

TOWN OF MADISON, CONNECTICUT

FINANCIAL STATEMENTS

JUNE 30, 2015

TOWN OF MADISON, CONNECTICUT
TABLE OF CONTENTS
JUNE 30, 2015

Independent Auditors' Report	1-3
Management's Discussion and Analysis	4-11

Exhibit

	Basic Financial Statements:	
	Government-Wide Financial Statements:	
I	Statement of Net Position	12
II	Statement of Activities	13
	Fund Financial Statements:	
	Governmental Funds:	
III	Balance Sheet	14-15
IV	Statement of Revenues, Expenditures and Changes in Fund Balances	16-17
	Proprietary Funds:	
V	Statement of Net Position	18
VI	Statement of Revenues, Expenses and Changes in Fund Net Position	19
VII	Statement of Cash Flows	20
	Fiduciary Funds:	
VIII	Statement of Fiduciary Net Position	21
IX	Statement of Changes in Plan Net Position - Pension Trust Funds	22
	Notes to the Financial Statements	23-59
	Required Supplementary Information:	
	General Fund:	
RSI-1	Schedule of Revenues and Other Financing Sources - Budget and Actual	60-61
RSI-2	Schedule of Expenditures and Other Financing Uses - Budget and Actual	62-63
	Pension Funds:	
	Town:	
RSI-3a	Schedule of Changes in Net Pension Liability and Related Ratios - Town Plan - Last Two Fiscal Years	64
RSI-3b	Schedule of Employer Contributions - Town Plan - Last Ten Fiscal Years	65
RSI-3c	Schedule of Investment Returns - Town Plan - Last Two Fiscal Years	66
	Police:	
RSI-4a	Schedule of Changes in Net Pension Liability and Related Ratios - Police Plan - Last Two Fiscal Years	67
RSI-4b	Schedule of Employer Contributions - Police Plan - Last Ten Fiscal Years	68
RSI-4c	Schedule of Investment Returns - Police Plan - Last Two Fiscal Years	69
	Fire:	
RSI-5a	Schedule of Changes in Net Pension Liability and Related Ratios - Fire Plan - Last Two Fiscal Years	70
RSI-5b	Schedule of Employer Contributions - Fire Plan - Last Ten Fiscal Years	71
RSI-5c	Schedule of Investment Returns - Fire Plan - Last Two Fiscal Years	72
RSI-6	Schedule of the Town's Proportionate Share of Net Pension Liability - Teachers Retirement Plan	73

Combining and Individual Fund Statements and Schedules:

General Fund:

A-1	Comparative Balance Sheet	74
A-2	Report of Tax Collector	75
A-3	Schedule of Board of Education Expenditures - Budget and Actual	76-78

Nonmajor Governmental Funds:

B-1	Combining Balance Sheet	79-81
B-2	Combining Schedule of Revenues, Expenditures and Changes in Fund Balances	82-84

Capital Project Fund:

C	Schedule of Expenditures and Encumbrances Compared with Appropriations	85
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Internal Service Funds:

D-1	Combining Statement of Net Position	86
D-2	Combining Statement of Revenues, Expenses and Changes in Fund Net Assets	87
D-3	Combining Statement of Cash Flows	88

Fiduciary Funds:

Agency Funds:

E-1	Combining Balance Sheet	89
E-2	Combining Statement of Changes in Assets and Liabilities	90-91

Long-Term Debt:

F	Statement of Debt Limitation	92
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Independent Auditors' Report

To the Board of Finance
Town of Madison, Connecticut

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinions

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

Change in Accounting Principle

As discussed in Note 14 to the financial statements, during the fiscal year ended June 30, 2015, the [Town](#) adopted new accounting guidance, GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*. The net position of the Town has been restated to recognize the net pension liability required in implementing GASB No. 68. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 11, the budgetary comparison information on pages 60 through 63, and the pension schedules on pages 64 through 73, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

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

We also previously audited, in accordance with auditing standards generally accepted in the United States of America, the basic financial statements of the Town of Madison, Connecticut, as of and for the year ended June 30, 2014 (not presented herein), and have issued our report thereon dated December 2, 2014, which contained unmodified opinions on the respective financial statements of the governmental activities, each major fund and the aggregate remaining fund information. The accompanying General Fund balance sheet and Internal Service Fund statements as of and for the year ended June 30, 2014 are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and related directly to the underlying accounting and other records used to prepare the 2014 financial statements. The accompanying General Fund balance sheet and Internal Service Fund statements have been subjected to the auditing procedures applied in the audit of the 2014 basic financial statements and certain additional procedures including comparing and reconciling such information directly to the underlying accounting and other records used to prepare those financial statements or to those financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the General Fund balance sheet and Internal Service Fund statements are fairly stated in all material respects in relation to the basic financial statements as a whole for the year ended June 30, 2014.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 30, 2015 on our consideration of the Town of Madison, Connecticut's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town of Madison, Connecticut's internal control over financial reporting and compliance.

Blum, Shapiro & Company, P.C.

West Hartford, Connecticut
December 30, 2015

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

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, 2015. Please read this MD&A in conjunction with the Town's financial statements, Exhibits I to IX.

FINANCIAL HIGHLIGHTS

- Net position of our governmental activities increased by \$3.2 million, or 3.6%.
- During the year, the Town had expenses that were \$3.2 million less than the \$85.6 million generated in tax and other revenues for governmental programs.
- Total cost of all of the Town's programs was \$82 million with no new programs added this year.
- The General Fund reported a fund balance this year of \$10.8 million.
- The resources available for appropriation were \$1.792 million more than budgeted for the General Fund. Expenditures were \$525 thousand less than budgeted for the General Fund.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of a series of financial statements. The statement of net position 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 position 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 position and changes in them. The Town's net position, 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 position 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 position 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. For example, the Town established capital projects funds that provide funding for major purchases and construction of capital assets, including major roads. These funds build up reserves to minimize bonding needs and show that the Town 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 position 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 position 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 position and changes in fiduciary net position. 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 position increased by 3.6% from a year ago from \$89.1 million (as restated) to \$92.3 million. The analysis below focuses on the net position (Table 1) and changes in net position (Table 2) of the Town's governmental activities.

TABLE 1 - NET POSITION

	Governmental Activities	
	2015	2014 As Restated
Current and other assets	\$ 29,571,292	\$ 30,415,037
Deferred charge on refunding		
Capital assets, net of accumulated depreciation	<u>115,480,641</u>	<u>117,072,281</u>
Total assets	<u>145,051,933</u>	<u>147,487,318</u>
Deferred outflows of resources:		
Deferred charge on refunding	284,755	301,505
Changes in actuarial experience	59,985	
Change in pension investment gains or losses	<u>1,601,385</u>	
Total deferred outflows of resources	<u>1,946,125</u>	<u>301,505</u>
Long-term debt outstanding	48,454,173	51,022,802
Other liabilities	<u>2,139,697</u>	<u>2,018,219</u>
Total liabilities	<u>50,593,870</u>	<u>53,041,021</u>
Deferred inflows of resources:		
Advance property tax collections	3,724,773	5,629,156
Advance property tax collections	<u>326,973</u>	
Total deferred inflows of resources	<u>4,051,746</u>	<u>5,629,156</u>
Net Position:		
Net investments in capital assets	85,651,893	84,111,236
Restricted	489,120	489,294
Unrestricted	<u>6,211,429</u>	<u>4,518,116</u>
Total Net Position	<u>\$ 92,352,442</u>	<u>\$ 89,118,646</u>

* 2014 net position restated for GASB 68 implementation

Unrestricted net position - the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements increased by \$1.7 million over last year. This increase was attributed to a \$2.5 million reduction in Long Term Liabilities (mostly related to debt), less a reduction of \$800 thousand in total assets.

TABLE 2 - CHANGES IN NET POSITION

	Governmental Activities	
	2015	2014
Revenues:		
Program revenues:		
Charges for services	\$ 3,380,204	\$ 3,294,335
Operating grants and contributions	8,793,313	10,385,962
Capital grants and contributions		322,728
General revenues:		
Property taxes	71,730,220	70,161,343
Grants and contributions not restricted to specific purposes	925,891	1,203,803
Unrestricted investment earnings	598,383	544,862
Other general revenues	142,153	198,504
Total revenues	<u>85,570,164</u>	<u>86,111,537</u>
 Program expenses:		
General government	3,066,806	2,480,403
Public safety	7,665,318	6,489,538
Public works	6,878,133	6,327,154
Land and building administration	826,346	535,491
Health and welfare	1,780,235	1,837,599
Beach and recreation	1,534,989	1,480,895
Education	58,346,516	60,683,012
Library	1,475,891	1,757,918
Debt service	762,134	1,072,959
Total program expenses	<u>82,336,368</u>	<u>82,664,969</u>
 Increase in Net Position	 <u>\$ 3,233,796</u>	 <u>\$ 3,446,568</u>

The Town's total revenues were \$85.6 million. The total cost of all programs and services was \$82.3 million. Our analysis below separately considers the operations of governmental activities.

Governmental Activities

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

	Total Cost of Services		Net Cost of Services	
	2015	2014	2015	2014
General government	\$ 3,066,806	\$ 2,480,403	\$ 2,188,108	\$ 1,172,779
Public safety	7,665,318	6,489,538	6,987,844	6,365,519
Public works	6,878,133	6,327,154	6,446,871	6,004,007
Education	58,346,516	60,683,012	50,157,704	50,129,847
Other	6,379,595	6,684,862	4,382,324	4,989,792
Total	\$ <u>82,336,368</u>	\$ <u>82,664,969</u>	\$ <u>70,162,851</u>	\$ <u>68,661,944</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 \$20.5 million, an increase from last year's total of \$19.1 million. This increase was partially a result revenues received over projected and actual expenditures below what was budgeted.

Proprietary Funds

The internal service funds' net position decreased by \$487 thousand this year. The Town still maintains a healthy net position in the Health Self Insurance Fund.

General Fund Budgetary Highlights

General property taxes and assessments - property tax revenue was \$695 thousand higher than budgeted due to payments and interest on back taxes and a collection rate that exceeded 98.5%. Despite the economic down turn in the past and the low interest rates with State of Connecticut Short Term Investments, interest revenue was \$122 thousand more than budgeted.

Town experienced significant damage due to Hurricane Irene in 2011, Hurricane Sandy in 2012 and the Blizzard in 2013. The Federal Emergency Management Agency (FEMA) has approved various reimbursement applications for the damage related to these storms. During the current year, the Town recorded revenue of \$484 thousand. The Town is still waiting for reimbursements of costs incurred, revenue will be recorded in the appropriate fiscal year as the final approval is determined and the funds are received.

The Special Education Excess Cost grant totaled \$944 thousand, \$826 thousand of which was used by the Board of Education for Externally Placed and high cost Students. The remaining \$118 thousand was recorded as revenue to the Town.

Two years ago, the State of Connecticut created new municipal revenue to be shared with the municipalities. This revenue was pooled into a new Municipal Revenue Sharing Account and distributed to the municipalities. The Town of Madison budgeted \$36 thousand and did not receive anything during the current fiscal year.

Board of Selectman revenues are over budget by \$104 thousand. This includes various insurance rebates and other miscellaneous revenue.

The Police Department's revenue was \$92 thousand more than anticipated due to Special Outside Duty reimbursements. The revenue budget for the Building Department also had a positive variance of \$162 thousand due to new construction.

Beach and recreation revenue was over budget by \$13 thousand due to the following:

1. Pass Revenue is estimated on the previous year sales and is completely dependent upon the communities desire to utilize the town beaches and gym.
2. Facilities Rental Revenue is estimated according to available days and the average fee associated with the rental for the Surf Club, Gymnasium, Arts Barn and Memorial Town Hall.
3. Recreation Program Revenue (Transfers In) was in line with the budget. Operating results from the Beach and Recreation Programs are now distributed between the General Fund and the Town established Equipment Reserve Fund.

Town departments made a rigorous effort to curtail expenditures, almost all departments contributed to the positive variance recognized for expenditures totaling \$525 thousand. The Public Works departments showed a positive variance due to savings in energy costs. The Town's legal expenditures were lower than expected. The Board of Education also under spent their budget by \$79 thousand due to prudent spending.

Special Appropriations during the year totaled \$1,398,000 for the following purposes:

- \$472,000 Board of Education Special Education Security Project
- \$500,000 Downtown Center Project
- \$215,000 Heart and Hypertension settlements
- \$25,000 Streetlight Project
- \$80,000 Police Wages- Special Duty OT
- \$40,000 Planning Funds
- \$40,000 Self Insurance Funds
- \$26,000 Snow Removal

The following projects represent the majority of the Long Term Capital Maintenance Project's expenditures during fiscal year 2014-2015:

- Planning and Engineering on approved projects
- Town Building Fire Alarms
- Daniel Hand High School Synthetic Turf
- Polson School Boiler
- Various Energy Enhancements

The Town's General Fund balance of \$10.8 million reported on Exhibit III differs from the General Fund's budgetary fund balance of \$9.8 million reported in the budgetary comparison in the required supplementary information. This is principally because budgetary fund balance includes approximately \$940 thousand of outstanding encumbrances at year end which are reported as expenditures for budgetary purposes. The Town assigned \$500 thousand of the \$9.8 million to offset the 2015-2016 fiscal year's budget.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2105, the Town had \$117.1 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	
	<u>2015</u>	<u>2014</u>
Land	\$ 21.1	\$ 21.1
Construction in progress	0.1	1.0
Buildings and improvements	74.8	75.3
Equipment and vehicles	3.3	3.1
Infrastructure	<u>16.2</u>	<u>16.6</u>
Total	<u>\$ 115.5</u>	<u>\$ 117.1</u>

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

During the year, the Town completed construction on fields at Salt Meadow Park, Strong Field and Daniel Hand High School Synthetic Field. In addition major improvements were made to some schools and roads. The Town also purchased various vehicles and emergency equipment during the year, as well as replaced the Dispatch Center at the Police Department.

Long-Term Debt

At June 30, 2015, the Town had \$29.3 million in bonds outstanding versus \$32.9 million last year - a decrease of 10.9% - as shown in Table 5.

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

	Governmental Activities	
	<u>2015</u>	<u>2014</u>
General Obligation Bonds (Backed by the Town)	\$ <u>29.3</u>	\$ <u>32.9</u>

The Town’s general obligation bond rating continues to carry an Aaa and AAA rating from Moody’s & Fitch rating agencies, respectively. These ratings have been assigned by these national rating agencies to the Town’s debt in October 2012 and May 2010. In September 2014 Fitch reaffirmed the Town’s AAA rating. 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 \$502 million state-imposed limit.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The Town's elected and appointed officials were once again faced with a difficult budget season and during the process the Board of Selectmen and Board of Finance made reductions to the requested budgets. The current economy had a sufficient impact on the budget deliberations, as well as, the demands for tax relief for seniors.

The total budget for Madison Public Schools and the Town of Madison for 2015-2016 increased by \$2,043,270 and 2.70% over the prior year. To mitigate the tax increase for residents the Board of Finance used \$500,000 from the fund balance.

