



March 16, 2010

**TO ALL BIDDERS**

**TOWN OF MADISON, CONNECTICUT**

**(BANK QUALIFIED)**

**BOOK-ENTRY-ONLY**

**\$500,000 GENERAL OBLIGATION BOND ANTICIPATION NOTES, ISSUE OF 2010**

**DATED: MARCH 31, 2010 DUE: DECEMBER 15, 2010**

**\$7,905,000 GENERAL OBLIGATION BONDS, ISSUE OF 2010, SERIES A**

**DATED: MARCH 15, 2010 DUE: MARCH 15, 2012-30**

Enclosed are the Town of Madison, Connecticut's **Notices of Sale** which allow for sealed and/or electronic bids via *PARITY®* for the Bonds and the Notes. Per the official Notice of Sale, bids for the Notes will be received by on behalf of the Town at the Office of the First Selectman, 8 Campus Drive, Madison, Connecticut 06443, until 11:00 A.M. (E.D.T.),

**AND**

bids for the Bonds will be received by on behalf of the Town at the Office of the First Selectman, 8 Campus Drive, Madison, Connecticut 06443, until 11:30 A.M. (E.D.T.), on **WEDNESDAY,**

**MARCH 24, 2010**

If we may be of service in submitting your bid, please note that a representative of *IBIC LLC* will be available until 10:55 A.M. (E.D.T.) on the day of the sale.

The telephone numbers are (Madison): (203) 245-6310  
(203) 245-5605

We trust we may be of service.

**Independent Bond & Investment Consultants LLC**  
*Member: National Association of Independent Public Finance Advisors*

129 Samson Rock Drive, Suite A, Madison, CT 06443 Phone 203.245.8715 Fax 203.245.7763 Email [muniibic@aol.com](mailto:muniibic@aol.com)

# OFFICIAL STATEMENT

**NEW ISSUE: Book-Entry-Only**

**RATINGS: See "Ratings" herein**

*In the opinion of Bond Counsel, assuming the accuracy of and compliance by the Town with its representations and covenants relating to certain requirements contained in the Internal Revenue Code of 1986, as amended (the "Code"), under existing statutes, interest on the Bonds and the Notes is excluded from gross income for Federal income tax purposes pursuant to Section 103 of the Code, interest on the Bonds and the Notes is not treated as a preference item for purposes of calculating the Federal alternative minimum tax and is not taken into account in the calculation of adjusted current earnings for purposes of the Federal alternative minimum tax imposed on corporations; the Bonds and the Notes are "qualified tax-exempt obligations"; interest on the Bonds and the Notes is excluded from Connecticut taxable income for purposes of the Connecticut income tax on individuals, trusts and estates; and interest on the Bonds and the Notes is excluded from amounts on which the net Connecticut minimum tax is based in the case of individuals, trusts and estates required to pay the Federal alternative minimum tax. See Appendix B – "Opinion of Bond Counsel and Tax Exemption" herein.*

## TOWN OF MADISON, CONNECTICUT

**\$7,905,000**

### GENERAL OBLIGATION BONDS, ISSUE OF 2010, SERIES A (BANK QUALIFIED)

**Dated: March 15, 2010**

**Due: Serially, March 15, as shown herein**

The Bonds will be general obligations of the Town of Madison, Connecticut and the Town will pledge its full faith and credit to pay the principal of and the interest on the Bonds when due. (See "Security and Remedies" herein).

Interest on the Bonds will be payable on September 15, 2010 and semiannually thereafter on March 15 and September 15 in each year until maturity.

**The Bonds ARE subject to optional redemption prior to maturity. (See "Optional Redemption" herein).**

The Bonds are being offered for sale in accordance with an official Notice of Sale dated March 16, 2010. Sealed bids and/or electronic bids via **PARITY**® for the Notes will be received until 11:30 o'clock A.M. (E.D.T.) on March 24, 2010, at the office of the First Selectman, 8 Campus Drive, Madison, Connecticut, as described in the official Notice of Sale (See "Appendix E" herein).

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**\$500,000**

### GENERAL OBLIGATION BOND ANTICIPATION NOTES, ISSUE OF 2010 (BANK QUALIFIED)

**Dated: March 31, 2010**

**Due: December 15, 2010**

The Notes will be general obligations of the Town of Madison, Connecticut and the Town will pledge its full faith and credit to pay the principal of and the interest on the Notes when due. (See "Security and Remedies" herein).

**The Notes are NOT subject to optional redemption prior to maturity.**

The Notes are being offered for sale in accordance with an official Notice of Sale dated March 16, 2010. Sealed bids and/or electronic bids via **PARITY**® for the Notes will be received until 11:00 o'clock A.M. (E.D.T.) on March 24, 2010, at the office of the First Selectman, 8 Campus Drive, Madison, Connecticut, as described in the official Notice of Sale (See "Appendix F" herein).

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The Bonds and the Notes will be issued by means of a book-entry transfer system and will be registered in the name of Cede & Co., as Bondowner or Noteowner, respectively, and nominee for The Depository Trust Company ("DTC"), New York, New York. DTC will act as securities depository for the Bonds and the Notes. Ownership of the Bonds will be in the denominations of \$5,000 or integral multiples thereof. Ownership of the Notes will be in the denominations of \$5,000 or integral multiples thereof plus any odd amount. The Beneficial Owners will not receive certificates representing their ownership interest in the Bonds or the Notes. Principal and interest on the Bonds and the Notes will be payable by the Town or its agent to DTC or its nominee as registered owner of the Bonds or the Notes. So long as Cede & Co. is the Bondowner or Noteowner, respectively, as nominee for DTC, reference herein to the Bondowner or owners or Noteowner or owners shall mean Cede & Co., as aforesaid, and shall not mean the Beneficial Owners (as defined herein) of the Bonds or the Notes. (See "Book-Entry Transfer System" herein).

The Registrar, Transfer Agent, Certifying Agent and Paying Agent for the Bonds and the Notes will be U.S. Bank, National Association, of Hartford, Connecticut.

*The Bonds and the Notes are offered for delivery when, as and if issued, subject to the final approving opinion of Day Pitney LLP, Bond Counsel, of Hartford, Connecticut. It is expected that delivery of the Bonds and the Notes in book-entry-only form will be made on or about March 31, 2010.*

**Dated: March 16, 2010**

**TOWN OF MADISON, CONNECTICUT**

**\$7,905,000**

**GENERAL OBLIGATION BONDS, ISSUE OF 2010, SERIES A  
(BANK QUALIFIED)  
BOOK-ENTRY-ONLY**

**Dated: March 15, 2010**

**Due: Serially, March 15, as shown below**

**MATURITY SCHEDULE**

<u>Maturity</u>	<u>Amount</u>	<u>Interest Rate</u>	<u>Yield</u>	<u>CUSIP Number</u>	<u>Maturity</u>	<u>Amount</u>	<u>Interest Rate</u>	<u>Yield</u>	<u>CUSIP Number</u>
2012	\$435,000	%	%	556717***	2022	\$415,000	%	%	556717***
2013	415,000			556717***	2023	415,000			556717***
2014	415,000			556717***	2024	415,000			556717***
2015	415,000			556717***	2025	415,000			556717***
2016	415,000			556717***	2026	415,000			556717***
2017	415,000			556717***	2027	415,000			556717***
2018	415,000			556717***	2028	415,000			556717***
2019	415,000			556717***	2029	415,000			556717***
2020	415,000			556717***	2030	415,000			556717***
2021	415,000			556717***					

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**\$500,000**

**GENERAL OBLIGATION BOND ANTICIPATION NOTES, ISSUE OF 2010  
(BANK QUALIFIED)  
BOOK-ENTRY-ONLY**

**Dated: March 31, 2010**

**Due: December 15, 2010**

<u>Interest Rate</u>	<u>Yield</u>	<u>CUSIP</u>
%	%	556717***

No dealer, broker, salesman or other person has been authorized by the Town of Madison, Connecticut, to give any information or to make any representations, other than those contained in this Official Statement; and if given or made, such other information or representation must not be relied upon as having been authorized by the foregoing. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of the Bonds or the Notes by any person in any jurisdiction in which it is unlawful for such person to make such offer, solicitation or sale. The information set forth herein has been obtained by the Town from sources which are believed to be reliable but it is not guaranteed as to accuracy or completeness.

This Official Statement has been prepared only in connection with the initial offering and sale of the Bonds and the Notes and may not be reproduced or used in whole or in part for any other purpose.

The information, estimates and expressions of opinion in this Official Statement are subject to change without notice. Neither the delivery of this Official Statement nor any sale of the Bonds and the Notes shall, under any circumstances, create any implication that there has been no material change in the affairs of the Town since the date of this Official Statement.

Set forth in Appendix A – “Audited Financial Statements” hereto is a copy of the report of the independent auditors for the Town with respect to the financial statements of the Town included in that appendix. The report speaks only as of its date, and only to the matters expressly set forth therein. The auditors have not been engaged to review this Official Statement or to perform audit procedures regarding the post-audit period, nor have the auditors been requested to give their consent to the inclusion of their report in Appendix A. Except as stated in their report, the auditors have not been engaged to verify the financial information set out in Appendix A and are not passing upon and do not assume responsibility for the sufficiency, accuracy or completeness of the financial information presented in that appendix.

Other than as to matters expressly set forth in Appendix B – Opinion of Bond Counsel and Tax Exemption, Bond Counsel is not passing on and does not assume responsibility for the accuracy or adequacy of the statements made in this Official Statement and makes no representation that it has independently verified the same.

Independent Bond and Investment Consultants LLC, the Town's Financial Advisor, has assisted the Town in the preparation of this Official Statement from information supplied by Town Officials and other sources. Independent Bond and Investment Consultants LLC does not assume responsibility for the adequacy or accuracy of the statements made herein and makes no representation that it has independently verified the same.

This Official Statement is in a form "deemed final" by the Town for purposes of Securities and Exchange Commission Rule 15c2-12(b)(1), but subject to revision or amendment.

The Town currently files its official statements for primary offerings with the Municipal Securities Rulemaking Board through its EMMA system. In accordance with the requirements of Rule 15c2-12(b)(5) promulgated by the Securities and Exchange Commission, the Town will agree to provide, or cause to be provided, financial information and operating data and notices of material events with respect to the Bonds and notices of material events with respect to the Notes pursuant to Continuing Disclosure Agreements to be executed in substantially the forms of Appendices C and D to this Official Statement.

**INDEPENDENT FINANCIAL ADVISOR**

**INDEPENDENT BOND AND CONSULTANTS LLC  
(IBIC)**

*Madison, Connecticut  
(203) 245-8715*

**BOND COUNSEL**

**DAY PITNEY LLP**

*Hartford, Connecticut  
(860) 275-0186*

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## **BOND SALE SUMMARY**

The information in this Bonds Sale Summary is qualified in its entirety by the detailed information and financial statements appearing elsewhere in this Official Statement. The Official Statement speaks only as of its date and the information herein is subject to change.

<b>Date of Sale:</b>	Wednesday, March 24, 2010, at 11:30 A.M. (E.D.T).
<b>Location of Sale:</b>	Office of the First Selectman, 8 Campus Drive, Madison, Connecticut 06443.
<b>Issuer:</b>	Town of Madison, Connecticut (the "Town").
<b>Issue:</b>	\$7,905,000 General Obligation Bonds, Issue of 2010, Series A (the "Bonds").
<b>Dated Date:</b>	March 15, 2010.
<b>Interest Due:</b>	September 15 and March 15 in each year, commencing September 15, 2010.
<b>Principal Due:</b>	Serially March 15, 2012-2030.
<b>Purpose and Authority:</b>	The Bonds are being issued to finance the acquisition of approximately 42 acres of land known as the Griswold Airport Property, and for the improvements thereon as authorized by the Town pursuant to Titles 7 and 10 of the General Statutes of Connecticut, as amended, the Charter of the Town of Madison, and bond resolutions approved at referendum by the Town voters.
<b>Redemption:</b>	The Bonds ARE subject to optional redemption prior to maturity. (See "Optional Redemption" herein).
<b>Security:</b>	The Bonds will be general obligations of the Town of Madison, Connecticut, and the Town will pledge its full faith and credit to the payment of the principal of and interest on the Bonds when due.
<b>Credit Rating:</b>	The Town has made an application to Moody's Investors Service, Inc ("Moody's") and Fitch Ratings ("Fitch") for a rating on the Bonds. The rating on the Town's outstanding bonds is currently "Aa1" by Moody's. Certain of outstanding issues of the Town are also rated "AAA" by Fitch Ratings ("Fitch").
<b>Basis of Award:</b>	Lowest True Interest Cost (TIC) as of the dated date.
<b>Tax Exemption:</b>	See Appendix B herein.
<b>Continuing Disclosure Agreement:</b>	See Appendix C herein.
<b>Bank Qualification:</b>	The Bonds SHALL be designated by the Town as qualified tax-exempt obligations under the provisions of Section 265(b) of the Internal Revenue Code of 1986, as amended, for purposes of the deduction by financial institutions for interest expense allocable to the Bonds.
<b>Certifying Bank, Registrar, Transfer and Paying Agent:</b>	U.S. Bank National Association, of Hartford, Connecticut.
<b>Legal Opinion:</b>	Day Pitney LLP, of Hartford, Connecticut will act as Bond Counsel.
<b>Delivery and Payment:</b>	It is expected that delivery of the Bonds in book-entry-only form will be made on or about March 24, 2010 against payment in Federal Funds.
<b>Issuer Official:</b>	Questions regarding the Town and this Official Statement should be directed to Dorothy W. Bavin, Finance Director, Town of Madison, Town Hall, 8 Campus Drive, Madison, Connecticut 06443 - Telephone (203) 245-6310.

