)</u>	<u>(3,808,088)</u>
Net investment income (loss)	<u>(1,276,392)</u>	<u>(1,831,714)</u>	<u>(66,778)</u>	<u>(3,174,884)</u>
Total net additions (reductions)	<u>(949,558)</u>	<u>(1,269,896)</u>	<u>2,391</u>	<u>(2,217,063)</u>
Deductions:				
Benefits	651,886	536,632	72,334	1,260,852
Administration	<u> </u>	<u>87,147</u>	<u>3,313</u>	<u>90,460</u>
Total deductions	<u>651,886</u>	<u>623,779</u>	<u>75,647</u>	<u>1,351,312</u>
Net decrease	(1,601,444)	(1,893,675)	(73,256)	(3,568,375)
Net assets held in trust for pension benefits, July 1, 2008	<u>10,981,819</u>	<u>11,275,127</u>	<u>886,423</u>	<u>23,143,369</u>
Net Assets Held in Trust for Pension Benefits, June 30, 2009	<u>\$ 9,380,375</u>	<u>\$ 9,381,452</u>	<u>\$ 813,167</u>	<u>\$ 19,574,994</u>

10. OTHER POSTEMPLOYMENT BENEFITS

A. Plan Description and Benefits Provided

In addition to the pension benefits described in Note 9, all Town employees retiring under the Town of Madison's Retiree Medical Program are provided post-employment benefits. The level of these benefits is determined by contract for all union employees and by a Town of Madison ordinance for all non-represented employees. Benefits provided are as follows:

Unrepresented Retired Employees

Health Insurance is offered to non-represented, retired employees, between the ages of 55 and 65, receiving pension benefits. The retired employee is responsible to pay the full premium coverage on a timely basis. Premiums are due on the 20th of the month prior to the coverage month.

NAGE RI-215 Building & Grounds Retired Employees

Retiree health insurance shall be offered to retired employees, between the ages of 55 and 65, receiving pension benefits. The retired employee is responsible to pay the full premium coverage on a timely basis. Premium payments are due on the 20th, of the month prior to the coverage month.

AFSCME Police

For employees hired before January 1, 2006, the Town will pay the full cost of retiree medical insurance for the retiree and his/her spouse. Retirees and their spouse must opt for and maintain medical insurance coverage at the time of retirement or they will forfeit this benefit.

For those retired participants hired before January 1, 2006, and their spouses, who reach Medicare/Medicaid eligibility, the Town will provide a supplemental health insurance coverage for both in the form of Anthem Group Plan F with Blue Script Prescription coverage or its equivalent for life at no cost to the retiree or spouse. This is a Medicare Supplementary plan in which Medicare is the primary coverage.

No health insurance is offered to those retirees hired post January 1, 2006.

UPSEU Emergency Dispatchers

No contract language regarding health insurance for retirees.

Board of Education

The Board of Education provides certain post-retirement benefits to retirees through negotiated contracts. Eligibility for benefits is as follows:

Teachers/Administrators: Post-retirement, insurance can be purchased through Medicare eligibility; if not eligible for Medicare.

Para-professionals/Secretaries: If retiring under pension, insurance may be purchased between ages 55-65. Retirees can purchase Medicare Supplementary plan after age 65.

Custodians: Can purchase post-retirement until Medicare eligible.

Cafeteria Workers: No post-retirement benefits.

B. Membership

Membership in the plan consisted of the following at July 1, 2008:

	Retiree Medical Program
Number of retirees and eligible surviving spouses	101
Number of active participants	459
Total	<u>560</u>

C. Description of Actuarial Assumptions and Methods

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

	Retiree Medical Program
Actuarial valuation date	July 1, 2007
Actuarial cost method	Project Unit Credit Cost
Amortization method	Level dollar
Remaining amortization period	29 years
Actuarial assumptions:	
Investment rate of return	4.0%/annum
Projected salary increases	4.0%/annum

D. Annual OPEB Cost and Net OPEB Obligations

The Town's OPEB cost and net OPEB obligation for the current year were as follows:

	Retiree Medical Program
Annual required contribution	\$ 1,084,000
Interest on net OPEB obligation	
Adjustment to annual required contribution	
Annual OPEB cost	1,084,000
Contribution made	<u>460,000</u>
Increase in net OPEB obligation	624,000
Net OPEB obligation, July 1, 2008	
Net OPEB Obligation, June 30, 2009	<u>\$ 624,000</u>

The 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, 2009 is presented below. Data is only presented for one fiscal year as it is the first year of implementation.