The Town's fiscal year 2015-2016 capital budget includes \$2,924,889 for capital projects, including \$400,000 for Major Roads and \$803,000 for updating fire, safety and communications and \$1,313,889 for Long Term Capital Projects. In addition, the Town continues to fund Planned Maintenance for the Town and Madison Public Schools at \$414,500.

Other obligations include accrued vacation pay and sick leave. More detailed information about the Town's long-term liabilities is presented in Note 7 to the financial statements.

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, at 8 Campus Drive, Madison, Connecticut 06443.

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

	Governmental Activities
Assets:	
Cash and cash equivalents	\$ 14,965,228
Investments	12,597,500
Receivables, net	1,898,557
Due from fiduciary funds	69,357
Inventory	40,650
Capital assets:	
Capital assets not being depreciated	21,252,901
Capital assets being depreciated, net	94,227,740
Total assets	<u>145,051,933</u>
Deferred Outflows of Resources:	
Deferred charge on refunding	284,755
Changes in actuarial experience	59,985
Change in pension investment gains or losses	1,601,385
Total deferred inflows of resources	<u>1,946,125</u>
Liabilities:	
Accounts and other payables	2,013,446
Due to fiduciary funds	54,787
Unearned revenue	71,464
Noncurrent liabilities:	
Due within one year	4,382,177
Due in more than one year	44,071,996
Total liabilities	<u>50,593,870</u>
Deferred Inflows of Resources:	
Advance property tax collections	3,724,773
Changes in actuarial experience	326,973
Total deferred inflows of resources	<u>4,051,746</u>
Net Position:	
Net investments in capital assets	85,651,893
Restricted for:	
Trust purposes:	
Expendable	
Nonexpendable	489,120
Unrestricted	<u>6,211,429</u>
Total Net Position	<u>\$ 92,352,442</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, 2015**

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
Governmental activities:					
General government	\$ 3,066,806	\$ 806,293	\$ 72,405	\$	\$ (2,188,108)
Public safety	7,665,318	174,377	503,097		(6,987,844)
Public works	6,878,133	7,005	424,257		(6,446,871)
Land and building administration	826,346	479,673			(346,673)
Health and welfare	1,780,235	63,013	392,645		(1,324,577)
Beach and recreation	1,534,989	1,004,893	29,482		(500,614)
Education	58,346,516	844,950	7,343,862		(50,157,704)
Library	1,475,891				(1,475,891)
Interest on long-term debt	762,134		27,565		(734,569)
Total	\$ 82,336,368	\$ 3,380,204	\$ 8,793,313	\$ -	(70,162,851)
General revenues:					
Property taxes					71,730,220
Grants and contributions not restricted to specific programs					925,891
Unrestricted investment earnings					598,383
Miscellaneous					142,153
Total general revenues					<u>73,396,647</u>
Change in net position					3,233,796
Net Position at Beginning of Year, as Restated					<u>89,118,646</u>
Net Position at End of Year					<u>\$ 92,352,442</u>

The accompanying notes are an integral part of the financial statements

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

	<u>General</u>	<u>Capital Projects</u>	<u>Special Education Grants</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS					
Cash and cash equivalents	\$ 6,952,310	\$ 997,000	\$ 1,788,709	\$ 2,495,575	\$ 12,233,594
Investments	12,597,500				12,597,500
Receivables, net	1,031,028			32,018	1,063,046
Due from other funds	2,442,343	6,653,765		127,719	9,223,827
Due from other governments	250,275	52,087		90,323	392,685
Inventory				40,650	40,650
Total Assets	<u>\$ 23,273,456</u>	<u>\$ 7,702,852</u>	<u>\$ 1,788,709</u>	<u>\$ 2,786,285</u>	<u>\$ 35,551,302</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES					
Liabilities:					
Accounts and other payables	\$ 966,970	\$ 120,923	\$ 24,332	\$ 27,310	\$ 1,139,535
Due to other funds	6,836,271	11,074	1,729,010	620,894	9,197,249
Unearned revenue			19,884	3,090	22,974
Total liabilities	<u>7,803,241</u>	<u>131,997</u>	<u>1,773,226</u>	<u>651,294</u>	<u>10,359,758</u>
Deferred inflows of resources:					
Unavailable revenue - property taxes	762,119				762,119
Unavailable revenue - property tax interest	174,147				174,147
Unavailable revenue - special assessments	5,827				5,827
Unavailable revenue - school building receivable	25,286				25,286
Advance property tax collections	<u>3,724,773</u>				<u>3,724,773</u>
Total deferred inflows of resources	<u>4,692,152</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,692,152</u>
Fund balances:					
Nonspendable				40,650	40,650
Restricted			15,483	1,222,876	1,238,359
Committed		7,017,268		871,465	7,888,733
Assigned	1,439,530	553,587			1,993,117
Unassigned	<u>9,338,533</u>				<u>9,338,533</u>
Total fund balances	<u>10,778,063</u>	<u>7,570,855</u>	<u>15,483</u>	<u>2,134,991</u>	<u>20,499,392</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 23,273,456</u>	<u>\$ 7,702,852</u>	<u>\$ 1,788,709</u>	<u>\$ 2,786,285</u>	<u>\$ 35,551,302</u>

(Continued on next page)

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

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

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

Fund balances - total governmental funds (Exhibit III)	\$	20,499,392
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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	\$ 168,469,360	
Less accumulated depreciation	<u>(52,988,719)</u>	
Net capital assets		115,480,641

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

Property tax receivables greater than 60 days	762,119
Property tax interest receivable	174,147
Assessments receivable	5,827
Receivable from the state for school construction projects	25,286
Deferred outflows of resources pension investment gains or losses	1,601,385
Deferred outflows of resources changes in actuarial experience	59,985
Deferred inflows of resources changes in actuarial experience	(326,973)

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.

2,493,952

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

Bonds payable	(29,360,000)
Deferred charge on refunding	284,755
Interest payable on bonds	(253,901)
Deferred amount on premium	(375,835)
Compensated absences	(1,680,777)
Net other post-employment benefits payable	(4,269,290)
Capital lease	(377,668)
Heart and hypertension	(1,258,295)
Pension liability	(9,295,758.00)
Termination benefits	<u>(1,836,550)</u>

Net Position of Governmental Activities (Exhibit I)	\$	<u><u>92,352,442</u></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, 2015**

	General	Capital Projects	Special Education Grants	Nonmajor Governmental Funds	Total Governmental Funds
Revenues:					
Property taxes	\$ 71,596,027		\$	\$	\$ 71,596,027
Intergovernmental	8,665,975		846,376	661,466	10,173,817
Charges for services	1,833,518			1,580,153	3,413,671
Income on investments	593,185			2,208	595,393
Contributions and donations		6,391		331,616	338,007
Miscellaneous		62,747		79,406	142,153
Total revenues	<u>82,688,705</u>	<u>69,138</u>	<u>846,376</u>	<u>2,654,849</u>	<u>86,259,068</u>
Expenditures:					
Current:					
General government	1,532,411			418,367	1,950,778
Public safety	4,592,634			19,342	4,611,976
Public works	3,955,606				3,955,606
Land and building administration	409,038				409,038
Health and welfare	1,072,022			242,702	1,314,724
Beach and recreation	412,880			669,469	1,082,349
Education	55,836,777		846,376	1,007,919	57,691,072
Library	1,336,430				1,336,430
Insurance, employee benefits and miscellaneous	4,536,436			112,939	4,649,375
Capital outlay	47,259	3,986,117			4,033,376
Debt service	4,384,744				4,384,744
Total expenditures	<u>78,116,237</u>	<u>3,986,117</u>	<u>846,376</u>	<u>2,470,738</u>	<u>85,419,468</u>
Excess (Deficiency) of Revenues over Expenditures	<u>4,572,468</u>	<u>(3,916,979)</u>	<u>-</u>	<u>184,111</u>	<u>839,600</u>
Other Financing Sources (Uses):					
Proceeds from capital leases		479,002			479,002
Transfers in	64,000	4,101,021		32,033	4,197,054
Transfers out	(4,083,054)			(114,000)	(4,197,054)
Total other financing sources (uses)	<u>(4,019,054)</u>	<u>4,580,023</u>	<u>-</u>	<u>(81,967)</u>	<u>479,002</u>
Net Change in Fund Balances	553,414	663,044	-	102,144	1,318,602
Fund Balances at Beginning of Year	<u>10,224,649</u>	<u>6,907,811</u>	<u>15,483</u>	<u>2,032,847</u>	<u>19,180,790</u>
Fund Balances at End of Year	<u>\$ 10,778,063</u>	<u>\$ 7,570,855</u>	<u>\$ 15,483</u>	<u>\$ 2,134,991</u>	<u>\$ 20,499,392</u>

(Continued on next page)

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

Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances 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) \$ 1,318,602

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	1,612,438
Depreciation expense	(3,187,691)

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. (16,387)

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	25,513
Property tax receivable - accrual basis change	70,922
Property tax interest and lien revenue - accrual basis change	(12,292)
Assessment receivable - accrual basis change	12,264
Change in net pension liability	(1,398,109)
Change in deferred inflows amounts related to actuarial experience	(326,973)
Change in deferred outflows amounts related to pension investment gains or losses	1,601,385
Change in deferred outflows amounts related to actuarial experience	59,985

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 position. 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	3,505,000
Bond premium	21,715
Capital lease principal payments	101,334
Other post-employment benefits obligation	(765,943)
Capital lease issuance	(479,002)

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	110,036
Accrued interest	11,311
Amortization of bond discounts	(16,750)
Early retirement incentive	1,444,138
Heart and hypertension	29,460

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. (487,160)

Change in Net Position of Governmental Activities (Exhibit II) \$ 3,233,796

The accompanying notes are an integral part of the financial statements

**TOWN OF MADISON, CONNECTICUT
 PROPRIETARY FUNDS
 STATEMENT OF NET POSITION
 JUNE 30, 2015**

	Governmental Activities
	Internal Service Funds
Assets:	
Cash and cash equivalents	\$ 2,731,634
Accounts receivable	394,326
Total assets	<u>3,125,960</u>
Liabilities:	
Due to other funds	12,008
Risk management claims	620,000
Total liabilities	<u>632,008</u>
Net Position:	
Restricted	46,600
Unrestricted	<u>2,447,352</u>
Total Net Position	<u>\$ 2,493,952</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 POSITION
 FOR THE YEAR ENDED JUNE 30, 2015**

	Governmental Activities
	Internal Service Funds
Operating Revenues:	
Employee contributions and charges for services	\$ <u>9,502,068</u>
Operating Expenses:	
Administrative expense	1,088,241
Employee benefits	<u>8,903,977</u>
Total operating expenses	<u>9,992,218</u>
Operating Loss	(490,150)
Nonoperating Revenues:	
Income on investments	<u>2,990</u>
Change in Net Position	(487,160)
Total Net Position, Beginning of Year	<u>2,981,112</u>
Total Net Position, End of Year	\$ <u><u>2,493,952</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, 2015**

	Governmental Activities
	Internal Service Funds
Cash Flows from Operating Activities:	
Cash received from charges for services	\$ 9,108,051
Cash payments for claims paid	(8,837,969)
Cash payments to providers of benefits	(1,088,241)
Net cash used in operating activities	<u>(818,159)</u>
Cash Flows from Investing Activities:	
Income on investments	<u>2,990</u>
Net Decrease in Cash and Cash Equivalents	(815,169)
Cash and Cash Equivalents, Beginning of Year	<u>3,546,803</u>
Cash and Cash Equivalents, End of Year	<u><u>\$ 2,731,634</u></u>
Reconciliation of Operating Loss to Net Cash Used in Operating Activities:	
Operating loss	\$ (490,150)
Adjustments to reconcile operating loss to net cash used in operating activities:	
Change in assets and liabilities:	
Increase in receivables	(394,326)
Increase in due to other funds	2,008
Decrease in due from other funds	309
Increase in other liabilities	<u>64,000</u>
Net Cash Used in Operating Activities	<u><u>\$ (818,159)</u></u>

The accompanying notes are an integral part of the financial statements

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

	Pension Trust Funds	Agency Funds
	<u> </u>	<u> </u>
Assets:		
Cash and cash equivalents	\$ 28,022	\$ 852,620
Investments, at fair value:		
U.S. Government obligations	3,134,456	
Marketable equity securities	13,245,106	
Corporate bonds	5,318,956	
Foreign bonds	788,171	
Mutual funds	8,924,282	
Due from other funds		<u>54,787</u>
Total assets	<u>31,438,993</u>	<u>\$ 907,407</u>
Liabilities:		
Due to employees and others		\$ 838,050
Due to other funds		<u>69,357</u>
Total liabilities	<u>-</u>	<u>\$ 907,407</u>
Net Position:		
Held in Trust for Pension Benefits	<u>\$ 31,438,993</u>	

The accompanying notes are an integral part of the financial statements

**TOWN OF MADISON, CONNECTICUT
 FIDUCIARY FUNDS
 STATEMENT OF CHANGES IN PLAN NET POSITION
 PENSION TRUST FUNDS
 FOR THE YEAR ENDED JUNE 30, 2015**

Additions:

Contributions:

Employer	\$ 1,577,700
Plan members	196,840
Total contributions	<u>1,774,540</u>

Investment income:

Interest	885,438
Net depreciation in fair value of investments	<u>(451,873)</u>
Total investment income	<u>433,565</u>

Net additions	<u>2,208,105</u>
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Deductions:

Benefits	2,258,594
Administration	<u>213,434</u>
Total deductions	<u>2,472,028</u>

Change in Net Position	(263,923)
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Net Position Held in Trust for Pension Benefits - Beginning of Year	<u>31,702,916</u>
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Net Position Held in Trust for Pension Benefits - End of Year	<u>\$ 31,438,993</u>
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The accompanying notes are an integral part of the 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 position and the statement of activities) report information on all of the nonfiduciary activities of the Town. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, 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 segments 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.

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

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

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). The major sources of revenue for this fund are General Fund contributions and bond proceeds.

The *Special Education Grants Fund* is used to account for education related grants from the state and federal governments.

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.

The *Agency Fund* accounts for monies held on behalf of students and amounts held for performance related activities.

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.

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

When both restricted and unrestricted resources are available for use, it is the Town's policy to use restricted resources first, then unrestricted resources as they are needed. Unrestricted resources are used in the following order: committed, assigned then unassigned.

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 receivables as of June 30, 2015 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.

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

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 are depreciated using the straight line method over the following estimated useful lives:

Assets	Years
Buildings and improvements	25-50
Equipment and vehicles	3-20
Infrastructure	10-65

H. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position or fund balance that applies to a future period or periods and so will not be recognized as an outflow of resources (expense/expenditure) until then. Deferred outflows of resources are reported in Town’s government-wide statement of net position for deferred charge on refunding and for differences between expected and actual experience and for changes in projected investment earning related to pension plans. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. A deferred outflow of resources related to pension results from differences between expected and actual experience, and changes in projected investment earnings. These amounts are deferred and included in pension expense in a systematic and rational manner over a period equal to the average of the expected remaining service lives of all employees that are provided with benefits through the pension plan (active employees and inactive employees).