## NOTE SALE SUMMARY

The information in this Note Sale Summary is qualified in its entirety by the detailed information and financial statements appearing elsewhere in this Official Statement. The Official Statement speaks only as of its date and the information herein is subject to change.

<b>Date of Sale:</b>	Wednesday, March 24, 2010, at 11:00 A.M. (E.D.T).
<b>Location of Sale:</b>	Office of the First Selectman, 8 Campus Drive, Madison, Connecticut 06443.
<b>Issuer:</b>	Town of Madison, Connecticut (the "Town").
<b>Issue:</b>	\$500,000 General Obligation Bond Anticipation Notes, Issue of 2010 (the "Notes").
<b>Dated Date:</b>	March 31, 2010.
<b>Principal and Interest Due:</b>	December 15, 2010.
<b>Purpose and Authority:</b>	The Notes are being issued to finance the acquisition of approximately 42 acres of land known as the Griswold Airport Property, and for the improvements thereon as authorized by the Town pursuant to Titles 7 and 10 of the General Statutes of Connecticut, as amended, the Charter of the Town of Madison, and bond resolutions approved at referendum by the Town voters.
<b>Redemption:</b>	The Notes are NOT subject to optional redemption prior to maturity.
<b>Security:</b>	The Notes will be general obligations of the Town of Madison, Connecticut, and the Town will pledge its full faith and credit to the payment of the principal of and interest on the Notes when due.
<b>Credit Rating:</b>	The Town has made an application to Moody's Investors Service, Inc ("Moody's") and Fitch Ratings ("Fitch") for a rating on the Notes. The rating on the Town's outstanding bonds is currently "Aa1" by Moody's. Certain of outstanding issues of the Town are also rated "AAA" by Fitch Ratings ("Fitch").
<b>Basis of Award:</b>	Lowest Net Interest Cost (NIC) as of the dated date.
<b>Tax Exemption:</b>	See Appendix B herein.
<b>Continuing Disclosure Agreement:</b>	See Appendix D herein.
<b>Bank Qualification:</b>	The Notes SHALL be designated by the Town as qualified tax-exempt obligations under the provisions of Section 265(b) of the Internal Revenue Code of 1986, as amended, for purposes of the deduction by financial institutions for interest expense allocable to the Notes.
<b>Certifying Bank, Registrar, Transfer and Paying Agent:</b>	U.S. Bank National Association, of Hartford, Connecticut.
<b>Legal Opinion:</b>	Day Pitney LLP, of Hartford, Connecticut will act as Bond Counsel.
<b>Delivery and Payment:</b>	It is expected that delivery of the Notes in book-entry-only form will be made on or about March 24, 2010 against payment in Federal Funds.
<b>Issuer Official:</b>	Questions regarding the Town and this Official Statement should be directed to Dorothy W. Bavin, Finance Director, Town of Madison, Town Hall, 8 Campus Drive, Madison, Connecticut 06443 - Telephone (203) 245-6310.

## SECTION I - SECURITIES OFFERED

### Introduction

This Official Statement, including the cover page, inside cover and appendices, has been prepared by the Town of Madison, Connecticut (the "Town") with assistance from the financial advisor, in connection with the sale of \$7,905,000 General Obligation Bonds, Issue of 2010, Series A (the "Bonds") and \$500,000 Bond Anticipation Notes, Issue of 2010 (the "Notes").

All quotations from and summaries and explanations of provisions of statutes, charters, or other laws and acts and proceedings of the Town contained herein do not purport to be complete and are qualified in their entirety by reference to the original official documents; and all references to the Bonds and the Notes and the proceedings of the Town relating thereto are qualified in their entirety by reference to the definitive forms of the Bonds and the Notes and such proceedings.

The presentation of information is intended to show recent historical trends and is not intended to indicate future or continuing trends in the financial or other positions of the Town. Except for information expressly attributed to other sources, all financial and other information presented herein has been provided by the Town.

### Description of the Bonds

The Bonds will be dated March 15, 2010, and will mature in annual installments on March 15 in each of the years and in the principal amounts set forth on the inside cover of this Official Statement. The Bonds will be issued as fully registered bonds in denominations of \$5,000 or any integral multiple thereof. Interest will be payable September 15, 2010 and semiannually thereafter on March 15 and September 15 in each year until maturity. A book-entry system will be employed evidencing ownership of the Bonds in principal amounts of \$5,000 or integral multiples thereof, with transfers of ownership effected on the records of The Depository Trust Company, New York, New York ("DTC"), and its participants pursuant to rules and procedures established by DTC and its participants. (See "Book-Entry Transfer System" herein). The Certifying, Registrar, Transfer and Paying Agent for the Bonds will be the U.S. Bank National Association, of Hartford, Connecticut. The legal opinion on the Bonds will be rendered by Day Pitney LLP, of Hartford, Connecticut. (See "Appendix B" herein). The Bonds SHALL be designated by the Town as qualified tax-exempt obligations under the provisions of Section 265(b)(3) of the Internal Revenue Code of 1986, as amended, for purposes of the deduction by financial institutions for interest expense allocable to the Bonds. **The Bonds ARE subject to redemption prior to maturity. (See "Optional Redemption" herein).**

### Description of the Notes

The Notes will be dated March 31, 2010. Principal and interest on the Notes will be due at maturity on December 15, 2010. Interest will be calculated on the basis of a 360-day year consisting of twelve 30-day months at the rate or rates per annum specified by the successful bidder or bidders. The Notes will be issued in fully registered form in denominations of \$5,000 or any integral multiple thereof for any single maturity. A book-entry system will be employed evidencing ownership of the Notes with transfers of ownership effected on the records of The Depository Trust Company, New York, New York ("DTC"), and its participants pursuant to rules and procedures established by DTC and its participants (See "Book-Entry Transfer System" herein). The Registrar, Certifying, Transfer and Paying Agent will be U.S. Bank National Association of Hartford. The legal opinion on the Notes will be rendered by Day Pitney LLP, of Hartford, Connecticut. (See "Appendix B" herein). The Notes SHALL be designated by the Town as qualified tax-exempt obligations under the provisions of Section 265(b)(3) of the Internal Revenue Code of 1986, as amended, for purposes of the deduction by financial institutions for interest expense allocable to the Notes. **The Notes are NOT subject to redemption prior to maturity.**

### Optional Redemption

The Bonds maturing on or before March 15, 2015 are not subject to redemption prior to maturity. The Bonds maturing on March 15, 2016 and thereafter are subject to redemption prior to maturity, at the option of the Town, at any time, either in whole or in part, in such amounts and in such order of maturity, but by lot within a maturity, as the Town may determine, at the redemption prices (expressed as a percentage of the par amount of Bonds to be redeemed) set forth in the following table, together with interest accrued and unpaid to the redemption date:

<u>Redemption Dates</u>	<u>Redemption Price</u>
March 15, 2015 and thereafter	100%

**Notice of Redemption**

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

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

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

**Authorization and Use of Proceeds**

Authorization:

The Bonds and the Notes were authorized and are being issued pursuant to a bond resolution recommended by the Board of Selectmen and the Board of Finance and adopted by the Town voters at referendum held on January 26, 2010, in accordance with the Town Charter.

**Griswold Airport Property Purchase:** An authorization in the amount of \$9,000,000 to finance costs in connection with the acquisition for open space, recreational, and other municipal purposes of approximately 42 acres of land, and the decommissioning of the airport, land restoration and various improvements to the property known as the Griswold Airport Property situated along the Boston Post Road, U.S. Route 1, in the Town of Madison.

Use of Proceeds: Proceeds of the Notes will be used to finance the following projects:

<u>Purpose</u>	<u>Total Bond Authorization</u>	<u>Prior Bonds Issued</u>	<u>The Notes</u>	<u>The Bonds</u>
Griswold Airport Property Purchase	\$9,000,000	\$ -	\$ 500,000	\$7,905,000

**Ratings**

The Town has made an application to Moody's Investors Service, Inc ("Moody's") and Fitch Ratings ("Fitch") for a rating on the Bond and the Notes. The rating on the Town's outstanding general obligation bonds is "Aa1" by Moody's. Certain outstanding bond issues are also rated "AAA" by Fitch Ratings ("Fitch"). Such ratings reflect only the views of such rating agencies and any explanation of the significance of such ratings should be obtained from the rating agency furnishing the same, at the following addresses: Moody's Investors Service, Inc., 7 World Trade Center, 250 Greenwich Street, New York, New York 10007; Fitch Ratings, One State Street Plaza, New York, New York 10004. Generally, a rating agency bases its rating on the information and materials furnished to it and on investigations, studies and assumptions of its own. There is no assurance such ratings will continue for any given period of time or that such ratings will not be revised downward or withdrawn entirely by the rating agencies, if in the judgment of such rating agencies, circumstances so warrant. Any such

downward revision or withdrawal of such ratings may have an adverse effect on the market price of the Town's bonds and notes.

### **Security and Remedies**

The Bonds and the Notes will be general obligations of the Town of Madison, Connecticut and the Town will pledge its full faith and credit to pay the principal of and interest on the Notes when due.

Unless paid from other sources, the Bonds and the Notes are payable from general property tax revenues. The Town has the power under the Connecticut General Statutes to levy ad valorem taxes on all taxable property in the Town without limit as to rate or amount, except as to certain classified property such as certified forest land taxable at a limited rate and dwelling houses of qualified elderly persons of low income taxable at limited amounts. There were no acres of such certified forest land on the last completed Grand List of the Town. Under existing statutes, the State of Connecticut is obligated to pay the Town the amount of tax revenue which the Town would have received except for the limitation upon its power to tax such dwelling houses or the Town may place a lien on the property for the amount of tax relief granted plus interest.

Payment of the Bonds and the Notes is not limited to property tax revenues or any other revenue source, but certain revenues of the Town may be restricted as to use and therefore may not be available to pay debt service on the Bonds and the Notes.

There are no statutory provisions for priorities in the payment of general obligations of the Town. There are no statutory provisions for a lien on any portion of the tax levy or other revenues to secure the Bonds and the Notes, or judgments thereon, in priority to other claims.

The Town is subject to suit on its general obligation bonds and notes and a court of competent jurisdiction has the power in appropriate proceedings to render a judgment against the Town. Courts of competent jurisdiction also have the power in appropriate proceedings to order payment of a judgment on such bonds or notes from funds lawfully available therefor or, in the absence thereof, to order the Town to take all lawful action to obtain the same, including the raising of the required amount in the next annual tax levy. In exercising their discretion as to whether to enter such an order, the courts may take into account all relevant factors including the current operating needs of the Town and the availability and adequacy of other remedies.

Enforcement of a claim for payment of principal of or interest on the Bonds and the Notes would also be subject to the applicable provisions of Federal bankruptcy laws as well as other bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights heretofore or hereafter enacted and to the exercise of judicial discretion. Section 7-566 of the Connecticut General Statutes, amended in 1993, provides that no Connecticut municipality shall file a petition in bankruptcy without the express prior written consent of the Governor. This prohibition applies to any town, city, borough, metropolitan district and any other political subdivision of the State having the power to levy taxes and issue bonds or other obligations.

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

### **Qualifications for Financial Institutions**

The Bonds and the Notes SHALL be designated by the Town as qualified tax-exempt obligations under the provisions of Section 265(b) of the Internal Revenue Code of 1986, as amended, for purposes of the deduction by financial institutions of interest expense incurred to carry the Notes.