	<u>Annual OPEB Cost (AOC)</u>	<u>Actual Contribution</u>	<u>Percentage of AOC Contributed</u>	<u>Net OPEB Obligation (Asset)</u>
6/30/09	\$ 1,084,000	\$ 460,000	\$ 42.44%	\$ 624,000

Schedule of Funding Progress

The annual other post employment 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 annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the Town's net OPEB obligation (asset):

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets (a)</u>	<u>Actuarial Accrued Liability (b)</u>	<u>Underfunded AAL (OAAL) (b-a)</u>	<u>Funded Ratio (a/b)</u>	<u>Covered Payroll (c)</u>	<u>UAAL as a percentage of Covered Payroll ((b-a)/c)</u>
1/1/2007	\$ -	\$ 13,771,000	\$ 13,771,000	0%	N/A	N/A

11. CONTINGENT LIABILITIES

The Town has contingent liabilities with respect to pending litigation, claims and disputes which existed at June 30, 2009. The liability with respect to such matters, if any, is not presently determinable; however, it is the opinion of Town Counsel that any liabilities will not have a material effect on the Town's financial position.

TOWN OF MADISON, CONNECTICUT

GENERAL FUND

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

FOR THE YEAR ENDED JUNE 30, 2009

	Budgeted Amounts		Actual	Budget Comparison Over (Under)
	Original	Final		
Property taxes:				
Property tax	\$ 60,165,009	\$ 60,165,009	\$ 60,744,774	\$ 579,765
Lien and warrant fees	4,800	4,800	5,190	390
Total property taxes	<u>60,169,809</u>	<u>60,169,809</u>	<u>60,749,964</u>	<u>580,155</u>
Interest income:				
Interest - property taxes	150,000	150,000	194,557	44,557
Interest on temporary investments	726,383	726,383	1,037,534	311,151
Coe Park Fund	31	31	29	(2)
Total interest income	<u>876,414</u>	<u>876,414</u>	<u>1,232,120</u>	<u>355,706</u>
Intergovernmental revenue:				
General government:				
In lieu of taxes - State-owned property	587,062	587,062	589,000	1,938
In lieu of taxes - water	62,300	62,300	70,563	8,263
Elderly Homeowner's Program	72,000	72,000	75,813	3,813
Disability exempt	800	800	642	(158)
Additional veterans exempt	10,000	10,000	10,276	276
Boat tax reimbursement	26,645	26,645	26,645	-
Courts	10,000	10,000	9,591	(409)
Local capital improvement program	113,883	113,883	145,442	31,559
Telecomm. property tax share	98,000	98,000	94,675	(3,325)
Pequot grant	42,133	42,133	41,524	(609)
Manufacturer's Machinery and equipment reimbursement	7,000	7,000	4,822	(2,178)
Property tax relief	163,228	163,228	163,228	-
DMHAS grant	3,105	3,105		(3,105)
Miscellaneous State/Federal grant			1,881	1,881
Total general government	<u>1,196,156</u>	<u>1,196,156</u>	<u>1,234,102</u>	<u>37,946</u>
Board of Education:				
Education cost sharing	1,576,061	1,576,061	1,548,274	(27,787)
Transportation	31,315	31,315	43,795	12,480
School building grants - principal	47,000	47,000	47,154	154
School building grants - interest	13,000	13,000	13,739	739
Private school health and welfare	12,463	12,463	10,937	(1,526)
Facilities Rental	20,000	20,000	21,616	1,616
Miscellaneous	1,148	1,148	44,189	43,041
Total board of education	<u>1,700,987</u>	<u>1,700,987</u>	<u>1,729,704</u>	<u>28,717</u>
Total intergovernmental revenue	<u>2,897,143</u>	<u>2,897,143</u>	<u>2,963,806</u>	<u>66,663</u>