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

I. 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 position. These liabilities are liquidated by the General Fund.

J. 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 position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of any significant applicable bond premium or discount. Bond issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

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

K. Net Pension Liability

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

L. Fund Equity

Equity in the government-wide financial statements is defined as "net position" and is classified in the following categories:

Net Investments in Capital Assets

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

Restricted Net Position

This component consists of restrictions externally imposed by creditors (such as through debt covenants), grantors, contributors or laws or regulations of other governments or imposed by law through constitutional provisions or enabling legislation.

Unrestricted Net Position

This component consists of net items that do not meet the definition of "restricted" or "invested in capital assets, net of related debt."

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

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

Nonspendable Fund Balance

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

Restricted Fund Balance

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

Committed Fund Balance

This represents amounts constrained for a specific purpose by a government using its highest level of decision-making authority (Town of Madison Board of Finance).

Assigned Fund Balance

This represents amounts constrained for the intent to be used for a specific purpose by a governing board or a body or official that has been delegated authority to assign amounts.

Unassigned Fund Balance

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

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 \$1,398,000. 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.

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

Deposits

Deposit Custodial Credit Risk

Custodial credit risk is the risk that, in the event of a bank failure, the Town’s deposit will not be returned. The Town does not have a deposit policy for custodial credit risk. The deposit of public funds is controlled by the Connecticut General Statutes. Deposits may be placed with any qualified public depository that has its main place of business in the State of Connecticut. Connecticut General Statutes require that each depository maintain segregated collateral (not required to be based on a security agreement between the depository and the municipality and, therefore, not perfected in accordance with federal law) in an amount equal to a defined percentage of its public deposits based upon the depository’s risk based capital ratio.

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

Based on the criteria described in GASB Statement No. 40, *Deposits and Investment Risk Disclosures*, \$9,315,294 of the Town's bank balance of \$9,683,358 was exposed to custodial credit risk as follows:

Uninsured and uncollateralized	\$ 8,503,466
Uninsured and collateral held by the pledging bank's trust department, not in the Town's name	<u>811,828</u>
Total Amount Subject to Custodial Credit Risk	<u>\$ 9,315,294</u>

Cash Equivalents

At June 30, 2015, the Town's cash equivalents amounted to \$6,832,142. 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 Short-Term Investment Fund (STIF)	AAAm

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

Investments

As of June 30, 2015, 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:					
Government bonds	AAA	\$ 15,618,427	\$ 652,517	\$ 14,965,910	\$
Corporate bonds	A2/A-	329,424		329,424	
Corporate bonds	AA2/A1	573,161		573,161	
Corporate bonds	AAA	122,551		122,551	
Corporate bonds	A3	206,007		206,007	
Corporate bonds	A	122,823		122,823	
Corporate bonds	A2/A-	20,308		20,308	
Corporate bonds	A2/A+	35,347		35,347	
Corporate bonds	AAA	15,687		15,687	
Corporate bonds	AA1/AA+	61,735		61,735	
Corporate bonds	AA2/AA	10,011		10,011	
Corporate bonds	A3/A-	25,876		25,876	
Corporate bonds	A2/A-	555,682		555,682	
Corporate bonds	AA2/AA	100,108		100,108	
Corporate bonds	A3/A+	102,392		102,392	
Corporate bonds	A1/A-	453,465		453,465	
Corporate bonds	AA1/AA	308,185		308,185	
Corporate bonds	AAA	150,983		150,983	
Corporate bonds	BAA2/BBB-	821,717		821,717	
Corporate bonds	BAA3	81,206		81,206	
Corporate bonds	BAA1/A-	51,583		51,583	
Corporate bonds	BAA2/BBB-	20,103		20,103	
Corporate bonds	BAA1/BBB	30,756		30,756	
Corporate bonds	BAA3/BBB	10,634		10,634	
Corporate bonds	BAA2/BBB-	205,048		205,048	
Corporate bonds	BAA1/A-	504,078		504,078	
Corporate bonds	BAA1/BBB	148,666		148,666	
Corporate bonds	BAA1/BBB	151,846	151,846		
Corporate bonds	BAA3/BBB	99,574		99,574	
Foreign bonds	AA2/A+	83,515		83,515	
Foreign bonds	AA1/AA-	166,514		166,514	
Foreign bonds	A2/A	83,047		83,047	
Foreign bonds	AA1/AA-	21,062		21,062	
Foreign bonds	AA2/A	21,943		21,943	
Foreign bonds	A2/A	103,059		103,059	
Foreign bonds	AA1/AA-	205,631		205,631	
Foreign bonds	AA2/A+	103,400		103,400	
Total		21,725,554	\$ 804,363	\$ 20,921,191	\$ -
Other investments:					
Equities		13,358,635			
Mutual Funds		8,924,282			
Total Investments		\$ 44,008,471			

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

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 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, 2015, the Town did not have any uninsured and unregistered securities held by the counterparty or by its trust department or agent that were not in the Town's name.

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	\$ 177,892	\$	\$	\$ 177,892
Taxes	881,190			881,190
Intergovernmental	250,275	52,087	90,323	392,685
Accounts	17,870		426,344	444,214
Special assessments	<u>2,576</u>			<u>2,576</u>
Gross receivables	<u>1,329,803</u>	<u>52,087</u>	<u>516,667</u>	<u>1,898,557</u>
Less allowance for uncollectibles	<u>48,500</u>			<u>48,500</u>
Net Total Receivables	<u>\$ 1,281,303</u>	<u>\$ 52,087</u>	<u>\$ 516,667</u>	<u>\$ 1,850,057</u>

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

5. CAPITAL ASSETS

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

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Transfers</u>	<u>Ending Balance</u>
Governmental activities:					
Capital assets not being depreciated:					
Land	\$ 21,119,276	\$	\$	\$	\$ 21,119,276
Construction in progress	985,228	76,677		(928,280)	133,625
Total capital assets not being depreciated	<u>22,104,504</u>	<u>76,677</u>	<u>-</u>	<u>(928,280)</u>	<u>21,252,901</u>
Capital assets being depreciated:					
Buildings and improvements	104,615,325	651,014		928,280	106,194,619
Equipment and vehicles	9,077,634	884,747	(131,119)		9,831,262
Infrastructure	31,190,578				31,190,578
Total capital assets being depreciated	<u>144,883,537</u>	<u>1,535,761</u>	<u>(131,119)</u>	<u>928,280</u>	<u>147,216,459</u>
Less accumulated depreciation for:					
Buildings and improvements	(29,311,384)	(2,126,910)			(31,438,294)
Equipment and vehicles	(6,039,521)	(621,328)	114,732		(6,546,117)
Infrastructure	(14,564,855)	(439,453)			(15,004,308)
Total accumulated depreciation	<u>(49,915,760)</u>	<u>(3,187,691)</u>	<u>114,732</u>	<u>-</u>	<u>(52,988,719)</u>
Total capital assets being depreciated, net	<u>94,967,777</u>	<u>(1,651,930)</u>	<u>(16,387)</u>	<u>928,280</u>	<u>94,227,740</u>
Governmental Activities Capital Assets, Net	<u>\$ 117,072,281</u>	<u>\$ (1,575,253)</u>	<u>\$ (16,387)</u>	<u>\$ -</u>	<u>\$ 115,480,641</u>

Depreciation expense was charged to functions/programs as follows:

Governmental Activities:	
General Government	\$ 220,681
Public Safety	524,266
Public Works	542,311
Land and building administration	1,469
Health and welfare	65,144
Beach and recreation	128,567
Education	<u>1,705,253</u>
Total Depreciation Expense - Governmental Activities	<u>\$ 3,187,691</u>

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

6. INTERFUND ACCOUNTS

At June 30, 2015, 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	\$ 620,894
General Fund	Agency Fund	69,357
General Fund	Internal Service Fund	12,008
General Fund	Capital Project	11,074
General Fund	Special Education Grants	1,729,010
Capital Projects Fund	General Fund	6,653,765
Nonmajor Governmental Fund	General Fund	127,719
Agency Fund	General Fund	<u>54,787</u>
		<u>\$ 9,278,614</u>

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

Interfund Transfers

	<u>Transfers In</u>			<u>Total</u>
	<u>General Fund</u>	<u>Capital Projects Funds</u>	<u>Nonmajor Governmental Funds</u>	
Transfers out:				
General Fund	\$	\$ 4,051,021	\$ 32,033	\$ 4,083,054
Nonmajor Governmental	<u>64,000</u>	<u>50,000</u>		<u>114,000</u>
	<u>\$ 64,000</u>	<u>\$ 4,101,021</u>	<u>\$ 32,033</u>	<u>\$ 4,197,054</u>

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

7. LEASES

The town has entered into a lease agreement as lessee for financing the acquisition of dispatch equipment. These lease agreements qualify as capital leases for accounting purposes and, therefore, have been recorded at the present value of their future minimum lease payments as of the inception date.

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

The gross amounts of assets acquired under capital leases, by major asset class, are shown below:

Dispatch Equipment	\$ 479,002
Less accumulated depreciation	<u>(47,900)</u>
Total	<u>\$ 431,102</u>

The future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2015 are as follows:

<u>Fiscal Year Ending June 30,</u>	<u>Amount</u>
2016	\$ 101,488
2017	101,488
2018	101,488
2019	<u>101,488</u>
Total minimum lease payments	405,952
Less amount representing interest	<u>(28,284)</u>
Present value of minimum lease payments	<u>\$ 377,668</u>

8. LONG-TERM DEBT

Changes in Long-Term Liabilities

Long-term liability activity for the year ended June 30, 2015 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	\$ 32,865,000	\$	\$ 3,505,000	\$ 29,360,000	\$ 3,585,000
Bond premium	<u>397,550</u>		<u>21,715</u>	<u>375,835</u>	
Total bonds payable	33,262,550	-	3,526,715	29,735,835	3,585,000
Early retirement incentive	3,280,688	227,679	1,671,817	1,836,550	608,890
Compensated absences	1,790,813		110,036	1,680,777	97,950
Pension liability	7,897,649	1,455,143	57,034	9,295,758	
Heart and hypertension	1,287,755		29,460	1,258,295	
Capital leases		479,002	101,334	377,668	90,337
Net OPEB obligation	<u>3,503,347</u>	<u>765,943</u>		<u>4,269,290</u>	
Total Governmental Activities Long-Term Liabilities	<u>\$ 51,022,802</u>	<u>\$ 2,927,767</u>	<u>\$ 5,496,396</u>	<u>\$ 48,454,173</u>	<u>\$ 4,382,177</u>

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

General Obligation Bonds

The Town issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities.

General obligation bonds are direct obligations of the Town for which full faith and credit are pledged and payable from taxes levied on all taxable properties located within the Town. General obligation bonds currently outstanding are as follows:

<u>Description</u>	<u>Date of Issue</u>	<u>Date of Maturity</u>	<u>Interest Rate %</u>	<u>Amount of Original Issue</u>	<u>Annual Principal</u>	<u>Balance Outstanding at June 30, 2015</u>
General obligation, refunding	9/17/2009	12/15/2022	2-4%	\$ 5,720,000	various	\$ 3,865,000
General obligation	9/17/2009	12/15/2024	2-4%	12,985,000	various	9,050,000
General obligation	12/15/2010	12/15/1930	3-4%	5,910,000	various	4,720,000
General obligation	12/15/2010	3/15/2022	2-4%	6,480,000	various	4,125,000
General obligation, refunding	11/7/2012	3/15/1930	2-3%	9,200,000	various	7,600,000
						<u>\$ 29,360,000</u>

The annual requirements to amortize bonds payable as of June 30, 2015 are as follows:

<u>Fiscal Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2016	\$ 3,585,000	\$ 906,878	\$ 4,491,878
2017	3,035,000	802,594	3,837,594
2018	3,070,000	691,794	3,761,794
2019	3,105,000	590,906	3,695,906
2020	2,605,000	487,606	3,092,606
2021	2,585,000	403,791	2,988,791
2022	2,595,000	324,563	2,919,563
2023	2,200,000	243,006	2,443,006
2024	1,675,000	179,244	1,854,244
2025	1,110,000	133,519	1,243,519
2026	715,000	106,894	821,894
2027	705,000	87,800	792,800
2028	700,000	68,169	768,169
2029	695,000	47,762	742,762
2030	685,000	26,962	711,962
2031	295,000	5,900	300,900
Total	<u>\$ 29,360,000</u>	<u>\$ 5,107,388</u>	<u>\$ 34,467,388</u>

Prior Year Defeasance of Debt

In prior years, the Town had defeased certain general obligation bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the Town's financial statements. At June 30, 2015, \$7,440,000 of defeased bonds remains outstanding.

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

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</u>	<u>Net Indebtedness</u>	<u>Balance</u>
General purpose	\$ 161,607,386	\$ 12,320,000	\$ 149,287,386
Schools	323,214,773	17,014,714	306,200,059
Sewers	269,345,644		269,345,644
Urban renewal	233,432,891		233,432,891
Pension deficit	215,476,515		215,476,515

Total overall statutory debt limit for the Town is equal to seven time's annual receipts from taxation or \$502,778,535.

9. FUND BALANCE

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

	<u>General Fund</u>	<u>Capital Projects Fund</u>	<u>Special Education Grants Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Total</u>
Fund balances:					
Nonspendable:					
Inventory	\$	\$	\$	40,650	\$ 40,650
Restricted for:					
Grants			15,483	733,756	749,239
Endowments				489,120	489,120
Committed to:					
Capital projects		7,017,268			7,017,268
General government				21,377	21,377
Public safety				35,576	35,576
Beach and recreation				58,574	58,574
Health and welfare				639,540	639,540
Education				116,398	116,398
Assigned to:					
Subsequent year's budget	500,000				500,000
Capital projects encumbrances		553,587			553,587
General government encumbrances	27,511				27,511
Public safety encumbrances	10,486				10,486
Public works encumbrances	33,652				33,652
Land and building encumbrances	8,232				8,232
Health and welfare encumbrances	1,802				1,802
Education encumbrances	851,788				851,788
Capital outlay encumbrances	6,059				6,059
Unassigned	9,338,533				9,338,533
Total Fund Balances	\$ 10,778,063	\$ 7,570,855	\$ 15,483	\$ 2,134,991	\$ 20,499,392

Significant encumbrances at June 30, 2015 are contained in the above table in the assigned category of the General Fund and Capital Projects Fund.

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

10. 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 \$620,000 reported in the Internal Service Fund at June 30, 2015 is based on GASB 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>	<u>Current Year Claims and Changes in Estimate</u>	<u>Claim Payment</u>	<u>Liability June 30,</u>
2013-14 \$	571,000 \$	7,788,566 \$	7,803,566 \$	556,000
2014-15	556,000	8,631,635	8,567,635	620,000

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, 2015 is \$1,258,295.

11. 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.