### **Book Entry Transfer System**

The Depository Trust Company ("DTC"), New York, New York, will act as securities depository for the Bonds and the Notes. The Bonds and the Notes will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Bond and Note certificate will be issued for each maturity of the Bonds and the Notes in the aggregate principal amount of such maturity, and will be deposited with DTC.

DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity, corporate and municipal debt issues and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its registered subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has Standard & Poor's highest rating of: AAA. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at [www.dtcc.com](http://www.dtcc.com) and [www.dtc.org](http://www.dtc.org).

Purchases of the Bonds and the Notes under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds and the Notes on DTC's records. The ownership interest of each actual purchaser of each Bond and Note ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmation providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Bonds and the Notes are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in the Bonds and the Notes, except in the event that use of the book-entry system for the Bonds and the Notes is discontinued.

To facilitate subsequent transfers, all Bonds and Notes deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of the Bonds and the Notes with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Bond and the Notes. DTC's records reflect only the identity of the Direct Participants to whose accounts such Bonds and Notes are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

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

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

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to the Bonds and the Notes unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the Town as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Bonds and the Notes are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal and interest payments on, and redemption premium, if any, with respect to the Bonds and the Notes will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the Town or the Paying Agent on the payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name", and will be the responsibility of such Participant and not of DTC nor its nominee, the Paying Agent, or the Town, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal and interest, and redemption premium, if any, to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Town or the Paying

Agent, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as depository with respect to the Bonds and the Notes at any time by giving reasonable notice to the Town or the Paying Agent. Under such circumstances, in the event that a successor depository is not obtained, Note certificates are required to be printed and delivered.

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

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

### **Replacement Bond and Notes**

The Town will provide for the issuance of fully registered Bond and Note certificates directly to the Beneficial Owners of the Bonds or Notes or their nominees in the event that: (a) DTC determines not to continue to act as securities depository for the Bonds and the Notes, and the Town fails to identify another qualified securities depository for the Bonds and the Notes to replace DTC; or (b) the Town determines to discontinue the book-entry system of evidence and transfer of ownership of the Bonds and the Notes. A Beneficial Owner of the Bonds and Notes, upon registration of certificates held in such Beneficial Owner's name, will become the registered owner of the Bonds and the Notes.

### **DTC Practices**

The Town can make no assurances that DTC, Direct Participants, Indirect Participants or other nominees of the Beneficial Owners of the Bonds or Notes will act in a manner described in this Official Statement. DTC is required to act according to rules and procedures established by DTC and its participants which are on file with the Securities and Exchange Commission.

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## **SECTION II - THE ISSUER**

### **Description of the Town**

The Town was first settled in 1641 as part of Guilford. It was organized as a separate community in 1707 and incorporated in 1826. The Town was the one hundred twenty-eighth town established in Connecticut. The Town encompasses approximately 36.3 square miles within New Haven County, approximately 15 miles east of New Haven and 35 miles south of Hartford. Interstate 95 and state highways 80 and 1 (Boston Post Road) intersect the Town for east and west transportation access, while state highway 79 provides north-south access. Madison is bounded on the east by Clinton; on the north by Durham; on the south by Long Island Sound; and on the west by Guilford. The Town is primarily a suburban, residential community with single-family homes.

Since the 1860s, the Town has maintained a large summer resident community attracted to the Town's beaches and Long Island Sound. Most year-round residents are in the executive, professional, technical, and managerial categories, with employment in Hartford, New Haven, Fairfield County and New York. According to the State of Connecticut Department of Health the Town's population as of 2007 was 18,793. Bus, air and rail service are available from New Haven, Hartford, Providence, Rhode Island and New York. The Town has a newly constructed railroad stop near the central business district provided by Shore Line East, a State of Connecticut Department of Transportation Commuter Railroad that provides commuter service between New London and New Haven during rush hours. Other Metro-North and Amtrak connections are available from New Haven's Union Station.

Located within Town are two state parks: the Cockaponset State Forest in the northern portion of Town, and the Hammonasset State Park and Beach located on the southeastern edge of Madison. The Hammonasset Park consists of 930 acres and 558 campsites provide concessions, bathhouses, a pavilion and picnic areas. Parking for 7,000 vehicles is available for bathers and campers alike, with overall park capacity rated to serve 16,000 people. The Park also provides a fishing jetty for surf and boat fishing.

The Town utilizes an adopted Plan of Development to maintain its rural and seashore character. Under the Town Charter, the Planning and Zoning Commission is responsible for approval of all projects. Current zoning regulations were adopted on April 10, 1953, with various revisions being adopted since that time. The Town is completely zoned with approximately 80% of the land zoned residential, with one to two acre lots. The balance of the Town is zoned commercial or light industrial. The areas zoned for one acre can include apartment or condominium units. As part of the Town Plan of Development, open space and preservation of the seashore and rural character of the Town are major goals. To that end, the Town has provided for 3 parks, including the Surf Club Beach area, a 45-acre beach/recreation facility owned by the Town that provides beaches, picnic area, basketball and volleyball courts, as well as baseball, softball, football and soccer fields.

For calendar year 2009, there were approximately 150 single family homes sales and prices ranged from \$225,000 to \$2,600,000. The average selling price of all single family homes sold in 2009 was approximately \$570,000. The value of newly constructed single family homes was approximately \$480,000.

The Madison downtown business district has an active Chamber of Commerce organization, Business Council Group and an active shopping and commercial area located in the south central part of the community, extending both east and west along the Boston Post Road. In addition to the many businesses in Town, there are numerous banking institutions, including Wachovia Bank National Association, Bank of America, People's United Bank, Citizens Bank, Webster Bank, New Alliance Bank, Liberty Bank, Guilford Savings Bank and Essex Savings Bank.

The Town provides educational opportunity with public schools grades PreK-12. In addition, within Town there are two private schools grades K-8 and one private school K-12, along with eight different pre-school programs. Colleges and Universities a short distance from Town include Middlesex Community College and Wesleyan University, both in Middletown, approximately 20 miles north of Madison. To the west is Albertus Magnus College, South Central Community College, Southern Connecticut State University, The University of New Haven and Yale University, all of which are located in the Greater New Haven area.

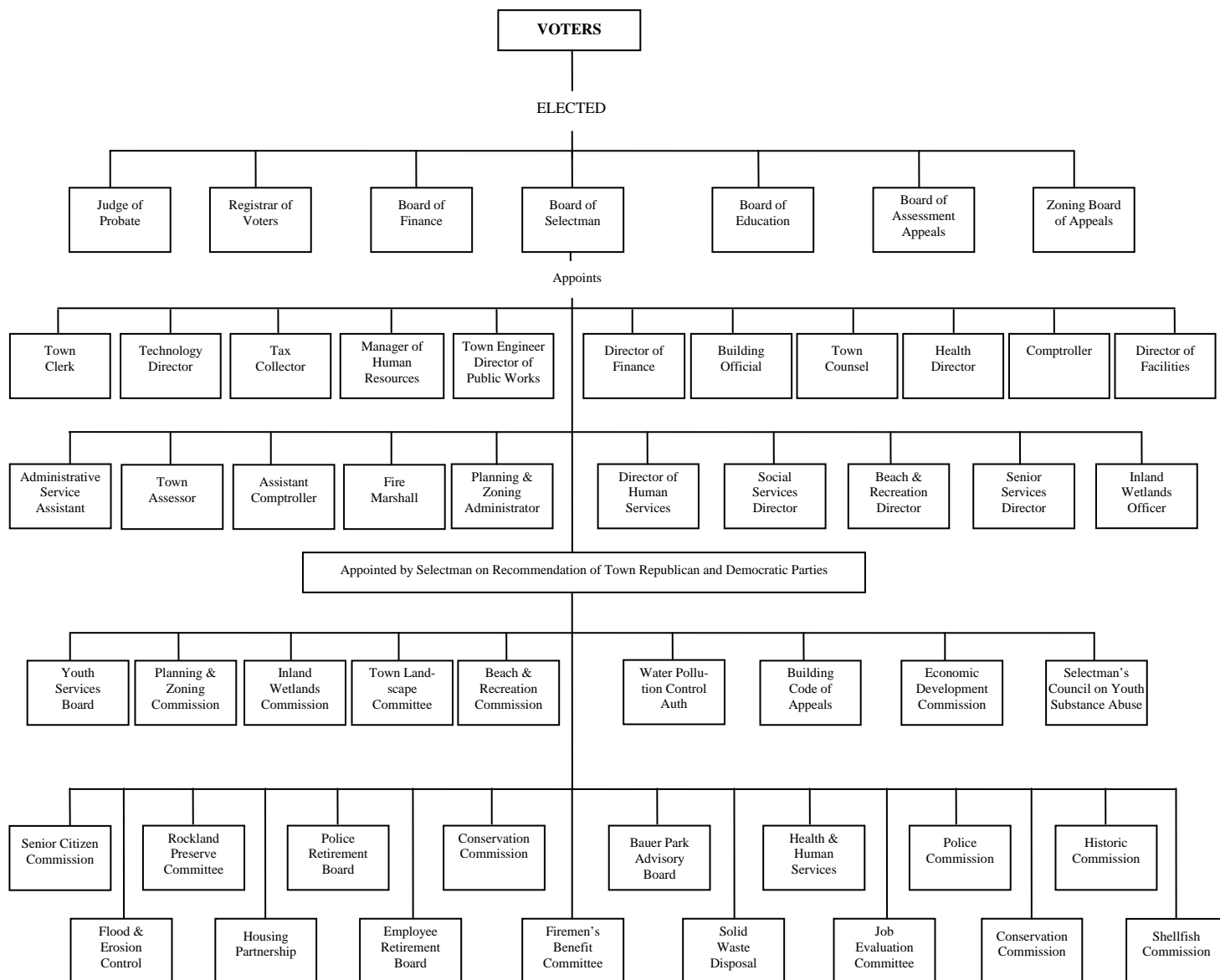
### **Form of Government**

The Town of Madison operates under the provisions of its Charter, most recently revised on November 7, 2006, and the General Statutes of the State of Connecticut. The legislative body is the Town Meeting. The Executive body consists of a Board of Selectmen, a five member board, with the First Selectman acting as the chief executive officer. Election to the

Board of Selectmen is for a two-year term. 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.

The Planning and Zoning Commission is responsible for adopting and enforcing regulations governing the growth of the Town. The Commission is authorized by the Town to retain a Planning Consultant to evaluate the present and future growth of the Town and to study the demographics and recommend changes in the current development regulations. The Economic Development Commission is a nine-member board appointed by the Board of Selectmen. The Town's most recent Comprehensive Plan of Development was adopted in November 1, 2000. There is also a seven member appointed Economic Development Commission.

## Organizational Chart



## Municipal Officials

The current Town Officials are:

	Term Expires <u>November</u>
Board of Selectmen	
Fillmore McPherson, First Selectman	2011
William E. Gladstone	2011
Al Goldberg	2011
Noreen S. Kokoruda	2011
Joe McDougald	2011
Board of Finance	
Helen Burland, Chairman	2013
Kathleen Rossini	2011
Peggy Lyons	2011
James Matteson	2013
Kathleen P. Stahelski	2011
Jennifer S. Tung	2013
Other Officials	
Dorothy W. Bavin, Director of Finance	
Dorothy Bean, Town Clerk	
Orietta Nucolo, CCMA, Assessor	
Alma D. Carroll, CCMC Director Town Services/Tax Collector	
Michael J. Ott., P.E., L.S. Town Engineer	
David Klein, Superintendent of Schools	
William McMinn, Director of Facilities	

## Summary of Municipal Services

**Police:** The Town is provided with 24-hour police coverage by a force consisting of 25 police officers and 1 executive officer. Hammonasset State Park, located in Madison, is served by the Connecticut State Police Barracks at Westbrook, with occasional assistance by the local department. There is one full-time animal control officer and one part-time animal control officer.

**Fire:** All areas of the Town are covered by 2 volunteer fire companies, Madison Hose Company #1, which covers the southern sector of Town south of I-95, and the North Madison Volunteer Fire Company which serves the northern sector of Town. Each company is a private corporation which is substantially supported by the Town and owns land, buildings, and some equipment. Both companies are activated by radio contact with the Town Communications Center located in the Police Station, which operates on a twenty-four hour basis. The companies belong to a mutual aid system with nearby towns. There are currently 35 volunteers in the Madison House Company # 1, and 40 volunteers in the North Madison Volunteer Fire Company. Each company has a corps of Junior Fire Fighters.