(Continued on next page)

TOWN OF MADISON, CONNECTICUT

GENERAL FUND

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

FOR THE YEAR ENDED JUNE 30, 2009

	Budgeted Amounts		Actual	Budget Comparison Over (Under)
	Original	Final		
Licenses, fees and charges for services:				
General government:				
Board of Selectman	\$ 249,669	\$ 249,669	\$ 269,028	\$ 19,359
Town Clerk	712,600	712,600	468,205	(244,395)
Public Works	8,700	8,700	7,871	(829)
Police Department	60,250	60,250	70,368	10,118
Fire, ambulance and civil preparedness	2,000	2,000	863	(1,137)
Land Use	33,000	33,000	19,819	(13,181)
Building Department	452,500	452,500	341,106	(111,394)
Beach and Recreation	279,260	279,260	283,414	4,154
Youth Services	67,982	67,982	66,095	(1,887)
Senior Citizens Council	800	800	1,447	647
Health Department	2,600	2,600	2,186	(414)
Total licenses, fees and charges for goods and services	<u>1,869,361</u>	<u>1,869,361</u>	<u>1,530,402</u>	<u>(338,959)</u>
Miscellaneous			<u>95,389</u>	<u>95,389</u>
Other financing sources:				
Transfer in - Dog Fund	4,100	4,100	4,100	-
Transfer in - Capital Projects			68,862	68,862
Transfer in - Beach and Recreation	<u>135,000</u>	<u>135,000</u>	<u>135,000</u>	-
Total other financing sources	<u>139,100</u>	<u>139,100</u>	<u>207,962</u>	<u>68,862</u>
Total	<u>\$ 65,951,827</u>	<u>\$ 65,951,827</u>	66,779,643	<u>\$ 827,816</u>
Budgetary revenues are different than GAAP revenues because:				
State of Connecticut on-behalf contributions to the Connecticut State Teachers' Retirement System for Town teachers are not budgeted			3,319,186	
Special education excess cost grant is reported gross for GAAP purposes.			1,093,670	
Cancellation of prior year encumbrances are recognized as budgetary revenue			<u>(95,389)</u>	
Total Revenues and Other Financing Sources as Reported on the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds - Exhibit IV			<u>\$ 71,097,110</u>	

TOWN OF MADISON, CONNECTICUT

GENERAL FUND

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

FOR THE YEAR ENDED JUNE 30, 2009

	Budgeted Amounts		Actual	Variance Favorable (Unfavorable)
	Original	Final		
General Government:				
Board of Selectmen	\$ 246,530	\$ 177,916	176,722	\$ 1,194
Human Resources	75,699	73,699	66,075	7,624
Fiscal services	238,778	243,446	209,673	33,773
Town Counsel	165,000	740,000	740,000	-
Town Clerk	148,054	149,672	126,113	23,559
Election expense (Registrars)	52,000	52,000	49,005	2,995
Assessor's Office	154,300	153,415	139,658	13,757
Board of Assessment appeals	675	675	356	319
Tax Collector	165,339	251,339	249,013	2,326
Courts	6,945	7,945	6,856	1,089
Technology	138,814	138,839	132,041	6,798
Total	1,392,134	1,988,946	1,895,512	93,434
Public Safety:				
Police service	2,632,471	2,626,371	2,502,585	123,786
Animal control	52,895	52,895	49,137	3,758
Communications	506,387	506,147	472,906	33,241
Fire/ambulance/civil preparedness	1,131,571	1,131,811	1,134,315	(2,504)
Total	4,323,324	4,317,224	4,158,943	158,281
Public Works:				
Public Works	1,149,079	1,160,998	1,110,809	50,189
Highway	714,986	836,444	720,130	116,314
Maintenance	743,199	745,356	692,570	52,786
Landfill	170,500	133,920	126,659	7,261
Total	2,777,764	2,876,718	2,650,168	226,550
Land and Building Administration:				
Land Use Office	231,402	231,402	225,529	5,873
Conservation Commission	5,244	5,244	5,380	(136)
Economic Development	9,850	9,850	9,807	43
Building Department	146,158	146,751	143,686	3,065
Town Campus Operations	64,500	49,500	46,815	2,685
Total	457,154	442,747	431,217	11,530
Health and Welfare:				
Department of Health	181,503	181,503	167,265	14,238
VNA	70,649	70,649	70,649	-
Youth Services	558,659	563,690	531,573	32,117
Community Support Services	23,949	23,949	23,949	-
Senior Citizen Council	251,494	248,973	237,665	11,308
Total	1,086,254	1,088,764	1,031,101	57,663
Beach and Recreation	454,831	454,831	437,236	17,595