Management of the Town Employees' Plan rests with the Employee Retirement Board, which consists of five members, one being the Selectman designated as Pension Liaison (Chairman).

Management of the Firemen's Benefit Plan rests with the Firemen's Benefit Committee, which consists of 7 members. One member from North Madison Fire Company, one member from Madison Hose Company, four members-at-large, and the Selectman designated as Pension Liaison.

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

Management of the Police Pension Plan rests with the Police Retirement Board, which consists of five members. The members shall be a Police Union Representative, three members-at-large, and the Selectman designated as Pension Liaison.

At July 1, 2014, PERS membership consisted of:

	<u>Police</u>	<u>Town</u>	<u>Fire</u>
Retirees and beneficiaries currently receiving benefits	35	88	22
Terminated employees entitled to benefit but not yet receiving them	8	49	2
Current employees:			
Vested	27	212	75
Nonvested			3
	<u>70</u>	<u>349</u>	<u>102</u>
Total			

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</u>
12	50%
16	50%
20	100%

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

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. Plan member contributions are recognized in the period in which the contributions are due. Employer contributions are recognized when due and a formal commitment to provide the contributions has been made. Benefits and refunds are recognized when due and payable in accordance with the terms of the plans.

Method Used to Value Investments

Investments are reported at market value. Securities traded on a national exchange are valued at the last reported sales price. Investment income is recognized as earned.

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 \$951,003, \$521,830 and \$102,856 for the plan years, respectively.

Investments

Investment Policy

The pension plan's policy in regard to the allocation of invested assets is established and may be amended by the PERS Board by a majority vote of its members. It is the policy of the PERS Board to pursue an investment strategy that reduces risk through the prudent diversification of the portfolio across a broad selection of distinct asset classes. The pension plan's investment policy discourages the use of cash equivalents, except for liquidity purposes, and aims to refrain from dramatically shifting asset class allocations over short time spans. The following was the Board's adopted asset allocation policy as of June 30, 2015:

<u>Asset Class</u>	<u>Target Allocation</u>		
	<u>Town</u>	<u>Police</u>	<u>Fire</u>
Domestic equity	40.9%	40.9%	34.6%
International equity	21.0%	21.0%	20.4%
Fixed income	35.1%	35.1%	45.0%
Cash	3.0%	3.0%	0.0%
	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>

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

Rate of Return

For the year ended June 30, 2015, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was 0.73%, 1.00% and 1.14% for the Town, Police and Fire plans respectively. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

D. Net Pension Liability

1. Town Plan

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

Total pension liability	\$	21,376,260
Plan fiduciary net position		<u>16,830,456</u>
Net pension liability	\$	<u>4,545,804</u>
Plan fiduciary net position as a percentage of the total pension liability		
		78.73%

The Town's net pension liability will be required to be recorded on the government wide statement of net position at June 30, 2015.

Actuarial Assumptions

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

Inflation		2.75%
Salary increases	Age related table	
Investment rate of return		7.25%

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

The actuarial assumptions used in the June 30, 2015 valuation were based on the results of an actuarial experience study for the period July 1, 2014-June 30, 2015.

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

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

<u>Asset Class</u>	<u>Long-Term Expected Real Rate of Return</u>
Domestic equity - small cap	7.36%
Domestic equity - large cap	5.61%
International equity	6.02%
Emerging markets equity	8.81%
High yield bonds	4.00%
Fixed income	2.09%
Real estate	5.56%
Cash	0.50%

Discount Rate

The discount rate used to measure the total pension liability was 7.25%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that Town contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

Changes in the Net Pension Liability

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a)-(b)
Balances as of June 30, 2014	\$ 20,591,324	\$ 16,703,296	\$ 3,888,028
Changes for the year:			
Service cost	533,079		533,079
Interest on total pension liability	1,486,730		1,486,730
Effect of economic/demographi gains or losses	(303,962)		(303,962)
Employer contributions		951,003	(951,003)
Member contributions		9,732	(9,732)
Net investment income		120,972	(120,972)
Benefit payments, including refund to employee contributions	(930,911)	(930,911)	-
Administrative expenses		(23,636)	23,636
Net Changes	784,936	127,160	657,776
Balances as of June 30, 2015	\$ 21,376,260	\$ 16,830,456	\$ 4,545,804

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

The following presents the net pension liability of the Town, calculated using the discount rate of 7.25%, as well as what the Town's net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (6.25%) or 1 percentage point higher (8.25%) than the current rate:

	1% Decrease	Current	1% Increase
	6.25%	Discount Rate 7.25%	8.25%
Town Net Pension Liability	\$ 7,075,311	\$ 4,545,804	\$ 2,654,738

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

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

For the year ended June 30, 2015, the Town recognized pension expense of \$984,362. At June 30, 2015, the Town reported deferred outflows of resources and deferred inflows of resources related to pension from the following sources:

	<u>Deferred Inflows of Resources</u>	<u>Deferred Outflow of Resources</u>
Differences between expected and actual experience	\$ 253,302	\$
Net difference between projected and actual earning on pension plan investments		877,719
	<u>253,302</u>	<u>877,719</u>
Total	<u>\$ 253,302</u>	<u>\$ 877,719</u>

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

Year Ending June 30,

2016	\$	168,770
2017		168,770
2018		168,770
2019		168,769
2020		(50,662)

2. Police Plan

In accordance with GASB Statement No. 67, the components of the net pension liability at June 30, 2015, were as follows:

Total pension liability	\$ 17,531,207
Plan fiduciary net position	<u>13,268,935</u>
Net pension liability	<u>\$ 4,262,272</u>
Plan fiduciary net position as a percentage of the total pension liability	75.69%

The net pension liability will be required to be recorded on the government wide statement of net position at June 30, 2015.

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

Actuarial Assumptions

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

Inflation	2.75%
Salary increases	Graded by age
Investment rate of return	7.25%

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

The actuarial assumptions used in the June 30, 2015 valuation were based on the results of an actuarial experience study for the period July 1, 2014-June 30, 2015.

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

<u>Asset Class</u>	<u>Long-Term Expected Real Rate of Return</u>
Domestic equity	5.87%
International equity	6.02%
Emerging markets equity	8.81%
High yield bonds	4.00%
Fixed income	2.09%
Real estate	5.56%
Cash	0.50%

Discount Rate

The discount rate used to measure the total pension liability was 7.25%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that Police contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

Changes in the Net Pension Liability

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a)-(b)
Balances as of June 30, 2014	\$ 17,145,801	\$ 13,680,896	\$ 3,464,905
Changes for the year:			
Service cost	316,801		316,801
Interest on total pension liability	1,225,819		1,225,819
Effect of economic/demographi gains or losses	71,303		71,303
Employer contributions		521,830	(521,830)
Member contributions		187,108	(187,108)
Net investment income		134,475	(134,475)
Benefit payments, including refund to employee contributions	(1,228,517)	(1,228,517)	-
Administrative expenses		(26,857)	26,857
Net Changes	385,406	(411,961)	797,367
Balances as of June 30, 2015	\$ 17,531,207	\$ 13,268,935	\$ 4,262,272

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

The following presents the net pension liability of the Town, calculated using the discount rate of 7.25%, as well as what the Police's net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (6.25%) or 1 percentage point higher (8.25%) than the current rate:

	1% Decrease 6.25%	Current Discount Rate 7.25%	1% Increase 8.25%
Police Net Pension Liability	\$ 6,150,450	\$ 4,262,272	\$ 2,627,138

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

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

For the year ended June 30, 2015, the Town recognized pension expense of \$586,837. At June 30, 2015, the Town reported deferred outflows of resources and deferred inflows of resources related to pension from the following sources:

	<u>Deferred Outflow of Resources</u>
Differences between expected and actual experience actual earning on pension plan investments	\$ 59,985
Net difference between projected and actual earning on pension plan investments	<u>672,375</u>
Total	<u>\$ 732,360</u>

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

Year Ending June 30,

2016	\$ 179,412
2017	179,412
2018	179,412
2019	179,411
2020	11,318
Thereafter	3,395

3. Volunteer Firemen’s Plan

In accordance with GASB Statement No. 67, the components of the net pension liability at June 30, 2015, were as follows:

Total pension liability	\$ 1,827,283
Plan fiduciary net position	<u>1,339,602</u>
Net pension liability	<u>\$ 487,681</u>

Plan fiduciary net position as a percentage
of the total pension liability 73.31%

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

Actuarial Assumptions

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

Inflation	2.75%
Salary increases	N/A
Investment rate of return	6.00%

Mortality rates were based on the 2014 430(h)(3)(A) Optional Combined Mortality Table.

The actuarial assumptions used in the June 30, 2015 valuation were based on the results of an actuarial experience study for the period July 1, 2014-June 30, 2015.

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

<u>Asset Class</u>	<u>Long-Term Expected Real Rate of Return</u>
Domestic equity	5.87%
International equity	6.02%
Fixed income	2.09%
Cash	0.50%

Discount Rate

The discount rate used to measure the total pension liability was 6%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that Town contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

Changes in the Net Pension Liability

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a)-(b)
Balances as of June 30, 2014	\$ 1,863,439	\$ 1,318,724	\$ 544,715
Changes for the year:			
Service cost	36,251		36,251
Interest on total pension liability	106,278		106,278
Effect of economic/demographi gains or losses	(79,518)		(79,518)
Employer contributions		104,867	(104,867)
Member contributions		15,178	(15,178)
Net investment income			-
Benefit payments, including refund to employee contributions	(99,167)	(99,167)	-
Administrative expenses			-
Net Changes	(36,156)	20,878	(57,034)
Balances as of June 30, 2015	\$ 1,827,283	\$ 1,339,602	\$ 487,681

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

The following presents the net pension liability of the Town, calculated using the discount rate of 6.00%/6.50%, as well as what the Town's net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (5.00%/5.50%) or 1 percentage point higher (7.00%/7.50%) than the current rate:

	1% Decrease	Current	1% Increase
	5.00% / 5.50%	Discount Rate 6.00% / 6.50%	7.00% / 7.50%
Firemen's Net Pension Liability	\$ 671,835	\$ 487,681	\$ 329,366

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

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

For the year ended June 30, 2015, the Town recognized pension expense of \$586,837. At June 30, 2015, the Town reported deferred outflows of resources and deferred inflows of resources related to pension from the following sources:

	<u>Deferred Inflows of Resources</u>	<u>Deferred Outflow of Resources</u>
Differences between expected and actual experience actual earning on pension plan investments	\$ 73,671	\$
Net difference between projected and actual earning on pension plan investments	<u> </u>	\$ <u>51,291</u>
Total	<u>\$ 73,671</u>	<u>51,291</u>

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

Year Ending June 30,

2016	\$	6,976
2017		6,976
2018		6,976
2019		6,975
2020		(5,847)
Thereafter		(44,436)

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

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 position held in trust for pension benefits at June 30, 2015 and the changes in net position for the year then ended.

Combining Statement of Net Position				
Employee Retirement Funds				
	Police	Town	Fire	Total
Assets:				
Cash and cash equivalents	\$	\$	\$ 28,022	\$ 28,022
Investments	13,268,935	16,830,456	1,311,580	31,410,971
Total assets	13,268,935	16,830,456	1,339,602	31,438,993
Net Position Held in Trust for				
Pension Benefits	\$ 13,268,935	\$ 16,830,456	\$ 1,339,602	\$ 31,438,993

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

	Combining Statement of Net Position Employee Retirement Funds			
	<u>Police</u>	<u>Town</u>	<u>Fire</u>	<u>Total</u>
Additions:				
Contributions:				
Employer	\$ 521,830	\$ 951,003	\$ 104,867	\$ 1,577,700
Plan members	187,108	9,732		196,840
Total contributions	<u>708,938</u>	<u>960,735</u>	<u>104,867</u>	<u>1,774,540</u>
Investment income:				
Interest	387,477	457,184	40,777	885,438
Net depreciation in fair value of investments	<u>(178,862)</u>	<u>(260,540)</u>	<u>(12,471)</u>	<u>(451,873)</u>
Net investment income	<u>208,615</u>	<u>196,644</u>	<u>28,306</u>	<u>433,565</u>
Total additions	<u>917,553</u>	<u>1,157,379</u>	<u>133,173</u>	<u>2,208,105</u>
Deductions:				
Benefits	1,234,584	924,843	99,167	2,258,594
Administration	100,997	99,309	13,128	213,434
Total deductions	<u>1,335,581</u>	<u>1,024,152</u>	<u>112,295</u>	<u>2,472,028</u>
Change in Net Position	<u>(418,028)</u>	<u>133,227</u>	<u>20,878</u>	<u>(263,923)</u>
Other financing sources (uses):				
Transfers in	6,067			6,067
Transfers out		<u>(6,067)</u>		<u>(6,067)</u>
	<u>6,067</u>	<u>(6,067)</u>	<u>-</u>	<u>-</u>
Change in Net Position	<u>(411,961)</u>	<u>127,160</u>	<u>20,878</u>	<u>(263,923)</u>
Net position held in trust for pension benefits - Beginning of Year	<u>13,680,896</u>	<u>16,703,296</u>	<u>1,318,724</u>	<u>31,702,916</u>
Net Position Held in Trust for Pension Benefits - End of Year	<u>\$ 13,268,935</u>	<u>\$ 16,830,456</u>	<u>\$ 1,339,602</u>	<u>\$ 31,438,993</u>

E. 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, 2015 covered by this plan amounted to \$1,442,977. The total contribution for the year ended June 30, 2015 amounted to \$293,986.

F. Teachers' Retirement

Plan Description

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

Benefit Provisions

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

Normal Retirement

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

Early Retirement

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

Disability Retirement

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

Contributions

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

Employer (School Districts)

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

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

Employees

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

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

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

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

Town's proportionate share of the net pension liability	\$ -
State's proportionate share of the net pension liability associated with the Town	<u>61,364,571</u>
Total	<u>\$ 61,364,571</u>

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

For the year ended June 30, 2015, the Town recognized pension expense and revenue of \$4,604,097 in Exhibit II for on-behalf amounts for the benefits provided by the State.

Actuarial Assumptions

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

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

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

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

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

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

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Mutual equity	25.0%	7.3%
Developed markets ISF	20.0%	7.5%
Emerging markets ISF	9.0%	8.6%
Core fixed income	13.0%	1.7%
Emerging market debt	4.0%	4.8%
High yield	2.0%	3.7%
Inflation linked bonds	6.0%	1.3%
Liquidity fund	6.0%	.7%
Real estate	5.0%	5.9%
Private investment	10.0%	10.9%
Total	<u>100.0%</u>	

Discount Rate

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

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

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

Other Information

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

12. OTHER POSTEMPLOYMENT BENEFITS

A. Plan Description and Benefits Provided

In addition to the pension benefits, 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. The Town does not issue a stand-alone financial report for the plan. 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.