**Emergency Medical Assistance:** The Town is served by a local private non-profit association which is supported by Town subsidy. Emergency medical services are also provided by the North Madison Fire Department. The area hospitals are the Middlesex Memorial Hospital, 20 miles north in Middletown; Yale New Haven Hospital and St. Raphael's Hospital which are located in New Haven, 23 miles to the west. These facilities are aided by a shoreline clinic in the town of Westbrook and the new 30,000 square foot Yale New Haven Ambulatory Service Center which recently opened in Guilford. These two facilities provide basic and paramedic emergency services.

**Health:** The Town engages a full-time Director of Health and a full-time Sanitarian. The Town also employs an Environmental Inspector. They are responsible for enforcing State and local public health laws.

**Sewers:** There is no sewage system as all businesses and homes have separate septic systems. As part of the Town's Comprehensive Plan of Development, the Town has had an active Water Pollution Control Authority that is approved and monitored by the State Department of Environmental Protection.

**Solid Waste:** The Town operates, jointly with the Town of Guilford, a solid waste transfer station. In 2001, the Town, along with Guilford, entered into a ten-year renewable contract with the Connecticut Resources Recovery Authority ("CRRA") for disposal of municipal solid waste at market rates determined by CRRA. This rate will be essentially the same as that charged to the 70 other participating communities. Local trash haulers in the Town will continue to be able to use the Essex Transfer Station. These haulers are billed directly by CRRA.

CRRA has previously undertaken cost cutting measures including decreasing its expenses by implementing certain cuts in administrative and operational expenses. It also has increased tipping fees and has entered into a two-year electricity sales agreement with Select Energy. For fiscal year 2009-10, the Town paid tipping fees of \$65/ton to CRRA for solid waste, with no fee for recycling.

**Water:** The Connecticut Water Company provides water service to the downtown area and other areas south of the I-95. Other areas are served by private individual wells. Approximately 50% of all housing units are served by the Water Company.

**Electric:** The Connecticut Light and Power Division (CL&P) of Northeast Utilities provides electrical service. CL&P maintains a regional maintenance facility in Madison.

**Park & Recreation:** The Beach & Recreation Director works under the direction of the Beach & Recreation Commission and the Board of Selectmen. His staff consists of a year-round complement of four individuals to which approximately 50 are added in the summer season when the Town's 3 beaches, fourteen hiking trails, and numerous playgrounds and playing fields are operational. The Town operates more than 130 programs throughout the year, including action oriented opportunities such as aerobics, backpacking, badminton, dancing, skiing, sailing and swimming.

**Public Works:** The Department of Public Works consists of 10 road maintenance workers, one landfill operator, one landfill attendant, an Assistant Town Engineer, an Engineering Inspector and a secretary, in addition to the Director of Public Works. These divisions are responsible for the various town buildings, grounds and land. The Department operates a brush/stump landfill area and is in partnership with the Town of Guilford in the Guilford/Madison Transfer Station. There are approximately 107 miles of Town roads which are maintained, plowed, patched and swept by the Town crew.

**Grounds Maintenance:** The Department of Grounds Maintenance consists of 6 building and grounds maintainers and one Manager of Facilities, who serves both the Town and the Board of Education. This Department is responsible for the various town buildings, grounds and land.

**Human Services:** The Department of Human Services was created in 2005 to consolidate the Town's Senior Services, Social Services and Youth and Family Services. Human Services has one full-time Director and a half-time secretary that oversees the department's two divisions.

**Youth and Family Services:** Youth and Family Services' prior function is to foster the healthy development of the children of Madison and their families through progressive programs that offer prevention, community coordination, and treatment services. Social Service programs for adults are also contained with Youth and Family Services. Six full-time and seven part-time employees work at Youth and Family Services including three school-based, Student Assistance Counselors.

**Senior Services:** Senior Services provides activities, transportation, lunch and other programs to citizens 60 years of age or older. Social Services, support and advocacy are also provided. Three full-time employees and 4 part-time bus drivers provide these services.

**Library:** The library, established in 1900, is a private corporation which is mainly supported by Town funds. Additional funds are raised by the library board through donations. The facility has a collection of 62,000 books, records, language tapes along with over 200 newspapers and magazines. Services also include video cassettes for overnight use, community calendar listings for coming events, and home delivery services for the home bound.

## Education System

The schools are governed by a nine-member Board of Education. The current configuration of the school system consists of one school for Pre-K students, one school for pupils in grades K through 4; two schools for pupils in grades 1 through 4; one lower middle school for pupils in grades 5 through 6; one upper middle school for pupils in grades 7 through 8; and one high school for pupils in grades 9 through 12. The Town's Pre-K program is housed at the Town Campus Learning Center.

## Educational Facilities

	<u>Grades</u>	<u>Date of Construction</u>	<u>Additions &amp; Renovations</u>	<u>Classrooms</u>	<u>Enrollment 10/1/09</u> (1)	<u>Capacity</u> (2)
<u>Elementary Schools:</u>						
Town Campus Modulares	Pre-K	2000	2000	10	29	250
Island Avenue	1-4	1950	1953,1993	16	317	350
Academy Street (3)	1-4	1924	1936,1994	15	-	300
Kathleen H. Ryerson	1-4	1966	1995	21	311	350
J. Milton Jeffrey (4)	K-4	1958	1963,1987,1994	<u>32</u>	<u>548</u>	<u>700</u>
Sub totals				<u>94</u>	<u>1,205</u>	<u>1,950</u>
<u>Middle Schools:</u>						
Dr. Robert H. Brown	5-6	1970	1971, 2004	33	587	650
Walter C. Polson	7-8	1960	1965,1970,1987,1995	<u>30</u>	<u>608</u>	<u>650</u>
Sub totals				<u>63</u>	<u>1,195</u>	<u>1,300</u>
<u>High School:</u>						
Daniel Hand	9-12	2003	2003	<u>60</u>	<u>1,264</u>	<u>1,250</u>
Totals				<u>217</u>	<u>3,664</u>	<u>4,500</u>

(1) Includes special education students.

(2) Capacities are programmatic capacities and may differ from the actual physical limitations of the facilities.

(3) Academy Street School is currently closed as part of a recent re-districting effort which was the result of a Long Range Planning Committee which reviewed projected enrollments and current school configuration to determine the proper space utilization of school facilities.

(4) Includes two half-day kindergarten sessions per day.

Source: Superintendent of Schools.

## Enrollment History

The following table presents school enrollment history as of October 1 of each year.

Actual								
School Year	Pre-K	Pre-K/K	1-4	K-4	5-6	7-8	9-12	Total
2003-04	n/a	267	1,193		606 (1)	635 (1)	1,027	3,728
2004-05 (2)	24			1,404	635 (1)	621 (1)	1,126	3,810
2005-06	(3)			1,373	644	637	1,191	3,845
2006-07	(3)			1,342	637	655	1,210	3,844
2007-08	(3)			1,289	660	646	1,238	3,833
2008-09	(3)			1,250	594	639	1,230	3,713
2009-10	(3)			1,205	587	608	1,264	3,664
Projected								
School Year	Pre-K	Pre-K/K	1-4	K-4	5-6	7-8	9-12	Total
2010-11	(3)			1,086	579	610	1,252	3,527
2011-12	(3)			999	551	599	1,235	3,384
2012-13	(3)			873	523	595	1,209	3,200
2013-14	(3)			761	517	567	1,178	3,023

(1) Includes Grades 6, 7 and 8 students attending Thomas Edison Middle School (Magnet School).

(2) Effective the 2004-05 school year, the Board of Education has reconfigured from Pre-K/K, 1-3, 4-5, 6-8 and 9-12 to Pre-K, K-4, 1-4, 5-6, 7-8 and 9-12 as a result of a re-districting plan which includes the closing of the Academy Street School.

(3) Pre-K students are now placed out of district with the ACES program who leases the Modular Complex at the Town Campus.

Source: Superintendent of Schools/Applied Data Services.

## Municipal Employees

<u>Fiscal Year</u> (1)	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>
General Government	193.8	194.0	196.0	198.0	181.5	167.8	157.1	154.6
Board of Education	<u>574.0</u>	<u>574.0</u>	<u>573.0</u>	<u>572.0</u>	<u>520.0</u>	<u>505.0</u>	<u>541.0</u>	<u>508.0</u>
Total	<u>767.8</u>	<u>768.0</u>	<u>769.0</u>	<u>770.0</u>	<u>701.5</u>	<u>672.8</u>	<u>698.1</u>	<u>662.6</u>

(1) Full and permanent part-time. Includes Board of Education food service employees whose salary and benefits are not paid by the Town's General Fund.

Source: Town officials.

## Municipal Employees by Category

<u>Department</u>	<u>Employees</u>
Selectmen's Office	3.0
Technology	2.0
Human Resources	1.0
Fiscal Services	6.5
Town Clerk	2.5
Assessor's Office	2.5
Tax Collector	2.5
Public Works/Engineering	17.5
Facilities Administration	3.0
Grounds Maintenance	6.0
Health & Emergency	3.0
Communications	7.5
Fire Marshall	1.3
Land Use	3.5
Building Department	2.5
Beach & Recreation	5.0
Youth & Family	9.0
Senior Center	4.5
Police	29.5
Animal Control	<u>1.5</u>
<b>Sub-Total General Government</b>	113.8
Temporary summer beach and recreation	70.0
Seasonal Facilities	<u>10.0</u>
<b>Total General Government</b>	193.8
Education (1)	<u>574.0</u>
<b>Grand Total</b>	<u>767.8</u>

(1) Includes Board of Education food service employees whose salary and benefits are not paid by the Town's General Fund.

Source: Town officials.

## Municipal Employee Collective Bargaining Representation

<u>Employees Represented</u>	<u>Union Organization</u>	<u>Number of Employees Covered</u>	<u>Contract Expiration Date</u>
<b>General Government</b>			
Police	Council 15, AFSCME	26.0	6/30/12
Dispatchers/Police Clerical	National Association of Government Employees Local RI 194	12.0	6/30/11
Maintenance	United Public Service Employee Union	6.0	6/30/10
<b>Board of Education</b>			
Administrators	Association of Madison Administrators	15.0	6/30/12
Teachers	Madison Education Association	324.0	6/30/11
Clerical	Madison Association of Education Support Services	154.0	6/30/10
Maintenance	Teamsters Local 443	34.0	6/30/12
Cafeteria	National Association of Municipal Employees Local RI 222	<u>29.0</u>	6/30/12
Sub Total		<u>600.0</u>	
Part-time	Beach and Recreation	80.0	
Non-unionized:	Town	69.8	
	Board of Education	<u>18.0</u>	
Grand Total		<u>767.8</u>	

General Statutes Sections 7-473c, 7-474 and 10-153a to 10-153n provide a procedure for binding arbitration of collective bargaining agreements between municipal employers and organizations representing municipal employees, including certified teachers and certain other employees. The legislative body of a municipality may reject an arbitration panel's decision by a two-thirds majority vote. The State of Connecticut and the employee organization must be advised in writing of the reasons for rejection. The State then appoints a new panel of either one or three arbitrators to review the decisions on each of the rejected issues. The panel must accept the last best offer of either of the parties. In reaching its determination, the arbitration panel gives priority to the public interest and the financial capability of the municipal employer, including consideration of other demands on the financial capability of the municipal employer. Effective October 1, 1997, for binding arbitration of teachers' contracts, in assessing the financial capability of a municipal entity, there is an irrefutable presumption that a budget reserve of 5% or less is not available for payment of the cost of any item subject to arbitration. In light of the employer's financial capability, the panel considers prior negotiations between the parties, the interests and welfare of the employee group, changes in the cost of living, existing employment conditions, and the wages, salaries, fringe benefits, and other conditions of employment prevailing in the labor market, including developments in private sector wages and benefits.