(Continued on next page)

TOWN OF MADISON, CONNECTICUT

GENERAL FUND

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

FOR THE YEAR ENDED JUNE 30, 2009

	Budgeted Amounts		Actual	Variance Favorable (Unfavorable)
	Original	Final		
Board of Education:				
Public Schools	\$ 38,778,986	\$ 38,778,986	\$ 38,559,940	\$ 219,046
Private Schools	287,332	287,332	280,765	6,567
Health Benefit	4,971,606	4,971,606	4,971,606	-
Total	<u>44,037,924</u>	<u>44,037,924</u>	<u>43,812,311</u>	<u>225,613</u>
Library	<u>1,186,960</u>	<u>1,186,960</u>	<u>1,186,960</u>	<u>-</u>
Employee Benefits - Town	<u>2,945,423</u>	<u>2,982,421</u>	<u>2,947,894</u>	<u>34,527</u>
Miscellaneous:				
General insurance	194,250	197,274	197,274	-
Contingency	100,000	36,500		36,500
Other	177,771	155,878	145,600	10,278
Total	<u>472,021</u>	<u>389,652</u>	<u>342,874</u>	<u>46,778</u>
Capital Outlay:				
Courts	4,500	3,500	495	3,005
Fire/ambulance/civil preparedness	33,600	33,600	33,600	-
Public Works	10,000	10,000	2,563	7,437
Youth Services	1,124	1,124	624	500
Maintenance		26,500	23,960	2,540
General Government	105,500	97,500	96,055	1,445
Total	<u>154,724</u>	<u>172,224</u>	<u>157,297</u>	<u>14,927</u>
Debt Service:				
General government	1,255,574	1,255,574	1,255,574	-
Board of Education	3,007,940	3,007,940	3,007,940	-
Total	<u>4,263,514</u>	<u>4,263,514</u>	<u>4,263,514</u>	<u>-</u>
Total expenditures	<u>63,552,027</u>	<u>64,201,925</u>	<u>63,315,027</u>	<u>886,898</u>
Transfers to other funds:				
Reserve Fund	<u>2,694,800</u>	<u>2,700,902</u>	<u>2,700,902</u>	<u>-</u>
Total	<u>\$ 66,246,827</u>	<u>\$ 66,902,827</u>	66,015,929	<u>\$ 886,898</u>

Budgetary expenditures are different than GAAP expenditures because:

State of Connecticut on-behalf payments to the Connecticut State Teachers' Retirement System for Town teachers are not budgeted	3,319,186
Special education excess cost grant is reported gross for GAAP purposes.	1,093,670
Encumbrances for purchases and commitments ordered but not received are reported in the year the order is placed for budgetary purposes, but in the year received for financial reporting purposes	<u>95,870</u>

Total Expenditures and Other Financing Sources as Reported on the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds - Exhibit IV \$ 70,524,655