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

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 January 1, 2013:

	<u>Retiree Medical Program</u>
Number of retirees and eligible surviving spouses	91
Number of active participants	<u>473</u>
Total	<u><u>564</u></u>

C. Description of Actuarial Assumptions and Methods

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

	<u>Retiree Medical Program</u>
Actuarial valuation date	1-Jan-13
Actuarial cost method	Project Unit Credit Cost
Amortization method	Level dollar
Remaining amortization period	27 years
Actuarial assumptions:	
Investment rate of return	4.0%/annum
Projected salary increases	3.5%/annum

D. Funding Policy

The Town currently pays for postemployment health care benefits on a pay-as-you-go basis. As of June 30, 2015, the Town has not established a trust fund to irrevocably segregate assets to fund liability associated with the postemployment benefits, which would require the reporting of a trust fund in accordance with GASB guidelines. The contribution requirements of plan members and the Town are also negotiated with the various unions representing the employees.

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

E. 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	\$ 1,453,376
Interest on net OPEB obligation	140,134
Adjustment to annual required contribution	<u>(181,988)</u>
Annual OPEB cost	1,411,522
Contribution made	<u>645,579</u>
Increase in net OPEB obligation	765,943
Net OPEB obligation, July 1, 2014	<u>3,503,347</u>
Net OPEB Obligation, June 30, 2015	<u>\$ 4,269,290</u>

The Town's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation (asset) for the last three fiscal years is presented below.

<u>Fiscal Year</u>	<u>Annual OPEB Cost (AOC)</u>	<u>Actual Contribution</u>	<u>Percentage of AOC</u>	<u>Net OPEB Obligation</u>
6/30/2013	\$ 1,220,648	\$ 625,000	51.20%	\$ 2,771,492
6/30/2014	1,359,461	627,606	46.17%	3,503,347
6/30/2015	1,411,522	645,579	45.74%	4,269,290

Schedule of Funding Progress

<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>
1/1/2009	\$ -	\$ 16,070,000	\$ 16,070,000	0%	\$ N/A	N/A
1/1/2011	-	16,656,000	16,656,000	0%	28,645,000	58.10%
1/1/2013	-	19,559,073	19,559,073	0%	28,079,157	69.70%

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

Schedule of Employer Contributions

<u>Year Ended June 30,</u>	<u>Annual Required Contribution</u>	<u>Percentage Contributed</u>
2010	\$ 1,080,000	54.81%
2011	1,135,000	55.68%
2012	1,169,000	51.41%
2013	1,232,000	50.73%
2014	1,386,353	45.27%
2015	1,453,376	44.42%

In the January 1, 2013 actuarial valuation, the projected unit credit actuarial cost method was used. 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 annual healthcare cost trend rate is 5.8% initially with an ultimate rate of 4.4%.

13. CONTINGENT LIABILITIES

The Town has contingent liabilities with respect to pending litigation, claims and disputes that existed at June 30, 2015. 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.

14. PRIOR PERIOD ADJUSTMENT AND RESTATEMENT

The following restatements were recorded to the beginning of net position of the governmental activities as a result of implementation of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions* - an amendment of GASB Statement No. 27:

Net position at June 30, 2014, as previously reported	\$ 98,144,670
Adjustment:	
Eliminate net pension assets reported per GASB No. 27	(1,128,375)
Record net pension liability per GASB No. 68	<u>(7,897,649)</u>
Net Position at July 1, 2014, as Restated	<u>\$ 89,118,646</u>

**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, 2015**

	Budgeted Amounts		Actual	Budget Comparison Over (Under)
	Original	Final		
Property taxes:				
Property tax	\$ 70,899,355	\$ 70,899,355	\$ 71,592,311	\$ 692,956
Lien and warrant fees	2,100	2,100	3,716	1,616
Total property taxes	<u>70,901,455</u>	<u>70,901,455</u>	<u>71,596,027</u>	<u>694,572</u>
Investment income:				
Interest - property taxes	150,000	150,000	216,007	66,007
Interest on temporary investments	255,000	255,000	377,176	122,176
Coe Park Fund	3	3	2	(1)
Total interest income	<u>405,003</u>	<u>405,003</u>	<u>593,185</u>	<u>188,182</u>
Intergovernmental revenue:				
General government:				
In lieu of taxes - State-owned property	526,538	526,538	540,726	14,188
In lieu of taxes - water	100,000	100,000	109,947	9,947
Elderly Homeowner's Program	100,728	100,728	98,800	(1,928)
Disability exempt	575	575	815	240
Additional veterans exempt	23,393	23,393	26,534	3,141
Courts	30,000	30,000	13,606	(16,394)
Local capital improvement program	110,572	110,572	110,572	-
Telecomm. property tax share	50,000	50,000	53,365	3,365
Pequot grant	18,591	18,591	20,366	1,775
Municipal revenue sharing	36,301	36,301		(36,301)
Fema grant			484,145	484,145
Miscellaneous State/Federal grant	2,000	2,000	2,000	-
Total general government	<u>998,698</u>	<u>998,698</u>	<u>1,460,876</u>	<u>462,178</u>
Board of Education:				
Education cost sharing	1,576,061	1,576,061	1,585,276	9,215
Transportation	18,148	18,148	19,591	1,443
School building grants - principal	25,313	25,313	25,513	200
School building grants - interest	2,052	2,052	2,052	-
Private school health and welfare	4,431	4,431	13,488	9,057
Total board of education	<u>1,626,005</u>	<u>1,626,005</u>	<u>1,645,920</u>	<u>19,915</u>
Total intergovernmental revenue	<u>2,624,703</u>	<u>2,624,703</u>	<u>3,106,796</u>	<u>482,093</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)
FOR THE YEAR ENDED JUNE 30, 2015**

	Budgeted Amounts		Actual	Budget Comparison Over (Under)
	Original	Final		
Licenses, fees and charges for services:				
General government:				
Board of Selectman	\$ 182,195	\$ 182,195	\$ 286,365	\$ 104,170
Town Clerk	518,000	518,000	518,661	661
Public Works - landfill	15,700	15,700	7,005	(8,695)
Police Department	63,275	63,275	155,784	92,509
Fire, ambulance and civil preparedness	2,000	2,000	4,020	2,020
Land Use	17,600	17,600	15,213	(2,387)
Building Department	301,800	301,800	464,460	162,660
Beach and Recreation	260,000	260,000	273,342	13,342
Youth Services	79,012	79,012	99,972	20,960
Miscellaneous Revenue			39,475	39,475
Senior Citizens Council	5,500	5,500	6,049	549
Health Department	1,700	1,700	1,380	(320)
Total general government	<u>1,446,782</u>	<u>1,446,782</u>	<u>1,871,726</u>	<u>424,944</u>
Board of education:				
Facilities Rental	7,000	7,000	10,921	3,921
Miscellaneous	2,100	2,100	142	(1,958)
Total board of education	<u>9,100</u>	<u>9,100</u>	<u>11,063</u>	<u>1,963</u>
Total licenses, fees and charges for goods and services	<u>1,455,882</u>	<u>1,455,882</u>	<u>1,882,789</u>	<u>426,907</u>
Other financing sources:				
Transfer in - Dog Fund	4,000	4,000	4,000	-
Transfer in - Beach and Recreation	60,000	60,000	60,000	-
Total other financing sources	<u>64,000</u>	<u>64,000</u>	<u>64,000</u>	<u>-</u>
Total	<u>\$ 75,451,043</u>	<u>\$ 75,451,043</u>	<u>77,242,797</u>	<u>\$ 1,791,754</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			4,604,097	
Special education excess cost grant is reported gross for GAAP purposes			944,019	
Cancellation of prior year encumbrances are recognized as budgetary revenue			<u>(38,208)</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>\$ 82,752,705</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, 2015**

	Budgeted Amounts		Actual	Variance Favorable (Unfavorable)
	Original	Final		
General Government:				
Board of Selectmen	\$ 156,172	\$ 154,480	\$ 151,870	\$ 2,610
Human Resources	143,971	144,947	140,455	4,492
Fiscal Services	250,950	261,018	251,681	9,337
Town Counsel	244,000	244,000	234,799	9,201
Town Clerk	184,158	188,781	182,991	5,790
Election expense (Registrars)	56,220	56,220	54,002	2,218
Assessor's Office	166,563	169,313	168,095	1,218
Board of Assessment Appeals	625	625	339	286
Tax Collector	172,277	186,656	183,299	3,357
Courts	6,600	6,600	4,586	2,014
Technology	158,295	159,994	158,082	1,912
Total	1,539,831	1,572,634	1,530,199	42,435
Public Safety:				
Police Service	2,988,202	3,085,512	3,025,672	59,840
Animal Control	54,041	54,108	54,108	-
Communications	588,962	608,220	606,517	1,703
Fire/ambulance/civil preparedness	895,516	895,146	882,381	12,765
Total	4,526,721	4,642,986	4,568,678	74,308
Public Works:				
Public Works	1,575,479	1,556,518	1,531,860	24,658
Highway	822,210	927,735	909,553	18,182
Maintenance	1,459,975	1,465,213	1,410,271	54,942
Landfill	155,659	116,134	111,546	4,588
Total	4,013,323	4,065,600	3,963,230	102,370
Land and Building Administration:				
Land Use Office	242,098	248,441	223,927	24,514
Conservation Commission	3,328	3,328	1,116	2,212
Economic Development	8,350	8,350	7,356	994
Building Department	120,039	128,093	127,617	476
Town Campus Operations	56,500	56,500	49,650	6,850
Total	430,315	444,712	409,666	35,046
Health and Welfare:				
Department of Health	171,616	158,671	139,580	19,091
VNA				-
Youth Services	648,692	675,579	659,412	16,167
Community Support Services	25,020	25,020	20,949	4,071
Senior Citizen Council	251,759	260,687	249,692	10,995
Total	1,097,087	1,119,957	1,069,633	50,324
Beach and Recreation	403,714	411,249	411,249	-

(Continued on next page)

**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, 2015**

	Budgeted Amounts		Actual	Variance Favorable (Unfavorable)
	Original	Final		
Board of Education:				
Public Schools	\$ 43,801,139	\$ 44,273,135	\$ 44,194,410	\$ 78,725
Private Schools	298,887	298,887	290,999	7,888
Health Benefit	5,788,107	5,788,107	5,788,107	-
Total	<u>49,888,133</u>	<u>50,360,129</u>	<u>50,273,516</u>	<u>86,613</u>
Library	1,336,430	1,336,430	1,336,430	-
Employee Benefits - Town	4,151,854	4,151,922	4,080,930	70,992
Miscellaneous:				
Solid waste disposal				-
General Insurance	337,756	337,756	337,570	186
Contingency	125,000	1,676		1,676
Other	269,934	147,297	123,941	23,356
Total	<u>732,690</u>	<u>486,729</u>	<u>461,511</u>	<u>25,218</u>
Capital Outlay:				
Beach and Recreation	15,380	15,380	15,286	94
Fire/ambulance/civil preparedness	20,000	25,000	20,037	4,963
Public Works	10,000	10,000	9,739	261
Youth Services	550	550	550	-
Maintenance		7,500	2,853	4,647
Senior Services			-	-
General Government	2,500	2,500	2,500	-
Total	<u>48,430</u>	<u>60,930</u>	<u>50,965</u>	<u>9,965</u>
Debt Service:				
General Government	1,698,625	1,698,625	1,698,625	-
Board of Education	2,686,119	2,686,119	2,686,119	-
Total	<u>4,384,744</u>	<u>4,384,744</u>	<u>4,384,744</u>	<u>-</u>
Total expenditures	<u>72,553,272</u>	<u>73,038,022</u>	<u>72,540,751</u>	<u>497,271</u>
Transfers to other funds:				
Partnership for Success Fund	60,000	60,000	32,033	27,967
Capital Project Fund	3,137,771	4,051,021	4,051,021	-
Total	<u>\$ 75,751,043</u>	<u>\$ 77,149,043</u>	76,623,805	<u>\$ 525,238</u>

Budgetary expenditures are different than GAAP expenditures because:

Loss on investments

State of Connecticut on-behalf payments to the Connecticut State Teachers' Retirement

System for Town teachers are not budgeted

4,604,097

Special education excess cost grant is reported gross for GAAP purposes

826,078

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

145,311

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

\$ 82,199,291

TOWN OF MADISON, CONNECTICUT
SCHEDULE OF CHANGES IN NET PENSION LIABILITY
AND RELATED RATIOS - TOWN PLAN
LAST TWO FISCAL YEARS

	<u>2015</u>	<u>2014</u>
Total pension liability:		
Service cost	\$ 533,079	\$ 520,276
Interest	1,486,730	1,432,090
Effect of economic/demographic gains or losses	(303,962)	(168,054)
Benefit payments, including refunds of member contributions	<u>(930,911)</u>	<u>(836,712)</u>
Net change in total pension liability	784,936	947,600
Total pension liability - beginning	<u>20,591,324</u>	<u>19,643,724</u>
Total pension liability - ending	<u>21,376,260</u>	<u>20,591,324</u>
Plan fiduciary net position:		
Contributions - employer	951,003	1,611,970
Contributions - member	9,732	9,802
Net investment income	120,972	2,131,674
Benefit payments, including refunds of member contributions	(930,911)	(836,712)
Administrative expense	(23,636)	(18,833)
Net change in plan fiduciary net position	127,160	2,897,901
Plan fiduciary net position - beginning	<u>16,703,296</u>	<u>13,805,395</u>
Plan fiduciary net position - ending	<u>16,830,456</u>	<u>16,703,296</u>
Net Pension Liability - Ending	<u>\$ 4,545,804</u>	<u>\$ 3,888,028</u>
Plan fiduciary net position as a percentage of the total pension liability	78.73%	81.12%
Covered-employee payroll	\$ 7,681,806	\$ 7,111,945
Net pension liability as a percentage of covered-employee payroll	59.18%	54.67%

**TOWN OF MADISON, CONNECTICUT
SCHEDULE OF EMPLOYER CONTRIBUTIONS - TOWN PLAN
LAST TEN FISCAL YEARS**

	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
Actuarially determined contribution	\$ 951,003	\$ 861,970	\$ 801,343	\$ 728,213	\$ 645,549	\$ 549,479	\$ 554,093	\$ 556,001	\$ 522,268	\$ 620,561
Contributions in relation to the actuarially determined contribution	951,003	1,611,970	799,519	728,342	645,220	549,479	554,093	556,897	522,268	620,560
Contribution Deficiency (Excess)	\$ -	\$ (750,000)	\$ 1,824	\$ (129)	\$ 329	\$ -	\$ -	\$ (896)	\$ -	\$ 1
Covered-employee payroll	\$ 7,681,806	\$ 7,111,945	\$ 7,478,915	\$ 7,118,814	\$ 6,651,553	\$ 6,316,555	\$ 6,050,618	\$ 5,321,243	\$ 4,785,753	\$ 4,555,378
Contributions as a percentage of covered-employee payroll	12.38%	22.67%	10.69%	10.23%	9.70%	8.70%	9.16%	10.47%	10.91%	13.62%

Notes to Schedule

Valuation date: July 1, 2014
 Measurement date: June 30, 2015
 Actuarially determined contribution rates are calculated as of June 30, two years prior to the end of the fiscal year in which contributions are reported

Methods and assumptions used to determine contribution rates:

Actuarial cost method Entry age normal
 Amortization method Level percentage of payroll, closed
 Remaining amortization period 23 years
 Asset valuation method 5-year smoothed market
 Inflation 2.75%
 Salary increases Age related table
 Investment rate of return 7.25%
 Retirement age Age related table

Mortality Based on the RP-2000 Combined Healthy Mortality Table with generational projection per Scale AA.