## SECTION III - ECONOMIC AND DEMOGRAPHIC DATA

### Population Trends

<u>Year</u>	<u>Town of Madison</u>	<u>New Haven County</u>	<u>State of Connecticut</u>
1960	4,567	660,315	2,535,234
1970	9,768	744,948	3,032,217
1980	14,031	761,337	3,107,576
1990	15,485	804,219	3,287,116
2000	17,858	824,008	3,405,565
2007	18,793	845,494	3,502,309

Source: U.S. Department of Commerce, Bureau of the Census; State of Connecticut, Department of Public Health

### Age Characteristics of Population

	<u>Town of Madison</u>		<u>State of Connecticut</u>	
	<u>Number</u>	<u>Percent</u>	<u>Number</u>	<u>Percent</u>
Under 5 years of age	1,193	6.7	223,344	6.6
5-19 years of age	4,138	23.2	702,358	20.6
20-34 years of age	1,675	9.4	639,211	18.8
35-64 years of age	8,340	46.7	1,370,469	40.2
Over 65 years of age	<u>2,512</u>	<u>14.0</u>	<u>470,183</u>	<u>13.8</u>
Total	<u>17,858</u>	<u>100.0</u>	<u>3,405,565</u>	<u>100.0</u>

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

### Selected Wealth and Income Indicators

	<u>Median Family Income</u>		<u>Per Capita Income</u>	
	<u>(1990)</u>	<u>(2000)</u>	<u>(1990)</u>	<u>(2000)</u>
Town of Madison	\$69,961	\$101,297	\$29,334	\$40,537
New Haven County	46,058	60,549	17,666	24,439
Connecticut	49,199	65,521	20,189	28,766
United States	35,225	49,600	14,420	21,690

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

### Income Distribution

	<u>Town of Madison</u>		<u>State of Connecticut</u>	
	<u>Families</u>	<u>Percent</u>	<u>Families</u>	<u>Percent</u>
\$ 0 to 9,999	47	0.9	33,423	3.8
10,000 to 14,999	18	0.4	23,593	2.7
15,000 to 24,999	135	2.6	63,262	7.1
25,000 to 34,999	164	3.2	75,413	8.5
35,000 to 49,999	380	7.4	120,134	13.6
50,000 to 74,999	900	17.6	198,924	22.5
75,000 to 99,999	863	16.9	141,981	16.0
100,000 to 149,999	1,279	25.0	132,177	14.9
150,000 to 199,999	604	11.8	42,472	4.8
200,000 or more	<u>728</u>	<u>14.2</u>	<u>54,368</u>	<u>6.1</u>
	<u>5,118</u>	<u>100.0</u>	<u>885,747</u>	<u>100.0</u>

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

## Educational Attainment

	Town of Madison		State of Connecticut	
	Number	Percent	Number	Percent
Less than 9 <sup>th</sup> grade	69	0.6	132,917	5.8
9 <sup>th</sup> to 12 <sup>th</sup> grade	342	2.8	234,739	10.2
High School graduate	1,807	14.8	653,300	28.4
Some college - no degree	2,129	17.5	402,741	17.5
Associate degree	857	7.0	150,926	6.6
Bachelor's degree	3,855	31.7	416,751	18.2
Graduate or professional degree	<u>3,114</u>	<u>25.6</u>	<u>304,243</u>	<u>13.3</u>
Totals	<u>12,173</u>	<u>100.0</u>	<u>2,295,617</u>	<u>100.0</u>
Total high school graduate or higher		96.60%		84.0%
Total bachelor's degree or higher		57.20%		31.4%

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

## Employment by Industry

	Town of Madison		New Haven County		State of Connecticut	
	Number	Percent	Number	Percent	Number	Percent
Agriculture, forestry, fisheries	28	0.3	1,101	0.3	7,445	0.5
Construction	500	5.6	21,826	5.5	99,913	6.0
Manufacturing:	1,262	14.1	63,053	15.9	246,607	14.8
Wholesale	395	4.4	13,552	3.4	53,231	3.2
Retail trade	1,080	12.1	44,983	11.3	185,633	11.2
Transportation, warehousing, utilities	268	3.0	16,707	4.2	64,662	3.9
Information	358	4.0	14,357	3.6	55,202	3.3
Finance, insurance, real estate	781	8.7	26,787	6.8	163,568	9.8
Professional, scientific, management, administrative	1,091	12.2	34,946	8.8	168,334	10.1
Educational, health, social services	2,313	25.9	101,733	25.7	366,568	22.0
Arts, entertainment, recreation accommodation, food	381	4.3	23,247	5.9	111,424	6.7
Other professional services	287	3.2	17,887	4.5	74,499	4.5
Public Administration	<u>187</u>	<u>2.1</u>	<u>16,147</u>	<u>4.1</u>	<u>67,354</u>	<u>4.0</u>
Total	<u>8,931</u>	<u>100.0</u>	<u>396,326</u>	<u>100.0</u>	<u>1,664,440</u>	<u>100.0</u>

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

## Major Employers

<u>Name of Employer</u>	<u>Nature of Entity</u>	<u>Estimated Number of Employees</u>
Town of Madison	Municipality	768
Stop and Shop	Grocery Store	150
Harborside Healthcare/Madison House	Long-Term Health Care Facility	145
Madison Beach Hotel/Wharf Restaurant (1)	Hotel	110
Roberts Food Center	Grocery Store	95
Garrity Industries	Manufacturer of Flashlights	88
Grove School	Educational Facility	87
McDonald's Restaurants	Restaurant	81
The Hearth at Tuxis Pond	Healthcare Facility	75
USI	Distributor Laminate Products	61
Watrous Nursing Home	Healthcare Facility	<u>47</u>
Total		<u>1,707</u>

(1) The Madison Beach Hotel is currently undertaking a \$9 million renovation and is expected to re-open in late calendar 2010.

Source: Town officials.

## Unemployment Rate Statistics

The following table presents non-seasonally adjusted unemployment rates for the Town, the New Haven Labor Market, the State, and for the United States:

<u>Yearly Average</u>	<u>Town of Madison</u>	<u>New Haven Labor Market</u>	<u>State of Connecticut</u>	<u>United States</u>
2000	1.6%	2.3%	2.3%	4.0%
2001	2.0	3.2	3.3	4.8
2002	2.7	4.1	4.3	5.8
2003	2.9	5.4	5.5	5.8
2004	3.1	4.8	4.9	5.5
2005	3.1	5.0	4.9	5.1
2006	2.9	4.5	4.3	4.6
2007	3.0	4.8	4.6	4.6
2008	3.8	5.9	5.7	5.8
2009	5.3	7.9	8.0	9.3

### 2010 Monthly

January	6.5	9.7	9.8	10.6
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Source: State of Connecticut, Department of Labor; United States Department of Labor, Bureau of Labor Statistics.

## Building Permits

<u>Fiscal Year Ending 6/30</u>	<u>Number</u>	<u>Value</u>
2010 (1)	738	\$16,363,924
2009	1,195	30,346,876
2008	1,318	37,021,642
2007	1,320	38,081,448
2006	1,472	42,762,425
2005	1,646	50,536,355
2004 (2)	1,700	41,667,000
2003 (3)	1,610	40,845,846
2002 (4)	1,616	62,472,873
2001	1,301	39,363,362
2000	1,695	43,526,659

(1) As of February 28, 2010.

(2) This value includes \$3,482,636 for the Town's Dr. Robert H. Brown Middle School Project.

(3) This value includes \$5,449,596 for the Town's High School Building Project.

(4) This value includes \$21,539,065 for the Town's High School Building Project.

Source: Town Building Department.

## Number of Dwelling Units

<u>2000</u>	<u>1990</u>	<u>1980</u>	<u>1970</u>	<u>% Increase</u> <u>1990-2000</u>	<u>% Increase</u> <u>1970-2000</u>
7,386	6,511	5,327	3,566	13.4	107.1

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

## Characteristics of Housing Units

<u>Value of Owner Occupied Units</u>	<u>Town of Madison</u>		<u>New Haven County</u>		<u>State of Connecticut</u>	
	<u>Number</u>	<u>Percent</u>	<u>Number</u>	<u>Percent</u>	<u>Number</u>	<u>Percent</u>
\$ 0 to \$ 50,000	21	0.4	1,737	1.0	5,996	0.8
50,000 to 99,999	19	0.4	24,648	14.7	85,221	11.7
100,000 to 149,999	225	4.2	55,592	33.2	212,010	29.1
150,000 to 199,999	1,241	23.3	40,122	23.9	156,397	21.5
200,000 to 299,999	1,917	36.0	30,230	18.0	137,499	18.9
300,000 to 499,999	1,371	25.7	12,121	7.2	79,047	10.9
500,000 to 999,999	439	8.2	2,634	1.6	38,168	5.2
1,000,000 and over	97	1.8	456	0.3	13,906	1.9
Total	<u>5,330</u>	<u>100.0</u>	<u>167,540</u>	<u>100.0</u>	<u>728,244</u>	<u>100.0</u>
Median Value	259,600	-	151,900	-	166,900	-

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

## Age Distribution of Housing

<u>Year Structure Built</u>	<u>Town of Madison</u>		<u>New Haven County</u>		<u>State of Connecticut</u>	
	<u>Number</u>	<u>Percent</u>	<u>Number</u>	<u>Percent</u>	<u>Number</u>	<u>Percent</u>
1939 or earlier	1,115	15.1	80,899	23.7	15,993	1.2
1940 to 1959	941	12.7	88,388	25.9	47,028	3.4
1960 to 1969	1,299	17.6	49,468	14.5	56,058	4.0
1970 to 1979	1,806	24.5	50,100	14.7	183,405	13.2
1980 to 1989	1,149	15.6	44,080	12.9	203,377	14.7
1990 to 1994	413	5.6	13,813	4.1	212,176	15.3
1995 to 1998	522	7.1	10,518	3.1	359,042	25.9
1999 to March 2000	141	1.9	3,466	1.0	308,896	22.3
Total housing units, 2000	<u>7,386</u>	<u>100.0</u>	<u>340,732</u>	<u>100.0</u>	<u>1,385,975</u>	<u>100.0</u>

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

## Breakdown of Land Use

<u>Land Use Category</u>	<u>Total Area</u>		<u>Developed</u>		<u>Undeveloped</u>	
	<u>Acreage</u>	<u>%</u>	<u>Acreage</u>	<u>%</u>	<u>Acreage</u>	<u>%</u>
Residential	11,976	50.9	7,533	32.0	4,443	18.9
Commercial	452	1.9	348	1.5	104	0.4
Institutional	450	1.9	450	1.9	0	0.0
Open Space	9,191	39.0	0	0.0	9,191	39.0
Other (1)	1,487	6.3	1,487	6.3	0	0.0
Total Area	<u>23,556</u>	<u>100.0</u>	<u>9,818</u>	<u>41.7</u>	<u>13,738</u>	<u>58.3</u>

(1) Other use contains Public Utilities and Roads/Right of Ways

Source: Town of Madison 2000 Plan of Development.

## SECTION IV - INDEBTEDNESS

### Computation of Statutory Debt Limit

As of March 31, 2010 (Pro Forma)

Total Fiscal Year 2009 tax collections (including interest and lien fees)	\$60,910,697
State Reimbursement for Revenue Loss for Tax Relief for the Elderly	<u>-</u>
Base for Establishing Debt Limit	<u>\$60,910,697</u>

### Debt Limit <sup>(1)</sup>

	General <u>Purpose</u>	<u>Schools</u>	<u>Sewers</u>	<u>Urban Renewal</u>	Unfunded <u>Past Pension</u>	Total <u>Debt</u>
(2.25 times base)	\$137,049,068					
(4.50 times base)		\$274,098,137				
(3.75 times base)			\$228,415,114			
(3.25 times base)				\$197,959,765		
(3.00 times base)					\$182,732,091	
(7.00 times base)						\$426,374,879
<b>Indebtedness</b>						
Bonds Payable	\$ 5,307,000	\$ 26,493,000	\$ -	\$ -	\$ -	\$ 31,800,000
Note Payable	253,996	-	-	-	-	253,996
BANs Outstanding	2,500,000	-	-	-	-	2,500,000
The Bonds ( <i>This Issue</i> )	7,905,000	-	-	-	-	7,905,000
The Notes ( <i>This Issue</i> )	500,000	-	-	-	-	500,000
Authorized but Unissued Debt	<u>6,110,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>6,110,000</u>
Total Bonded Indebtedness	22,575,996	26,493,000	-	-	-	49,068,996
School Grants Receivable (2)	<u>-</u>	<u>( 203,880)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>( 203,880)</u>
Net Bonded Indebtedness	22,575,996	26,289,120	-	-	-	48,865,116
Excess of Limit Over Outstanding and Authorized Debt	<u>\$114,473,072</u>	<u>\$247,809,017</u>	<u>\$228,415,114</u>	<u>\$197,959,765</u>	<u>\$182,732,091</u>	<u>\$377,509,763</u>

(1) Under Connecticut General Statutes, Town debt cannot exceed \$426,374,879 or seven times the debt limit base.