**TOWN OF MADISON, CONNECTICUT
SCHEDULE OF INVESTMENT RETURNS - TOWN PLAN
LAST TWO FISCAL YEARS**

	<u>2015</u>	<u>2014</u>
Annual money-weighted rate of return, net of investment expense	0.73%	15.47%

**TOWN OF MADISON, CONNECTICUT
SCHEDULE OF CHANGES IN NET PENSION LIABILITY
AND RELATED RATIOS - POLICE PLAN
LAST TWO FISCAL YEARS**

	<u>2015</u>	<u>2014</u>
Total pension liability:		
Service cost	\$ 316,801	\$ 298,820
Interest	1,225,819	1,199,805
Effect of economic/demographic gains or losses	71,303	(16,348)
Benefit payments, including refunds of member contributions	<u>(1,228,517)</u>	<u>(1,153,223)</u>
Net change in total pension liability	385,406	329,054
Total pension liability - beginning	<u>17,145,801</u>	<u>16,816,747</u>
Total pension liability - ending	<u>17,531,207</u>	<u>17,145,801</u>
Plan fiduciary net position:		
Contributions - employer	521,830	465,297
Contributions - member	187,108	183,100
Net investment income	134,475	1,868,074
Benefit payments, including refunds of member contributions	(1,228,517)	(1,153,223)
Administrative expense	<u>(26,857)</u>	<u>(24,358)</u>
Net change in plan fiduciary net position	(411,961)	1,338,890
Plan fiduciary net position - beginning	<u>13,680,896</u>	<u>12,342,006</u>
Plan fiduciary net position - ending	<u>13,268,935</u>	<u>13,680,896</u>
Net Pension Liability - Ending	<u>\$ 4,262,272</u>	<u>\$ 3,464,905</u>
Plan fiduciary net position as a percentage of the total pension liability	75.69%	79.79%
Covered-employee payroll	\$ 1,881,292	\$ 1,684,653
Net pension liability as a percentage of covered-employee payroll	226.56%	205.67%

**TOWN OF MADISON, CONNECTICUT
SCHEDULE OF EMPLOYER CONTRIBUTIONS - POLICE PLAN
LAST TEN FISCAL YEARS**

	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
Actuarially determined contribution	\$ 521,830	\$ 465,297	\$ 363,200	\$ 341,993	\$ 280,857	\$ 228,672	\$ 181,058	\$ 243,146	\$ 205,062	\$ 216,631
Contributions in relation to the actuarially determined contribution	521,830	465,297	360,370	341,767	281,000	231,172	181,058	243,146	205,000	283,789
Contribution Deficiency (Excess)	\$ -	\$ -	\$ 2,830	\$ 226	\$ (143)	\$ (2,500)	\$ -	\$ -	\$ 62	\$ (67,158)
Covered-employee payroll	\$ 1,881,292	\$ 1,684,653	\$ 2,053,458	\$ 1,901,249	\$ 1,697,961	\$ 1,611,345	\$ 1,629,320	\$ 1,703,295	\$ 1,717,985	\$ 1,649,337
Contributions as a percentage of covered-employee payroll	27.74%	27.62%	17.55%	17.98%	16.55%	14.35%	11.11%	14.28%	11.93%	17.21%

Notes to Schedule

Valuation date: July 1, 2014
Measurement date: June 30, 2015
Actuarially determined contribution rates are calculated as of June 30, two years prior to the end of the fiscal year in which contributions are reported

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry age normal
Amortization method	Level percentage of payroll, closed
Remaining amortization period	18 years
Asset valuation method	5-year smoothed market
Inflation	2.75%
Salary increases, including inflation	Graded by age
Investment rate of return	7.25%
Retirement age	Graded by age
Mortality	RP-2000 Combined Healthy Mortality with projection to 2010 per Scale AA.

**TOWN OF MADISON, CONNECTICUT
SCHEDULE OF INVESTMENT RETURNS - POLICE PLAN
LAST TWO FISCAL YEARS**

	<u>2015</u>	<u>2014</u>
Annual money-weighted rate of return, net of investment expense	1.00%	15.42%

**TOWN OF MADISON, CONNECTICUT
SCHEDULE OF CHANGES IN NET PENSION LIABILITY
AND RELATED RATIOS - FIRE PLAN
LAST TWO FISCAL YEARS**

	<u>2015</u>	<u>2014</u>
Total pension liability:		
Service cost	\$ 36,251	\$ 40,464
Interest	106,278	103,909
Changes of benefit terms		67,388
Differences between expected and actual experience	(79,518)	
Benefit payments, including refunds of member contributions	<u>(99,167)</u>	<u>(79,334)</u>
Net change in total pension liability	(36,156)	132,427
Total pension liability - beginning	<u>1,863,439</u>	<u>1,731,012</u>
Total pension liability - ending	<u>1,827,283</u>	<u>1,863,439</u>
Plan fiduciary net position:		
Contributions - employer	104,867	115,368
Net investment income	15,178	149,895
Benefit payments, including refunds of member contributions	<u>(99,167)</u>	<u>(79,334)</u>
Net change in plan fiduciary net position	20,878	185,929
Plan fiduciary net position - beginning	<u>1,318,724</u>	<u>1,132,795</u>
Plan fiduciary net position - ending	<u>1,339,602</u>	<u>1,318,724</u>
Net Pension Liability - Ending	<u>\$ 487,681</u>	<u>\$ 544,715</u>
Plan fiduciary net position as a percentage of the total pension liability	73.31%	70.77%
Covered-employee payroll	\$ N/A	\$ N/A
Net pension liability as a percentage of covered-employee payroll	N/A	N/A

**TOWN OF MADISON, CONNECTICUT
SCHEDULE OF EMPLOYER CONTRIBUTIONS - FIRE PLAN
LAST TEN FISCAL YEARS**

	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
Actuarially determined contribution	\$ 102,856	\$ 115,368	\$ 94,466	\$ 100,176	\$ 103,836	\$ 89,874	\$ 69,169	\$ 68,945	\$ 86,601	\$ 65,000
Contributions in relation to the actuarially determined contribution	<u>104,867</u>	<u>115,368</u>	<u>94,466</u>	<u>100,176</u>	<u>103,836</u>	<u>89,874</u>	<u>69,169</u>	<u>68,945</u>	<u>86,601</u>	<u>65,000</u>
Contribution Deficiency (Excess)	\$ <u>(2,011)</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>
Covered-employee payroll	\$ N/A	\$ N/A	\$ N/A	\$ N/A	\$ N/A	\$ N/A	\$ N/A	\$ N/A	\$ N/A	\$ N/A
Contributions as a percentage of covered-employee payroll	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A

Notes to Schedule

Valuation date: July 1, 2014
 Measurement date: June 30, 2015
 Actuarially determined contribution rates are calculated as of the beginning of the fiscal year in which the contributions are reported.

Methods and assumptions used to determine contribution rates:

Actuarial cost method: Frozen Initial Liability
 Amortization method: Level dollar closed
 Remaining amortization period: 15.24 years
 Asset valuation method: Fair value
 Inflation: 2.75%
 Salary increases: N/A
 Investment rate of return: 6.0% post retirement
 6.5% pre retirement
 Retirement age: Age 60 and the completion of 20 years of service, with a higher benefit at age 65.
 Mortality: RP-2000 Optional Combined Mortality Table - 2014 Statutory Version

**TOWN OF MADISON, CONNECTICUT
SCHEDULE OF INVESTMENT RETURNS - FIRE PLAN
LAST TWO FISCAL YEARS**

	<u>2015</u>	<u>2015</u>
Annual money-weighted rate of return, net of investment expense	1.14%	6.00%

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

	<u>2015</u>
Town's proportion of the net pension liability (asset)	0.00%
Town's proportionate share of the net pension liability (asset)	\$ -
State's proportionate share of the net pension liability (asset) associated with the Town	<u>61,364,571</u>
Total	<u>\$ 61,364,571</u>
Town's covered-employee payroll	\$ 31,690,345
Town's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	0.00%
Plan fiduciary net position as a percentage of the total pension liability	61.51%

Notes to Schedule

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

**TOWN OF MADISON, CONNECTICUT
GENERAL FUND
COMPARATIVE BALANCE SHEET
JUNE 30, 2015 AND 2014**

	<u>2015</u>	<u>2014</u>
ASSETS		
Cash and cash equivalents	\$ 6,952,310	\$ 9,353,769
Investments	12,597,500	12,223,304
Uncollected property taxes, net of allowance for uncollectible amounts	832,690	724,268
Assessments receivable	2,576	14,840
Due from other governments	250,275	165,217
Accounts receivable	17,870	17,090
Interest receivable	177,892	165,600
Due from other funds	<u>2,442,343</u>	<u>1,255,320</u>
Total Assets	<u>\$ 23,273,456</u>	<u>\$ 23,919,408</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES		
Liabilities:		
Accounts and other payables	\$ 966,970	\$ 1,068,287
Due to other funds	<u>6,836,271</u>	<u>6,126,343</u>
Total liabilities	<u>7,803,241</u>	<u>7,194,630</u>
Deferred inflows of resources:		
Unavailable revenue - property taxes	762,119	640,227
Unavailable revenue - property tax interest	174,147	161,855
Unavailable revenue - special assessments	5,827	18,091
Unavailable revenue - school building receivable	25,286	50,800
Advance property tax collections	<u>3,724,773</u>	<u>5,629,156</u>
Total deferred inflows of resources	<u>4,692,152</u>	<u>6,500,129</u>
Fund balance:		
Assigned for encumbrances	939,530	1,123,049
Assigned for subsequent year's budget	500,000	300,000
Unassigned	<u>9,338,533</u>	<u>8,801,600</u>
Total fund balance	<u>10,778,063</u>	<u>10,224,649</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 23,273,456</u>	<u>\$ 23,919,408</u>

**TOWN OF MADISON, CONNECTICUT
GENERAL FUND
REPORT OF TAX COLLECTOR
FOR THE YEAR ENDED JUNE 30, 2015**

Grand List	Uncollected Taxes July 1, 2014	Lawful Corrections		Over Payments	Transfers to Suspende	Net Amount Collectible	Collections				Uncollected Taxes June 30, 2015
		Additions	Deductions				Taxes	Interest	Fees	Total	
2013	\$ 71,962,308	\$ 62,120	\$ 243,101	\$ 73	\$	\$ 71,781,400	\$ 71,381,525	\$ 162,467	\$ 1,160	\$ 71,545,152	\$ 399,875
2012	333,201	1,064	19,570	5,675	181	320,189	196,666	35,430	2,340	234,436	123,523
2011	129,979	433	10,106	692	176	120,822	18,349	8,705	72	27,126	102,473
2010	85,335	466	5,289	680	173	81,019	812	1,122	24	1,958	80,207
2009	70,074	525	8,646	4,068	172	65,849	(185)	754	24	593	66,034
2008	69,810	115	8,341	3,925	33,393	32,116	(1,013)	642	24	(347)	33,129
2007	30,498	209	4,260	4,260	159	30,548	3,400	627	24	4,051	27,148
2006	21,597				154	21,443	2,881	464	24	3,369	18,562
2005	16,603	28			147	16,484	1,517	2,116	24	3,657	14,967
2004	7,165	339	299		140	7,065	40	69		109	7,025
2003	7,038	795			133	7,700	795	1,470		2,265	6,905
2002	1,467	541			126	1,882	541	1,093		1,634	1,341
2001		391				391	391	885		1,276	-
2000	1	22				23	22	56		78	1
1999		41				41	41	107		148	-
Total	\$ 72,735,076	\$ 67,089	\$ 299,612	\$ 19,373	\$ 34,954	\$ 72,486,972	71,605,782	216,007	3,716	71,825,505	\$ 881,190

Total Collections	71,605,782	\$ 216,007	\$ 3,716	\$ 71,825,505
Property taxes receivable considered available:				
June 30, 2014	(84,042)			
June 30, 2015	70,571			
Property Tax Revenues	\$ 71,592,311			

**TOWN OF MADISON, CONNECTICUT
GENERAL FUND
SCHEDULE OF BOARD OF EDUCATION EXPENDITURES - BUDGET AND ACTUAL
(NON-GAAP BUDGETARY BASIS)
FOR THE YEAR ENDED JUNE 30, 2015**

	<u>Budgeted Amounts</u>		<u>Expenditures and Encumbrances</u>	<u>Variance Favorable (Unfavorable)</u>
	<u>Original</u>	<u>Final</u>		
11th Course Stipends	\$ 17,875	\$ 19,250	\$ 19,250	\$ -
Certified teachers	21,102,754	21,005,359	21,003,991	1,368
Certified administrators	2,072,066	2,123,001	2,123,002	(1)
Extra pay/extra duty	180,829	194,760	194,760	-
Co-curricular salaries	366,603	367,343	367,343	-
Early retirement	816,548	793,974	793,974	-
Directors/managers	257,745	264,149	264,149	-
Office staff	1,443,192	1,452,939	1,452,654	285
Paraprofessional	1,524,240	1,486,512	1,486,239	273
Custodians	1,467,007	1,442,976	1,442,977	(1)
Media staff	216,798	197,373	197,058	315
Security	198,304	196,616	196,616	-
School health services	351,824	342,916	342,088	828
Athletic trainer	35,211	35,211	35,211	-
Attendance incentive	12,500	15,062	14,444	618
Occupational Therapist	230,725	230,725	230,725	-
Substitute teachers	290,800	391,921	391,921	-
Certified substitutes/special education	20,000	26,971	26,971	-
Substitutes/school health services	12,600	22,623	22,623	-
Paraprofessional substitutes	10,000	16,383	16,383	-
Classified substitutes	25,000	20,463	20,463	-
Overtime	64,625	81,598	78,069	3,529
Custodial/casual labor	55,566	61,766	59,659	2,107
Life insurance	57,030	57,533	54,071	3,462
Social security	510,495	487,139	487,139	-
Medicare	395,334	400,426	400,426	-
FAS administration	9,610	9,175	9,175	-
Pension administration	890,538	897,465	897,465	-
Unemployment	83,000	19,607	19,607	-
Worker's compensation	317,066	310,548	310,548	-
Disability insurance	72,026	70,298	70,297	1
Labor and legal services	110,000	190,572	188,505	2,067
Program evaluation	75,800	114,783	109,874	4,909
Staff development	163,250	216,354	213,526	2,828

(Continued on next page)

**TOWN OF MADISON, CONNECTICUT
GENERAL FUND
SCHEDULE OF BOARD OF EDUCATION EXPENDITURES - BUDGET AND ACTUAL
(NON-GAAP BUDGETARY BASIS)
FOR THE YEAR ENDED JUNE 30, 2015**