(2) The Town anticipates receiving State of Connecticut principal subsidy grants in the amount of \$203,880 over the remaining life of outstanding school bonds approved prior to July 1, 1996. (See "School Projects" herein).

Source: Annual audited financial statements.

## Calculation of Net Direct Debt

As of March 31, 2010 (Pro Forma)

<b>Bonded Indebtedness</b> (1)	
The Bonds ( <i>This Issue</i> )	\$ 7,905,000
General Purpose	5,307,000
Schools	26,493,000
Note Payable	<u>253,996</u>
<b>Total Bonded Debt</b>	39,958,996
 <b>Short-Term Indebtedness</b>	
BANs Outstanding	2,500,000
The Notes ( <i>This Issue</i> )	<u>500,000</u>
<b>Total Short-Term Debt</b>	3,000,000
 <b>Total Direct Debt</b>	<u>42,958,996</u>
<b>Exclusions:</b>	
State School Building Grants (2)	<u>( 203,880)</u>
<b>Total Net Direct Debt</b>	<u><u>\$42,755,116</u></u>

(1) Does not include authorized but unissued debt of \$6,110,000. See "Authorized but Unissued Debt" herein.

(2) School building construction bond principal subsidy grants receivable over the life of outstanding bonds for projects approved prior to July 1, 1996.

Source: Annual audited financial statements.

## Current Debt Ratios

As of March 31, 2010 (Pro Forma)

Total Direct Debt	\$42,958,996
Net Direct Debt	\$42,755,116
 Population (1)	18,793
Net Taxable Grand List (10/1/08)	\$3,418,583,858
Estimated Full Value	\$4,883,691,226
Equalized Net Taxable Grand List (2007) (2)	\$4,876,842,999
Per Capita Income (1999) (3)	\$40,537
 <b>Total Direct Debt:</b>	
Per Capita	\$2,285.90
To Net Taxable Grand List	1.26%
To Estimated Full Value	0.88%
To Equalized Net Taxable Grand List	0.88%
Per Capita to Per Capita Income	5.64%
 <b>Net Direct Debt:</b>	
Per Capita	\$2,275.06
To Net Taxable Grand List	1.25%
To Estimated Full Value	0.88%
To Equalized Net Taxable Grand List	0.88%
Per Capita to Per Capita Income	5.61%

(1) State of Connecticut, Department of Public Health estimate.

(2) Office of Policy and Management, State of Connecticut

(3) U.S. Department of Commerce, Bureau of Census, Census 2000.

## Historical Debt Statement

	<u>2008-09</u>	<u>2007-08</u>	<u>2006-07</u>	<u>2005-06</u>	<u>2004-05</u>
Population (1)	18,793	18,793	18,723	18,704	18,693
Net taxable grand list	\$3,436,632,636	\$2,453,939,089	\$2,430,989,219	\$2,398,108,551	\$2,365,406,865
Estimated full value	\$4,909,475,194	\$3,505,627,270	\$3,472,841,741	\$3,425,869,359	\$3,379,152,664
Equalized net taxable grand list (2)	\$4,876,842,999	\$4,750,966,920	\$4,665,396,276	\$4,463,041,164	\$4,090,891,285
Per capita income (3)	\$40,537	\$40,537	\$40,537	\$40,537	\$40,537
Short-term debt	\$ -	\$ -	\$ -	\$ -	\$ -
Long-term debt	<u>\$35,348,712</u>	<u>\$38,136,075</u>	<u>\$41,206,154</u>	<u>\$44,155,000</u>	<u>\$46,105,000</u>
Total Direct debt	\$35,348,712	\$38,136,075	\$41,206,154	\$44,155,000	\$46,105,000
Net Direct debt	\$35,089,021	\$37,829,230	\$40,876,528	\$43,799,581	\$45,713,273

(1) State of Connecticut, Department of Public Health estimates.

(2) Office of Policy and Management, State of Connecticut

(3) U.S. Department of Commerce, Bureau of Census, Census 2000.

## Historical Debt Ratios

	<u>2008-09</u>	<u>2007-08</u>	<u>2006-07</u>	<u>2005-06</u>	<u>2004-05</u>
<b>Total Direct debt:</b>					
Per capita	\$1,880.95	\$2,029.27	\$2,200.83	\$2,360.72	\$2,466.43
To net taxable grand list	1.03%	1.55%	1.70%	1.84%	1.95%
To estimated full value	0.72%	1.09%	1.19%	1.29%	1.36%
To equalized net taxable grand list	0.72%	0.80%	0.88%	0.99%	1.13%
Debt per capita to per capita income	4.64%	5.01%	5.43%	5.82%	6.08%
<b>Net direct debt:</b>					
Per capita	\$1,867.13	\$2,012.94	\$2,183.23	\$2,341.72	\$2,445.48
To net taxable grand list	1.02%	1.54%	1.68%	1.83%	1.93%
To estimated full value	0.71%	1.08%	1.18%	1.28%	1.35%
To equalized net taxable grand list	0.72%	0.80%	0.88%	0.98%	1.12%
Debt per capita to per capita income	4.61%	4.97%	5.39%	5.78%	6.03%

## Outstanding Short-Term Indebtedness

In addition to the Notes of this issue, the Town has \$2,500,000 in outstanding Bond Anticipation Notes which mature on December 15, 2010.

## Overlapping and Underlying Indebtedness

Apart from the Town, other political subdivisions with power to issue debt or cause taxes to be levied on taxable property in the Town are various beach associations.

## Legal Requirements for Approval of Borrowing

The Town has the power to incur indebtedness by issuing its bonds as authorized by the General Statutes of the State of Connecticut subject to statutory debt limitations and the requirements of the Town Charter for the authorization of indebtedness. Under the Charter, issuance of bonds and notes shall require approval by a town meeting except for notes issued in anticipation of taxes.

## Temporary Financing

When general obligation bonds have been authorized, bond anticipation notes may be issued maturing in not more than two years (CGS Sec. 7-378). Temporary notes may be renewed up to ten years from their original date of issue as long as all project grant payments are applied toward payment of project costs or temporary notes when they become due and payable, and the legislative body schedules principal reductions by the end of the third year and for each subsequent year during which such temporary notes remain outstanding, in an amount equal to a minimum of 1/20<sup>th</sup> (1/30<sup>th</sup> for sewer projects and certain school projects) of the estimated net project cost (CGS Sec. 7-378a). The term of the bond issue is reduced by the amount of time temporary financing exceeds two years.

Temporary notes must be permanently funded no later than ten years from their initial borrowing date, except sewer notes issued in anticipation of State and/or Federal grants. If written commitment exists, the municipality may renew the sewer notes from time to time in terms not to exceed six months until such time that the final grant payments are received (CGS Sec. 7-378b).

Temporary notes may also be issued for up to 15 years for certain capital projects associated with the operation of a waterworks system (CGS Sec. 7-244a) or a sewage system (CGS Sec. 7-264a). In the first year following the completion of the project(s), or in the sixth year following the original date of issue (whichever is sooner), and in each year thereafter, the notes must be reduced by 1/15<sup>th</sup> of the total amount of the notes issued by funds derived from sources of payment specified by statute. Temporary notes may be issued in one-year maturities for up to 15 years in anticipation of sewer assessments receivable, such notes to be reduced annually by the amount of assessments received during the preceding year (CGS Sec. 7-269a).

## School Construction Projects

Pursuant to Section 10-287i of the Connecticut General Statutes, the State of Connecticut will provide proportional progress payments for eligible school construction expenses on projects approved after July 1, 1996. State grants will be paid directly to the municipality after it submits its request for progress payments, and accordingly, the municipality will issue its bonds only for the net share of project costs.

Debt service reimbursement will continue under the old reimbursement program for all projects approved prior to July 1, 1996. Under the old program, a municipality issued bonds for the entire amount of the school construction project and the State of Connecticut reimbursed the municipality for principal and interest costs for eligible school construction expenses over the life of outstanding school bonds and the subsequent bond issues necessary to completely fund the project.

## Existing and Future Capital Project Financing

The voters of the Town recently approved \$5,515,000 for the construction of a 5,000 square foot ambulance facility and an approximately 10,600 square foot senior center. The Town expects to finance the project through the issuance of long term bonds. Permitting for the Senior Center is expected to be completed by mid-March 2010. Construction is expected to begin in early calendar 2010 with completion in early calendar 2011. Construction for the Ambulance Facility is expected to be completed in late calendar 2011. To date, the Town has issued \$2,500,000 in Bond Anticipation Notes to finance the project.

The Town annually funds a reserve for Capital Maintenance Projects. The following summarizes the general fund funding by component for the current fiscal year and the next nine years within the Ten Year Capital Maintenance Plan.

<u>Fiscal Year</u>	<u>Total</u>
2009-10	\$1,337,832
2010-11	1,190,000
2011-12	1,230,000
2012-13	1,270,000
2013-14	1,305,000
2014-15	1,350,000
2015-16	1,390,000
2016-17	1,430,000
2017-18	1,470,000
2018-19	1,510,000

## Authorized but Unissued Debt

<u>Project</u>	Amount of Total <u>Authorization</u>	Prior Bonds <u>Issued</u>	Grants <u>Received</u>	<u>The Bonds</u>	<u>The Notes</u>	Authorized But Unissued <u>Debt</u>
Senior Center/Ambulance Facility	\$ 5,515,000	\$ -	\$ -	\$ -	\$ -	\$5,515,000
Griswold Airport Property Purchase	<u>9,000,000</u>	<u>-</u>	<u>-</u>	<u>7,905,000</u>	<u>500,000</u>	<u>595,000</u>
Total All Projects	<u>\$64,415,000</u>	<u>\$36,040,000</u>	<u>\$12,326,604</u>	<u>\$7,905,000</u>	<u>\$500,000</u>	<u>\$6,110,000</u>

## Combined Schedule of Long Term Debt through Maturity

As of March 31, 2010 (Pro Forma)

<u>Fiscal Year</u>	<u>Existing Indebtedness</u>			<u>The Bonds This Issue</u>	<u>ALL ISSUES Total Principal</u>
	<u>Principal Payments</u>	<u>Interest Payments</u>	<u>Total Debt Service</u>		
2009-10	\$ 3,009,716	\$1,451,714	\$ 4,461,430	\$ -	\$ 3,009,716
2010-11	2,902,140	1,221,215	4,123,355	-	2,902,140
2011-12	2,664,639	1,108,086	3,772,725	435,000	3,099,639
2012-13	2,742,217	1,021,178	3,763,395	415,000	3,157,217
2013-14	2,680,000	912,323	3,592,323	415,000	3,095,000
2014-15	2,735,000	802,423	3,537,423	415,000	3,150,000
2015-16	2,810,000	696,447	3,506,447	415,000	3,225,000
2016-17	2,255,000	585,350	2,840,350	415,000	2,670,000
2017-18	2,295,000	488,488	2,783,488	415,000	2,710,000
2018-19	2,350,000	388,288	2,738,288	415,000	2,765,000
2019-20	1,845,000	283,913	2,128,913	415,000	2,260,000
2020-21	1,840,000	213,809	2,053,809	415,000	2,255,000
2021-22	1,855,000	148,131	2,003,131	415,000	2,270,000
2022-23	1,465,000	79,238	1,544,238	415,000	1,880,000
2023-24	950,000	34,600	984,600	415,000	1,365,000
2024-25	390,000	7,800	397,800	415,000	805,000
2025-26	-	-	-	415,000	415,000
2026-27	-	-	-	415,000	415,000
2027-28	-	-	-	415,000	415,000
2028-29	-	-	-	415,000	415,000
2029-30	-	-	-	415,000	415,000
	<u>\$34,788,712</u>	<u>\$9,443,003</u>	<u>\$44,231,715</u>	<u>\$7,905,000</u>	<u>\$42,693,712</u>

(1) Includes \$2,734,716 in bond and notes payable principal paid as of March 31, 2010.