	<u>Budgeted Amounts</u>		<u>Expenditures and Encumbrances</u>	<u>Variance Favorable (Unfavorable)</u>
	<u>Original</u>	<u>Final</u>		
NEASC Accreditation Services	\$ 3,705	\$ 3,705	\$ 3,705	\$ -
Student support services	72,000	53,000	50,888	2,112
Adult education	80,000	80,000	80,000	-
Professional/technical services	841,163	999,209	994,491	4,718
Athletic medical	7,100	6,042	4,850	1,192
Disposal/recycling	75,600	61,400	61,355	45
Snow removal	54,987	61,186	61,186	-
Repairs and maintenance	349,838	512,460	500,474	11,986
Technical/infrastructure	22,000	22,000	22,000	-
Emergency maintenance	50,000	50,000	50,000	-
Kitchen maintenance	13,401	13,401	13,401	-
Treatment plant repairs	26,000	21,800	21,800	-
Repair/contracts	36,500	36,500	36,500	-
Alarm services	12,372	1,872	1,872	-
Telephone maintenance	14,024	10,702	10,702	-
Rental agreements	39,700	34,295	30,421	3,874
Tree services	8,828	8,828	8,765	63
Purchase services	600	600	400	200
Student activity transportation	19,820	18,766	16,962	1,804
Regular transportation	1,805,750	1,733,327	1,733,327	-
Fuel transportation	346,000	347,956	347,956	-
School choice transportation	71,750	46,572	46,572	-
Special education transportation	928,455	893,455	893,455	-
General insurance	296,320	299,097	299,097	-
Educator's legal insurance	26,454	26,454	26,454	-
Student insurance	14,322	14,322	13,450	872
Telecommunications	168,354	158,839	158,649	190
Postage	23,260	24,000	23,274	726
Reports/public relations	7,150	7,196	7,151	45
Legal notices and ads	1,500	325	247	78
Printing and binding	56,447	46,843	46,097	746
Printing/instructional supplies	73,876	64,811	62,313	2,498
External placement - public	399,973	378,548	378,548	-
Tuition/Typicals	(40,000)	(97,889)	(100,890)	3,001
External placement - private	902,958	779,383	779,383	-
School choice tuition	76,908	64,072	64,072	-
Extended year services	85,247	76,654	76,456	198
External placement/regular ed	10,000	1,705	1,705	-

(Continued on next page)

**TOWN OF MADISON, CONNECTICUT
GENERAL FUND
SCHEDULE OF BOARD OF EDUCATION EXPENDITURES - BUDGET AND ACTUAL
(NON-GAAP BUDGETARY BASIS)
FOR THE YEAR ENDED JUNE 30, 2015**

	<u>Budgeted Amounts</u>		<u>Expenditures and Encumbrances</u>	<u>Variance Favorable (Unfavorable)</u>
	<u>Original</u>	<u>Final</u>		
Travel - staff	\$ 24,110	\$ 32,245	\$ 31,851	\$ 394
Travel - Board of Education	320			-
Miscellaneous purchased services	8,850	7,200	7,200	-
Office supplies	39,869	51,697	51,512	185
Instructional supplies	426,952	485,536	483,556	1,980
Instructional software	19,500	19,500	19,290	210
Custodial and maintenance supplies	82,132	128,232	127,917	315
Maintenance supplies	78,000	77,948	77,947	1
Field maintenance	92,900	92,900	92,856	44
Gas services	304,835	215,951	215,656	295
Heating fuel	73,992	60,584	60,583	1
Water	39,516	39,944	38,843	1,101
Electricity	878,026	761,263	757,770	3,493
Equipment maintenance	17,672	18,735	18,735	-
Textbooks - replacement	48,250	53,283	45,479	7,804
Textbooks - new	168,080	53,966	53,966	-
Awards	3,000	3,163	3,163	-
Media supplies	64,679	66,250	65,475	775
Periodicals	27,428	23,626	23,328	298
Print collection	54,824	54,824	54,627	197
Staff uniforms	5,258	5,258	5,254	4
Uniforms/student groups	61,730	72,264	72,264	-
Supplies	71,741	69,707	69,478	229
Equipment	160,972	757,796	755,256	2,540
Software	209,500	289,500	289,205	295
Equipment-lease purchase	39,120	39,120	39,120	-
Computer hardware	288,000	291,958	291,957	1
Public safety	6,623	6,623	6,582	41
Dues, fees and memberships	55,237	54,267	52,681	1,586
Athletic event fees	10,700	14,568	14,568	-
Total	\$ 43,801,139	\$ 44,273,135	\$ 44,194,410	\$ 78,725

TOWN OF MADISON, CONNECTICUT
NONMAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET
JUNE 30, 2015

EXHIBIT B-1

	Special Revenue							
	Dog	Shellfish Commission	Grants and Miscellaneous Projects	Cafeteria	Town Aid Road	Police Seizure	Beach and Recreation Program	Beach and Recreation Grants
ASSETS								
Cash and cash equivalents	\$ 54,415	\$ 65,654	\$ 468,912	\$ 498,336	\$ 218,500	\$ 25	\$ 100	
Accounts receivable				32,018				
Due from other funds			5,343		10		79,224	26,021
Due from other governments				17,029				
Inventory				40,650				
Total Assets	<u>\$ 54,415</u>	<u>\$ 65,654</u>	<u>\$ 474,255</u>	<u>\$ 588,033</u>	<u>\$ 218,510</u>	<u>\$ 25</u>	<u>\$ 79,324</u>	<u>\$ 26,021</u>
LIABILITIES AND FUND BALANCE								
Liabilities:								
Accounts payable	\$	\$	\$ 1,331	\$	\$	\$	\$ 20,750	\$ 56
Due to other funds	21,370	44,277		495,646		11		
Unearned revenue	3,090							
Total liabilities	<u>24,460</u>	<u>44,277</u>	<u>1,331</u>	<u>495,646</u>	<u>-</u>	<u>11</u>	<u>20,750</u>	<u>56</u>
Fund balance:								
Nonspendable				40,650				
Restricted			472,924		218,510			25,965
Committed	29,955	21,377		51,737		14	58,574	
Total fund balance	<u>29,955</u>	<u>21,377</u>	<u>472,924</u>	<u>92,387</u>	<u>218,510</u>	<u>14</u>	<u>58,574</u>	<u>25,965</u>
Total Liabilities and Fund Balance	<u>\$ 54,415</u>	<u>\$ 65,654</u>	<u>\$ 474,255</u>	<u>\$ 588,033</u>	<u>\$ 218,510</u>	<u>\$ 25</u>	<u>\$ 79,324</u>	<u>\$ 26,021</u>

(Continued on next page)

TOWN OF MADISON, CONNECTICUT
NONMAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET (CONTINUED)
JUNE 30, 2015

EXHIBIT B-1

	Special Revenue							Total
	Toy Fund	Partnership for Success	Meals on Wheels	Madison Board of Education Donations	Emergency Kits	Ryerson Video Production	Island Avenue Classical CD	
ASSETS								
Cash and cash equivalents	\$ 17,600	\$	\$ 615,000	\$ 67,810	\$ 57	\$ 117	\$ 16	\$ 2,006,542
Accounts receivable								32,018
Due from other funds				16,966				127,564
Due from other governments		73,294						90,323
Inventory								40,650
Total Assets	\$ 17,600	\$ 73,294	\$ 615,000	\$ 84,776	\$ 57	\$ 117	\$ 16	\$ 2,297,097
LIABILITIES AND FUND BALANCE								
Liabilities:								
Accounts payable	\$	\$ 1,225	\$	\$ 3,948	\$	\$	\$	\$ 27,310
Due to other funds	11,993	45,292	2,237					620,826
Unearned revenue								3,090
Total liabilities	11,993	46,517	2,237	3,948	-	-	-	651,226
Fund balance:								
Nonspendable								40,650
Restricted				16,357				733,756
Committed	5,607	26,777	612,763	64,471	57	117	16	871,465
Total fund balance	5,607	26,777	612,763	80,828	57	117	16	1,645,871
Total Liabilities and Fund Balance	\$ 17,600	\$ 73,294	\$ 615,000	\$ 84,776	\$ 57	\$ 117	\$ 16	\$ 2,297,097

(Continued on next page)

TOWN OF MADISON, CONNECTICUT
NONMAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET (CONTINUED)
JUNE 30, 2015

EXHIBIT B-1

	Permanent							Total Nonmajor Governmental Funds
	Emma J. Mellon	Augustus M. Dowd	Walter H. Coe Park	Daniel Hand Trust	Charlotte Dowd Scholarship	Harold C. Strong Trust	Total	
ASSETS								
Cash and cash equivalents	\$ 121	\$ 5,000	\$ 1,012	\$ 4,573	\$ 301,327	\$ 177,000	\$ 489,033	\$ 2,495,575
Accounts receivable							-	32,018
Due from other funds					97	58	155	127,719
Due from other governments							-	90,323
Inventory							-	40,650
Total Assets	<u>\$ 121</u>	<u>\$ 5,000</u>	<u>\$ 1,012</u>	<u>\$ 4,573</u>	<u>\$ 301,424</u>	<u>\$ 177,058</u>	<u>\$ 489,188</u>	<u>\$ 2,786,285</u>
LIABILITIES AND FUND BALANCE								
Liabilities:								
Accounts payable	\$	\$	\$	\$	\$	\$	\$ -	\$ 27,310
Due to other funds				68			68	620,894
Unearned revenue							-	3,090
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>68</u>	<u>-</u>	<u>-</u>	<u>68</u>	<u>651,294</u>
Fund balance:								
Nonspendable							-	40,650
Restricted	121	5,000	1,012	4,505	301,424	177,058	489,120	1,222,876
Committed							-	871,465
Total fund balance	<u>121</u>	<u>5,000</u>	<u>1,012</u>	<u>4,505</u>	<u>301,424</u>	<u>177,058</u>	<u>489,120</u>	<u>2,134,991</u>
Total Liabilities and Fund Balance	<u>\$ 121</u>	<u>\$ 5,000</u>	<u>\$ 1,012</u>	<u>\$ 4,573</u>	<u>\$ 301,424</u>	<u>\$ 177,058</u>	<u>\$ 489,188</u>	<u>\$ 2,786,285</u>

**TOWN OF MADISON, CONNECTICUT
NONMAJOR GOVERNMENTAL FUNDS
COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2015**

EXHIBIT B-2

	Special Revenue							
	Dog	Shellfish Commission	Grants and Miscellaneous Projects	Cafeteria Fund	Town Aid Road	Police Seizure	Beach and Recreation Program	
Revenues:								
Intergovernmental	\$	\$	\$ 99,239	\$ 149,471	\$ 313,685	\$	\$	\$
Charges for services	6,089	8,484		834,029			731,551	
Income on investments	109		260		258			
Contribution			13,918					29,482
Miscellaneous	965		77,130					
Total revenues	<u>7,163</u>	<u>8,484</u>	<u>190,547</u>	<u>983,500</u>	<u>313,943</u>	<u>-</u>	<u>731,551</u>	<u>29,482</u>
Expenditures:								
General government					418,367			
Public safety	3,044		11,558			4,740		
Health and welfare		16,904	63,573					
Beach and recreation							632,349	37,120
Education			16,531	951,625				
Miscellaneous			81,828					
Total expenditures	<u>3,044</u>	<u>16,904</u>	<u>173,490</u>	<u>951,625</u>	<u>418,367</u>	<u>4,740</u>	<u>632,349</u>	<u>37,120</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>4,119</u>	<u>(8,420)</u>	<u>17,057</u>	<u>31,875</u>	<u>(104,424)</u>	<u>(4,740)</u>	<u>99,202</u>	<u>(7,638)</u>
Other Financing Sources (Uses)								
Transfers in								
Transfers out	(4,000)						(110,000)	
Total other financing sources (uses)	<u>(4,000)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(110,000)</u>	<u>-</u>
Net Change in Fund Balances	119	(8,420)	17,057	31,875	(104,424)	(4,740)	(10,798)	(7,638)
Fund Balances, Beginning of Year	<u>29,836</u>	<u>29,797</u>	<u>455,867</u>	<u>60,512</u>	<u>322,934</u>	<u>4,754</u>	<u>69,372</u>	<u>33,603</u>
Fund Balances, End of Year	<u>\$ 29,955</u>	<u>\$ 21,377</u>	<u>\$ 472,924</u>	<u>\$ 92,387</u>	<u>\$ 218,510</u>	<u>\$ 14</u>	<u>\$ 58,574</u>	<u>\$ 25,965</u>

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TOWN OF MADISON, CONNECTICUT
NONMAJOR GOVERNMENTAL FUNDS
COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2015

EXHIBIT B-2

	Special Revenue							Total
	Toy Fund	Partnership for Success	Meals on Wheels	Madison Board of Education Donations	Emergency Kits	Ryerson Video Production	Island Avenue Classical CD	
Revenues:								
Intergovernmental	\$	\$ 99,071	\$	\$	\$	\$	\$	\$ 661,466
Charges for services								1,580,153
Income on investments			769	86				1,482
Contribution		4,363	227,465	56,388				331,616
Miscellaneous				1,311				79,406
Total revenues	<u>-</u>	<u>103,434</u>	<u>228,234</u>	<u>57,785</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,654,123</u>
Expenditures:								
General government								418,367
Public safety								19,342
Health and welfare		162,225						242,702
Beach and recreation								669,469
Education				38,863				1,007,019
Miscellaneous	1,750		29,361					112,939
Total expenditures	<u>1,750</u>	<u>162,225</u>	<u>29,361</u>	<u>38,863</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,469,838</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(1,750)</u>	<u>(58,791)</u>	<u>198,873</u>	<u>18,922</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>184,285</u>
Other Financing Sources (Uses)								
Transfers in		32,033						32,033
Transfers out								(114,000)
Total other financing sources (uses)	<u>-</u>	<u>32,033</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(81,967)</u>
Net Change in Fund Balances	(1,750)	(26,758)	198,873	18,922	-	-	-	102,318
Fund Balances, Beginning of Year	<u>7,357</u>	<u>53,535</u>	<u>413,890</u>	<u>61,906</u>	<u>57</u>	<u>117</u>	<u>16</u>	<u>1,543,553</u>
Fund Balances, End of Year	<u>\$ 5,607</u>	<u>\$ 26,777</u>	<u>\$ 612,763</u>	<u>\$ 80,828</u>	<u>\$ 57</u>	<u>\$ 117</u>	<u>\$ 16</u>	<u>\$ 1,645,871</u>

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**TOWN OF MADISON, CONNECTICUT
NONMAJOR GOVERNMENTAL FUNDS
COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2015**

EXHIBIT B-2

	Permanent						Total	Total Nonmajor Governmental Funds
	Emma J. Mellon	Augustus M. Dowd	Walter H. Coe Park	Daniel Hand Trust	Charlotte Dowd Scholarship	Harold C. Strong Trust		
Revenues:								
Intergovernmental	\$	\$	\$	\$	\$	\$	\$ -	\$ 661,466
Charges for services							-	1,580,153
Income on investments				5	455	266	726	2,208
Contribution							-	331,616
Miscellaneous							-	79,406
Total revenues	<u>-</u>	<u>-</u>	<u>-</u>	<u>5</u>	<u>455</u>	<u>266</u>	<u>726</u>	<u>2,654,849</u>
Expenditures:								
General government							-	418,367
Public safety							-	19,342
Health and welfare							-	242,702
Beach and recreation							-	669,469
Education					900		900	1,007,919
Miscellaneous							-	112,939
Total expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>900</u>	<u>-</u>	<u>900</u>	<u>2,470,738</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>5</u>	<u>(445)</u>	<u>266</u>	<u>(174)</u>	<u>184,111</u>
Other Financing Sources (Uses)								
Transfers in							-	32,033
Transfers out							-	(114,000)
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(81,967)</u>
Net Change in Fund Balances	-	-	-	5	(445)	266	(174)	102,144
Fund Balances, Beginning of Year	121	5,000	1,012	4,500	301,869	176,792	489,294	2,032,847
Fund Balances, End of Year	<u>\$ 121</u>	<u>\$ 5,000</u>	<u>\$ 1,012</u>	<u>\$ 4,505</u>	<u>\$ 301,424</u>	<u>\$ 177,058</u>	<u>\$ 489,120</u>	<u>\$ 2,134,991</u>

**TOWN OF MADISON, CONNECTICUT
RESERVE FUND (CAPITAL PROJECTS)
SCHEDULE OF EXPENDITURES AND ENCUMBRANCES
COMPARED WITH APPROPRIATIONS
FOR THE YEAR ENDED JUNE 30, 2015**

Project	Total Appropriations	Expenditures and Encumbrances	Unexpended Balance June 30, 2015
Reserve Fund:			
Technology	\$ 142,725	\$ 88,739	\$ 53,986
Major roads	1,499,825	230,884	1,268,941
Construction capital	600,852	415,374	185,478
Madison Fire Department:			
Truck replacement	942,221		942,221
Hose replacement	21,664	21,664	
North Madison Fire Department:			
Truck replacement	616,749	8,481	608,268
Hose replacement	145,818	72,409	73,409
Ambulance	252,812	202,297	50,515
Planned/cycled maintenance - BOE	339,433	323,215	16,218
Planned/cycled maintenance - Town	281,317	202,580	78,737
Facilities reserve	3,087,154	969,965	2,117,189
Communication equipment	305,127	293,264	11,863
Vehicle replacement	110,114	109,482	632
North Madison water tanks	206,684	13,252	193,432
Town vehicles	315,717	154,578	161,139
Beach and recreation capital	167,359	116,870	50,489
Energy assistance - utilities	242		242
Severance pay	507,250	495,892	11,358
Self-insurance	95,439	65,472	29,967
Revaluation	88,387	8,140	80,247
DEF contribution pension	28,694	28,694	
Open space reserve	172,010		172,010
Debt service reserve	198,650	124,781	73,869
BOE External Placements	290,000		290,000
GASB 45 reserve	14,245	1,200	13,045
Planning reserve	150,038		150,038
Total Reserve Fund	\$ 10,580,526	\$ 3,947,233	\$ 6,633,293

**TOWN OF MADISON, CONNECTICUT
INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF NET POSITION
JUNE 30, 2015
WITH COMPARATIVE TOTALS FOR 2014**

	Health Benefits	Flexible Spending	Total	
			2015	2014
Assets:				
Cash and cash equivalents	\$ 2,675,034	\$ 56,600	\$ 2,731,634	\$ 3,546,803
Accounts receivable	394,326		394,326	-
Due from other funds			-	309
Total assets	<u>3,069,360</u>	<u>56,600</u>	<u>3,125,960</u>	<u>3,547,112</u>
Liabilities:				
Risk management claims	620,000		620,000	556,000
Due to other funds	2,008	10,000	12,008	10,000
	<u>622,008</u>	<u>10,000</u>	<u>632,008</u>	<u>566,000</u>
Net Position:				
Restricted		46,600	46,600	39,270
Unrestricted	<u>2,447,352</u>		<u>2,447,352</u>	<u>2,941,842</u>
Total Net Position	<u>\$ 2,447,352</u>	<u>\$ 46,600</u>	<u>\$ 2,493,952</u>	<u>\$ 2,981,112</u>

**TOWN OF MADISON, CONNECTICUT
INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN FUND NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2015
WITH COMPARATIVE TOTALS FOR 2014**

	Health Benefits	Flexible Spending	Total	
			2015	2014
Operating revenues:				
Employee contributions and charges for services	\$ <u>9,222,396</u>	\$ <u>279,672</u>	\$ <u>9,502,068</u>	\$ <u>9,134,850</u>
Operating expenses:				
Administrative expense	1,088,241		1,088,241	1,087,000
Employee benefits	<u>8,631,635</u>	<u>272,342</u>	<u>8,903,977</u>	<u>8,060,002</u>
Total operating expenses	<u>9,719,876</u>	<u>272,342</u>	<u>9,992,218</u>	<u>9,147,002</u>
Operating Income (Loss)	(497,480)	7,330	(490,150)	(12,152)
Nonoperating Revenue:				
Interest income	<u>2,990</u>		<u>2,990</u>	<u>2,663</u>
Change in Net Position	(494,490)	7,330	(487,160)	(9,489)
Net Position at Beginning of Year	<u>2,941,842</u>	<u>39,270</u>	<u>2,981,112</u>	<u>2,990,601</u>
Net Position at End of Year	\$ <u><u>2,447,352</u></u>	\$ <u><u>46,600</u></u>	\$ <u><u>2,493,952</u></u>	\$ <u><u>2,981,112</u></u>

**TOWN OF MADISON, CONNECTICUT
INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2015
WITH COMPARATIVE TOTALS FOR 2014**

	Health Benefits	Flexible Spending	Total	
			2015	2014
Cash Flows from Operating Activities:				
Cash received from charges for services	\$ 8,828,379	\$ 279,672	\$ 9,108,051	\$ 9,134,934
Cash payments for claims paid	(8,565,627)	(272,342)	(8,837,969)	(8,075,002)
Cash payments to providers of benefits	(1,088,241)		(1,088,241)	(1,087,000)
Net cash (used in) provided by operating activities	(825,489)	7,330	(818,159)	(27,068)
Cash Flows from Investing Activities:				
Income on investments	2,990		2,990	2,663
Net (Decrease) Increase in Cash and Cash Equivalents	(822,499)	7,330	(815,169)	(24,405)
Cash and Cash Equivalents at Beginning of Year	3,497,533	49,270	3,546,803	3,571,208
Cash and Cash Equivalents at End of Year	\$ 2,675,034	\$ 56,600	\$ 2,731,634	\$ 3,546,803
Reconciliation of Operating Loss to Net Cash Used in Operating Activities:				
Operating (loss) gain	\$ (497,480)	\$ 7,330	\$ (490,150)	\$ (12,152)
Adjustments to reconcile operating loss to net cash used in operating activities:				
Increase in receivables	(394,326)		(394,326)	-
Decrease in due from other funds	309		309	84
Increase in due to other funds	2,008		2,008	-
Increase in other liabilities	64,000		64,000	(15,000)
Net Cash Provided By (Used in) Operating Activities	\$ (825,489)	\$ 7,330	\$ (818,159)	\$ (27,068)

**TOWN OF MADISON, CONNECTICUT
 AGENCY FUNDS
 COMBINING BALANCE SHEET
 JUNE 30, 2015**

	<u>Performance Bonds</u>	<u>Police Explorers Post 492</u>	<u>Student Activities</u>	<u>Alumni Activities</u>	<u>Summer School</u>	<u>Athletic Registrations</u>	<u>DHHS Athletics</u>	<u>Total</u>
Assets:								
Cash and cash equivalents	\$ 371,038	\$ 7,752	\$ 383,766	\$ 3,514	\$ 6,904	\$	\$ 79,646	\$ 852,620
Investments								-
Due from other funds	<u>300</u>		<u>1,380</u>			<u>53,107</u>		<u>54,787</u>
Total Assets	\$ <u>371,338</u>	\$ <u>7,752</u>	\$ <u>385,146</u>	\$ <u>3,514</u>	\$ <u>6,904</u>	\$ <u>53,107</u>	\$ <u>79,646</u>	\$ <u>907,407</u>
Liabilities:								
Due to employees, students or others	\$ 371,338	\$ 6,478	\$ 385,146	\$ 3,514	\$ 3,855	\$ 53,107	\$ 14,612	\$ 838,050
Due to other funds		<u>1,274</u>			<u>3,049</u>		<u>65,034</u>	<u>69,357</u>
Total Liabilities	\$ <u>371,338</u>	\$ <u>7,752</u>	\$ <u>385,146</u>	\$ <u>3,514</u>	\$ <u>6,904</u>	\$ <u>53,107</u>	\$ <u>79,646</u>	\$ <u>907,407</u>

**TOWN OF MADISON, CONNECTICUT
AGENCY FUNDS
COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
FOR THE YEAR ENDED JUNE 30, 2015**

	<u>Balance July 1, 2014</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance June 30, 2015</u>
Performance Bonds				
Assets:				
Cash and cash equivalents	\$ 381,255	\$ 446	\$ 10,663	\$ 371,038
Due from other funds	<u>300</u>			<u>300</u>
Total Assets	<u>\$ 381,555</u>	<u>\$ 446</u>	<u>\$ 10,663</u>	<u>\$ 371,338</u>
Liabilities:				
Due to employees, students or others	<u>\$ 381,555</u>	<u>\$ 446</u>	<u>\$ 10,663</u>	<u>\$ 371,338</u>
Police Explorers Post 492				
Assets:				
Cash and cash equivalents	<u>\$ 7,752</u>			<u>\$ 7,752</u>
Liabilities:				
Due to employees, students or others	\$ 6,478			\$ 6,478
Due to other funds	<u>1,274</u>			<u>1,274</u>
Total Liabilities	<u>\$ 7,752</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 7,752</u>
Student Activities				
Assets:				
Cash and cash equivalents	\$ 402,752	\$ 380,222	\$ 399,208	\$ 383,766
Due from other funds	<u>1,380</u>			<u>1,380</u>
Total Assets	<u>\$ 404,132</u>	<u>\$ 380,222</u>	<u>\$ -</u>	<u>\$ 385,146</u>
Liabilities:				
Due to employees, students or others	<u>\$ 404,132</u>		<u>\$ 18,986</u>	<u>\$ 385,146</u>
Alumni Activities				
Assets:				
Cash and cash equivalents	<u>\$ 4,023</u>		<u>\$ 509</u>	<u>\$ 3,514</u>
Liabilities:				
Due to employees, students or others	<u>\$ 4,023</u>		<u>\$ 509</u>	<u>\$ 3,514</u>

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**TOWN OF MADISON, CONNECTICUT
AGENCY FUNDS
COMBINING STATEMENT OF CHANGES IN
ASSETS AND LIABILITIES
FOR THE YEAR ENDED JUNE 30, 2015**

	<u>Balance July 1, 2014</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance June 30, 2015</u>
Summer School				
Assets:				
Cash and cash equivalents	\$ 6,904	\$	\$	\$ 6,904
Due from other funds	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total Assets	<u>\$ 6,904</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 6,904</u>
Liabilities:				
Due to employees, students or others	\$ 3,855	\$	\$	\$ 3,855
Due to other funds	<u>3,049</u>	<u> </u>	<u> </u>	<u>3,049</u>
Total Liabilities	<u>\$ 6,904</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 6,904</u>
Athletic Registrations				
Assets:				
Due from other funds	<u>\$ 33,449</u>	<u>\$ 185,471</u>	<u>\$ 165,813</u>	<u>\$ 53,107</u>
Liabilities:				
Due to employees, students or others	\$ 31,141	\$ 21,966	\$	\$ 53,107
Due to other funds	<u>2,308</u>	<u> </u>	<u>2,308</u>	<u> </u>
Total Liabilities	<u>\$ 33,449</u>	<u>\$ 21,966</u>	<u>\$ 2,308</u>	<u>\$ 53,107</u>
DHHS Athletics				
Assets:				
Cash and cash equivalents	<u>\$ 59,966</u>	<u>\$ 47,200</u>	<u>\$ 27,520</u>	<u>\$ 79,646</u>
Liabilities:				
Due to employees, students or others	\$ 20,556	\$	\$ 5,944	\$ 14,612
Due to other funds	<u>39,410</u>	<u>25,624</u>	<u> </u>	<u>65,034</u>
Total Liabilities	<u>\$ 59,966</u>	<u>\$ 25,624</u>	<u>\$ 5,944</u>	<u>\$ 79,646</u>
Total All Funds				
Assets:				
Cash and cash equivalents	\$ 862,652	\$ 427,868	\$ 437,900	\$ 852,620
Investments	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Due from other funds	<u>35,129</u>	<u>185,471</u>	<u>165,813</u>	<u>54,787</u>
Total Assets	<u>\$ 897,781</u>	<u>\$ 613,339</u>	<u>\$ 603,713</u>	<u>\$ 907,407</u>
Liabilities:				
Due to employees and others	\$ 851,740	\$ 22,412	\$ 36,102	\$ 838,050
Due to other funds	<u>46,041</u>	<u>25,624</u>	<u>2,308</u>	<u>69,357</u>
Total Liabilities	<u>\$ 897,781</u>	<u>\$ 48,036</u>	<u>\$ 38,410</u>	<u>\$ 907,407</u>

**TOWN OF MADISON, CONNECTICUT
STATEMENT OF DEBT LIMITATION
JUNE 30, 2015**

Total tax collections (including interest and lien fees) received for year ended June 30, 2015						\$	<u>71,825,505</u>
Base						\$	<u>71,825,505</u>
	General Purpose	Schools	Sewers	Urban Renewal	Pension Deficit		
Debt limitation:							
2-1/4 times base	\$ 161,607,386	\$	\$	\$	\$		
4-1/2 times base		323,214,773					
3-3/4 times base			269,345,644				
3-1/4 times base				233,432,891			
3 times base							215,476,515
							<u>215,476,515</u>
Total debt limitation	<u>161,607,386</u>	<u>323,214,773</u>	<u>269,345,644</u>	<u>233,432,891</u>	<u>215,476,515</u>		
Indebtedness:							
Bonds and notes payable	12,320,000	17,040,000					
School building grants receivable		(25,286)					
Net indebtedness	<u>12,320,000</u>	<u>17,014,714</u>	<u>-</u>	<u>-</u>	<u>-</u>		
Debt Limitation in Excess of Outstanding and Authorized Debt	<u>\$ 149,287,386</u>	<u>\$ 306,200,059</u>	<u>\$ 269,345,644</u>	<u>\$ 233,432,891</u>	<u>\$ 215,476,515</u>		

Note: In no case shall total indebtedness exceed seven times annual receipts from taxation \$502,778,535.