# **Combined Schedule of Bonded Debt through Maturity**

As of March 31, 2010 (Pro Forma)

Fiscal Year	Existing Indebtedness			The Bonds <i>This Issue</i>	ALL ISSUES <u>Total Principal</u>
	Principal <u>Payments</u>	Interest <u>Payments</u>	Total Debt <u>Service</u>		
2009-10	\$ 2,930,000	\$1,441,564	\$ 4,371,564	\$ -	\$ 2,930,000
2010-11	2,820,000	1,213,489	4,033,489	-	2,820,000
2011-12	2,580,000	1,102,859	3,682,859	435,000	3,015,000
2012-13	2,655,000	1,018,529	3,673,529	415,000	3,070,000
2013-14	2,680,000	912,323	3,592,323	415,000	3,095,000
2014-15	2,735,000	802,423	3,537,423	415,000	3,150,000
2015-16	2,810,000	696,447	3,506,447	415,000	3,225,000
2016-17	2,255,000	585,350	2,840,350	415,000	2,670,000
2017-18	2,295,000	488,488	2,783,488	415,000	2,710,000
2018-19	2,350,000	388,288	2,738,288	415,000	2,765,000
2019-20	1,845,000	283,913	2,128,913	415,000	2,260,000
2020-21	1,840,000	213,809	2,053,809	415,000	2,255,000
2021-22	1,855,000	148,131	2,003,131	415,000	2,270,000
2022-23	1,465,000	79,238	1,544,238	415,000	1,880,000
2023-24	950,000	34,600	984,600	415,000	1,365,000
2024-25	390,000	7,800	397,800	415,000	805,000
2025-26	-	-	-	415,000	415,000
2026-27	-	-	-	415,000	415,000
2027-28	-	-	-	415,000	415,000
2028-29	-	-	-	415,000	415,000
2029-30	-	-	-	415,000	415,000
	<u>\$34,455,000</u>	<u>\$9,417,251</u>	<u>\$43,872,251</u>	<u>\$7,905,000</u>	<u>\$42,360,000</u>

(1) Includes \$2,655,000 in bond principal paid as of March 31, 2010.

## **SECTION V - FINANCIAL DATA**

### **Accounting Policies**

The Town's accounting policies are summarized in Note 1 "Summary of Significant Accounting Policies" in the Notes to Financial Statements (Appendix A).

### **Basis of Accounting**

See Note 1 "Measurement Focus, Basis of Accounting and Financial Statement Presentation" in the Notes to Financial Statements (Appendix A).

### **Audit**

Pursuant to the provisions of the Municipal Auditing Act (Chapter 111 of the Connecticut General Statutes) and the Town of Madison Charter, the Town is obligated to undergo an annual examination by an independent certified public accountant. The current auditors, Blum, Shapiro & Company, P.C., were appointed by the Board of Finance and are required to conduct their examination under the guidelines issued by the State of Connecticut Office of Policy & Management, who receive a copy of said Audit Report when completed.

The most recent annual audit covers the fiscal year ended June 30, 2009, a portion of which is included in this document and made a part hereof as Appendix A. Included in Appendix A are the Town's Basic Financial Statements, Notes to the Financial Statements and Required Supplemental Information, together with the report of the independent auditor as prepared by Blum, Shapiro & Company, P.C, Independent Certified Public Accountants. The information contained in "Appendix A" is not the whole audit report. Individuals wishing a complete document should contact the Finance Director.

### **Budgetary Procedure**

The referendum adopted budget is used by the Board of Selectmen as a management control device during the year.

Each department head and/or board, commission, committee and agency chairperson must, prior to the end of the third week in December, submit budget requests for the upcoming fiscal year. The requests must be accompanied by a clear explanation of all requests together with an estimate of the current year's expenditures. At this time all anticipated revenues are submitted with the requests.

During the month of January and February the Board of Selectmen reviews, with department heads and/or commission chairpersons, the individual budgets. Upon completion of the workshops the Board of Selectmen prepares its recommendations which are presented to the Board of Finance with the budget requests.

The Board of Finance, during the months of March and April, meets with department heads and/or commission chairpersons and reviews the budget requests. The final recommended budget is printed as a legal notice and goes to referendum for approval.

A public hearing is held by the Board of Finance at which the Board of Selectmen and the Board of Education shall present their budget recommendations, at which time the public is encouraged to speak out on the budget. The Board of Finance shall recommend a preliminary budget no later than April 15.

In the event that the Board of Finance considers adding to the recommended budget as submitted by the Board of Selectmen, the Board of Finance will confer with the Board of Selectmen concerning such additions. The decision of the Board of Finance will be final. During the last week of April, the Board of Finance will hold a public hearing on the preliminary budgets as recommended by the Board of Finance. After the public hearing, the Board of Finance will approve the final recommended budgets to be submitted for referendum. The Board of Finance shall publish the final recommended budget no less than ten days prior to the referendum. The Board of Selectmen shall set the date of the referendum vote on the budgets. The vote must take place no less than 20 days, or more than 30 days from the date of their action. In the event of a budget rejection, the Board of Finance will hold a public hearing. For the purposes of re-votes on the budget, the Board of Finance need only publish the details of changes of the budget that was previously published.

During the course of the year, the Board of Finance maintains supervision and control over expenditures and revenues through a monthly financial statement prepared by the Director of Finance.

All disbursements are handled by the assistant comptroller in the Finance Office. No appropriation may be used for any purpose other than for which it is made unless recommended by the Board of Selectmen and approved by the Board of Finance and referendum. A request for a Special Appropriation of \$50,000 or less may be recommended by the Board of Selectmen and approved by the Board of Finance without referendum approval. All balances in the General Fund at the end of the fiscal year revert to the Fund Balance.

## Employee Pension Systems

The Town is the administrator of three single-employer Public Retirement Systems (PERS) established and administered by the Town to provide pension benefits for town employees. The PERS include, the Town of Madison Municipal Plan, the Town of Madison Police Retirement Plan, and the Volunteer Fire Department Supplemental Retirement Plan. The PERS covers substantially all of its employees except certified teachers, who are covered by the State of Connecticut Teachers' Retirement Fund. Custodial employees of the Board of Education are covered under a defined contribution plan, under a collective bargaining agreement with the Teamsters, Chauffeurs, Warehousemen and Helpers Local 443, participating in the New England Teamsters and Trucking Industry Pension Fund. All Town plans are trusted contributory pension plans funded annually in an amount recommended by an actuary. The Town has invested money in an investment fund to provide partial or full retirement benefits to eligible members. This amount includes normal cost plus interest on the initial past service. It is the policy of the Town to have actuarial valuations every other year. The most recent completed actuarial valuation was dated July 1, 2009.

Based upon a July 1, 2009 actuarial valuation, the actuarial value of assets and actuarial accrued liabilities for the PERS plan were as follows:

### Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL) Entry Age Normal Cost Method	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
<u><i>Police Retirement Plan</i></u>						
7/1/09	\$11,491,958	\$12,764,296	\$(1,272,338)	90.0%	\$1,697,964	74.94%
7/1/08	11,401,835	12,064,850	( 663,015)	94.50	1,611,345	41.10
7/1/07	10,703,571	10,838,073	( 134,502)	98.80	1,629,320	8.30
7/1/06	9,866,208	10,570,705	( 704,497)	93.34	1,703,295	41.36
7/1/05	8,977,591	9,442,295	( 464,704)	95.08	1,717,985	27.05
<u><i>Town Employees' Retirement Plan</i></u>						
7/1/09	\$11,969,512	\$13,093,707	\$(1,124,195)	91.40%	\$6,651,553	16.90%
7/1/08	12,048,208	12,296,712	( 248,504)	98.00	6,316,555	3.93
7/1/07	10,754,373	11,442,890	( 688,517)	94.00	6,050,618	11.38
7/1/06	9,800,123	10,726,781	( 926,658)	91.40	5,321,243	17.41
7/1/05	8,833,514	9,822,328	( 988,814)	90.00	4,785,753	20.70
<u><i>Volunteer Fire Department Supplemental Retirement Plan</i></u>						
7/1/09	\$ 822,166	\$1,362,753	\$( 540,587)	60.33%	N/A	N/A
7/1/08	886,422	1,232,176	( 347,754)	71.94	N/A	N/A
7/1/07	1,026,407	1,146,806	( 120,399)	89.50	N/A	N/A
7/1/06	919,660	1,008,565	( 88,905)	91.19	N/A	N/A
7/1/05	848,719	1,005,305	( 156,586)	84.42	N/A	N/A

## Schedule of Employer Contributions

<u>Police Retirement Plan</u>			<u>Town Employee's Retirement Plan</u>			<u>Volunteer Fire Retirement Plan</u>		
Fiscal Year Ended	Annual Required Contribution	Percentage Contributed	Fiscal Year Ended	Annual Required Contribution	Percentage Contributed	Fiscal Year Ended	Annual Required Contribution	Percentage Contributed
2010 (1)	\$231,172	100.0%	2010 (1)	\$562,615	100.0%	2010 (1)	\$89,874	100.0%
2009	181,058	99.6	2009	554,093	101.1	2009	69,169	100.0
2008	243,146	100.0	2008	556,001	100.0	2008	68,945	100.0
2007	205,062	100.0	2007	620,561	100.0	2007	86,601	100.0
2006	260,607	100.0	2006	605,788	100.0	2006	46,187	100.0

(1) Adopted budget.

Source: Town officials and annual audit reports.

For further information regarding Pension Plans, fund information and other relevant information, see "Appendix A", Notes to the Financial Statements herein.

### Other Post Employment Benefits

The Town provides health insurance, life insurance, and lump sum benefits in accordance with union contracts for members and non-union employees. The Town is in the process of complying with the requirements of Governmental Accounting Standard's Board ("GASB") Statements 43 and 45, which require municipalities and other governmental entities to undertake an actuarial evaluation of their Other Post-employment Benefits ("OPEB") plans and include information concerning the valuation of such plans in their financial statements. The Town was required to comply with the reporting requirements of GASB 45 beginning in fiscal year 2008-09.

The Town has retained Milliman as an actuarial consultant to perform a valuation of the Town's OPEB program. The valuation was performed as of January 1, 2009 and determined that the Town's Total Accrued Liability would be \$16,070,000 assuming a 4% discount rate, and pay-as-you-go funding of the liability and expected earnings of the Town's general fund. The Annually Required Contribution for fiscal year FY 2009-10 was determined to be \$1,080,000. At this time, the Town has established a reserve fund to begin pre-funding the liability, but has not determined if it will establish a legal trust. The Town has traditionally funded benefits on a "pay-as-you-go" basis but has included an additional \$30,000 above the pay-as-you-go amount in the fiscal year 2009-10 budget to begin pre-funding for OPEB.

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
1/1/07	\$ -	\$13,771,000	\$13,771,000	0.0%	N/A	N/A
1/1/09	-	16,070,000	16,070,000	0.0	N/A	N/A

Fiscal Year Ended	Annual Required Contribution	Percentage Contributed
2010 (1)	\$1,080,000	42.87%
2009	1,084,000	42.44

(1) Adopted budget.

### Investment Policies and Procedures

Under the Town Charter and Connecticut General Statutes Sections 7-400, as amended by Public Act 94-190, 7-401 and 7-402, the Town may invest in (a) obligations of the United States of America, including joint and several obligations of the Federal Home Loan Mortgage Association, the Federal National Mortgage Association, the Federal Government National Mortgage Association, the Federal Savings and Loan Insurance Corporation, obligations of the United States Postal Service,

all the federal home loan banks, all the federal land banks, the Tennessee Valley Authority, or any other agency of the United States government, (b) certain mutual funds and money market mutual funds investing in such obligations or repurchase agreements fully collateralized by such obligations; (c) certain state and municipal bonds and notes, and may make deposits with certain "qualified public depositories". Under the Town's investment policy, the Town may invest in any obligation authorized under the Connecticut General Statutes as well as State of Connecticut Investment Pools.

On January 21, 2004 the Town updated its investment policy for all financial assets of the Town, excluding assets of funds of any pension plan held by or managed by the Town. As previously adopted, the policy limits investments to instruments maturing within one year at the time of purchase for funds required during the course of the fiscal year. The average maturity of all funds invested shall not exceed six months at any time to insure liquidity of funds. The revised policy added a new provision which allows a portion of the fund balance reserve and non-cyclical funds to be invested in longer term securities with an objective of increasing the rate of return consistent with prudent risk management, subject to the following investment limitations: (a) Maturities shall not exceed eight years; (b) Securities shall have maturities evenly spread over the investment period ("laddering"); (c) The maximum dollar amount of the portion to be so invested shall be set by the Board of Finance and reviewed annually or as required; (d) An investment committee, consisting of the First Selectman or Acting First Selectman and the Chairman of the Board of Finance shall oversee the investments. All investment securities purchased by the Town of Madison shall be held in third party safekeeping by an institution designated as primary agent. The primary agent shall issue a safekeeping receipt to the town of Madison listing the specific instrument, rate, maturity and other pertinent information. The Town has recently hired Bank of America as their primary agent. The Town does not invest in derivative products.

The Department of Finance is required to generate semi-annual reports for review by the Board of Selectmen and the Board of Finance. These reports shall indicate the specific instrument, rate and maturity of investments held as of that date.

All Town pension funds are invested with investment managers and for educators, the State of Connecticut Retirement Commission oversees the investment pool for teachers and administrators. For a further description of the Town's Pension Plans, see Appendix A, herein.

### **Assessment Practices**

The maintenance of an equitable tax base and the location and appraisal of all real and personal property within the Town for inclusion onto the Grand List is the responsibility of the Assessor's Office. The Grand List represents the total of assessed value for all taxable real and personal property and motor vehicles located within the Town on October 1. A Board of Assessment Appeals determines whether adjustments to the Assessor's list on assessments under appeal are warranted. Assessments for real property are computed at 70 percent of the estimated market value at the time of the last general revaluation.

The Town of Madison last had a general property revaluation for the grand list dated October 1, 2007 which was effective for the 2008-09 fiscal year. Under Section 12-62 of the Connecticut General Statutes, the Town must do a revaluation every five years based on generally accepted mass appraisal methods and a revaluation by physical inspection no later than 10 years from the preceding physical inspection. Prior to the completion of each revaluation, the Assessor shall conduct a field review. Public Act 06-148 permits a municipality, upon approval of its legislative body, to phase-in a real property assessment increase resulting from a revaluation over a period of up to five years.

Public Act 09-60 permits any municipality required to effect a revaluation of real proper tuner Section 12-62 of the Connecticut General Statues for the 2008, 2009 or 2010 assessment years upon approval of its legislative body, to delay such revaluation until the 2011 assessment year. Any required revaluation subsequent to such a delayed revaluation shall re-commence at a point in the schedule required pursuant to Section 12-62 that the municipality was following prior to such delay.

When a new structure, or modification to an existing structure, is undertaken, the Assessor's Office receives a copy of the permit issued by the Building Inspector. A physical appraisal is then completed and the structure classified and priced from a schedule developed at the time of the revaluation. The property depreciation and obsolescence factors are also considered when arriving at an equitable value.

Motor vehicle lists are furnished to the Town by the State of Connecticut and appraisals of motor vehicles are accomplished in accordance with an automobile price schedule recommended by the Office of Policy and Management.

All personal property (furniture, fixtures, equipment, machinery and leased equipment) is assessed annually with manufacturers and businesses completing and returning to the Assessor's Office standard worksheets for computing value. An assessor's check and audit is completed periodically. Assessments for both personal property and motor vehicles are computed at 70 percent of present market value.

Section 12-124a of the Connecticut General Statutes permits a municipality, upon approval by its legislative body, to abate property taxes on owner-occupied residences to the extent that the taxes exceed eight percent (8%) of the owner's total income, from any source, adjusted for self-employed persons to reflect expenses allowed in determining adjusted gross income. The owner must agree to pay the amount of taxes abated with interest at six percent (6%) per annum, at such rate approved by the legislative body at such time that the residence is sold or transferred or on the death of the last surviving owner. A lien for such amounts is recorded in the land records but does not take precedence over any mortgage recorded before the lien. The Town has not approved the use of this abatement provision to date.

## Tax Collection Procedure

Taxes for the fiscal year are paid on the grand list of the prior October 1, and are due July 1, payable in two installments, one half on July 1 and one half on January 1. Payments not received by August 1 and February 1 become delinquent and interest will accrue at the rate of 1.5% per month (18% per annum). Outstanding real estate tax accounts are automatically liened each year prior to June 30 with legal demands and alias tax warrants used in the collection of personal property and motor vehicle tax bills. Delinquent motor vehicle and personal property accounts are transferred to suspense account after three years at which time they cease to be carried as receivables. Real estate accounts are transferred to suspense fifteen years after the due date in accordance with state statutes.

## Real Property Tax Levies and Collections

FY				Collected	Uncollected	
Ending	Net Taxable	Tax Rate	Total Adjusted	End of	End of	As of
<u>6/30</u>	<u>Grand List</u>	<u>(In Mills)</u>	<u>Tax Levy</u>	<u>Each FY</u>	<u>Each FY</u>	<u>06/30/09</u>
2010 (1)	\$3,418,583,858	18.62	\$63,043,699	N/A	N/A	N/A
2009 (2)	3,412,821,961	17.84	60,831,212	99.4%	\$354,910	\$354,910
2008	2,453,939,086	23.35	56,979,408	99.5	300,079	114,322
2007	2,430,986,219	22.28	53,847,585	99.5	255,281	72,643
2006	2,398,108,551	21.23	50,610,826	99.6	225,861	57,116
2005	2,365,406,865	20.22	47,785,976	99.6	207,398	42,743
2004	2,346,570,301	19.11	44,981,689	99.5	242,103	7,296
2003	1,493,463,180	27.71	41,661,364	99.1	365,511	4,730
2002	1,468,700,275	26.26	38,948,337	99.2	320,743	5,744
2001	1,433,506,530	25.36	36,822,552	99.0	370,713	5,753

(1) Adopted Budget

(2) Year of revaluation.

Source: Town officials and annual audit reports.

## Taxable Grand List

Grand List Dated	Residential Property	Commercial & Industrial Real Property	Vacant Land	Personal Property	Motor Vehicle	Gross Taxable Grand List	Less Exemptions	Net Taxable Grand List
2008	\$3,024,124,010	\$173,022,480	\$46,173,700	\$46,993,523	\$139,206,335	\$3,429,520,048	\$10,936,190	\$3,418,583,858
2007	3,034,868,800	172,125,200	21,908,500	46,893,269	148,263,250	3,424,059,019	11,237,058	3,412,821,961
2006	2,132,835,990	126,845,880	14,348,080	43,116,796	148,494,560	2,465,641,306	11,702,220	2,453,939,086
2005	2,109,713,890	127,424,090	14,882,180	43,296,809	147,753,990	2,443,070,959	12,084,740	2,430,986,219
2004	2,084,822,090	126,170,880	16,039,180	42,287,931	141,428,890	2,410,748,971	12,640,420	2,398,108,551
2003	2,072,628,990	118,219,300	13,388,180	41,551,165	132,095,630	2,377,883,265	12,476,400	2,365,406,865
2002	2,051,820,590	116,616,700	14,375,770	40,105,896	135,905,035	2,358,823,991	12,253,690	2,346,570,301
2001	1,233,865,230	83,879,540	13,473,750	38,756,610	130,286,800	1,500,261,930	6,798,750	1,493,463,180
2000	1,212,209,930	80,538,130	16,352,350	40,060,493	126,419,934	1,475,580,837	6,880,562	1,468,700,275
1999	1,189,624,530	77,409,960	18,463,850	36,230,150	118,643,990	1,440,372,480	6,865,950	1,433,506,530

Source: Town officials.

## Largest Taxpayers

The following table sets forth the fifteen largest taxpayers in the Town per the Grand List dated October 1, 2008:

<u>Name of Taxpayer</u>	<u>Nature of Property</u>	<u>Grand List Amount</u>	<u>Estimated Tax Levy</u>
Connecticut Light & Power Company	Utility	\$20,776,880	\$ 386,866
Harborside Connecticut LTD	Nursing/Health Facility	7,819,400	145,597
Stiegler, Mary Lee	Real Estate	6,953,900	129,482
Hearth at Tuxis Pond LLC	Nursing/Health Facility	6,587,440	122,658
Davis Realty LLC	Real Estate	5,760,600	107,262
Connecticut Water Company	Utility	5,419,960	100,920
Schumann, Robert F	Real Estate	5,259,480	97,932
Madison Beach Hotel LLC	Hotel & Restaurant	4,333,300	80,686
Madison Beach Club Inc.	Beach Recreation Facility	3,877,360	72,196
Debolina LLC	Real Estate	3,748,010	69,788
1291 Boston Post Rd LLC	Real Estate	3,542,600	65,963
5M Realty Inc	Real Estate	3,431,100	63,887
North Madison Associates LLC	Real Estate	3,257,400	60,653
Ramseyer, Nancy J	Real Estate	3,231,610	60,173
Collins, George J & Maureen E.	Real Estate	3,222,100	59,996
<b>Total</b>		<b>\$87,221,140</b>	<b>\$1,624,059</b>

(1) Represents 2.55% of the net taxable Grand List of \$3,418,583,858 dated October 1, 2008.

(2) Represents 2.58% of the total adjusted tax levy of \$63,043,699 for the adopted budget for fiscal year 2009-10.

Source: Town officials.

## Revenues

The Town derives its revenues from a direct tax levy on property, State and Federal aid, various fees and charges, and other miscellaneous sources. Town revenues are summarized for fiscal years ended 2004-2008 in "Statements of General Fund Revenues, Expenditures and Changes in Fund Balance-General Fund" herein.

### Property Tax Revenues

<u>Fiscal Year</u>	<u>General Fund Revenues</u>	<u>Property Tax Revenues</u>	<u>Property Tax Revenues as a Percentage of General Fund Revenues</u>
2010 (1)	\$68,389,043	\$63,047,999	92.2%
2009	70,889,148	60,749,964	85.7
2008	78,533,301 (2)	57,232,068	72.9
2007	62,008,771	53,907,756	86.9
2006	58,390,763	50,731,567	86.9
2005	54,482,554	47,612,345	87.4
2004	52,193,803	45,043,579	86.3
2003	47,758,407	41,565,696	87.0
2002	45,608,113	38,951,360	85.4
2001	44,376,142	36,955,579	83.3

(1) Adopted Budget

(2) Includes \$15,079,168 on-behalf of payments made by the State of Connecticut to the Teachers' Retirement Fund. The payments were larger than prior years due to the issuance of pension obligation bonds by the State of Connecticut to fund the State Teachers' Retirement Fund.

Source: Annual audited financial statements; fiscal year 2009-10 adopted budget.

## Intergovernmental Revenues

<u>Fiscal Year</u>	<u>General Fund Revenues</u>	<u>Intergovernmental Revenues</u>	<u>Aid As a Percentage Of General Fund Revenue</u>
2010 (1)	\$68,389,043	\$ 2,686,750	3.9%
2009	70,889,148	7,376,662	10.4
2008 (2)	78,533,301	18,061,642	23.0
2007	62,008,771	4,817,458	7.8
2006	58,390,763	4,682,324	8.0
2005	54,482,554	3,438,852	6.3
2004	52,193,803	4,240,181	8.1
2003	47,758,407	3,910,764	8.1
2002	45,608,113	4,254,074	9.3
2001	44,376,142	4,300,380	9.7

(1) Adopted Budget

(2) Includes \$15,079,168 on-behalf of payments made by the State of Connecticut to the Teachers' Retirement Fund. The payments were larger than prior years due to the issuance of pension obligation bonds by the State of Connecticut to fund the State Teachers' Retirement Fund.

Source: Annual audited financial statements; fiscal year 2009-10 adopted budget.

## Expenditures

<u>Fiscal Year</u>	<u>Education</u>	<u>Public Safety</u>	<u>Debt Service</u>	<u>Public Works</u>	<u>General Government</u>
2010 (1)	67.3%	6.4%	6.4%	4.1%	2.3%
2009	71.1	6.1	6.3	4.1	2.7
2008	74.6 (2)	5.4	5.8	3.1	2.2
2007	70.1	6.8	7.4	3.3	2.1
2006	70.2	6.6	6.8	3.2	2.3
2005	67.2	6.7	6.6	3.4	2.4
2004	70.0	7.3	5.7	3.8	2.2
2003	70.4	7.8	4.9	3.7	2.3
2002	71.4	7.5	3.9	3.8	2.5
2001	71.7	7.8	3.3	3.8	2.5

(1) Adopted Budget

(2) Includes \$15,079,168 on-behalf of payments made by the State of Connecticut to the Teachers' Retirement Fund. The payments were larger than prior years due to the issuance of pension obligation bonds by the State of Connecticut to fund the State Teachers' Retirement Fund.

Source: Annual audited financial statements; fiscal year 2009-10 adopted budget

# Comparative General Fund Operating Statement

(Budget and Actual (Budgetary Basis))

	Fiscal Year 2008-09			Fiscal Year 2009-10 Adopted Budget
	Amended Budget	Actual	Variance Favorable (Unfavorable)	
<b>REVENUES</b>				
Property taxes	\$60,169,809	\$60,749,964	\$ 580,155	\$63,047,999
Intergovernmental revenues	2,897,143	2,963,806	66,663	2,686,750
Investment income	876,414	1,232,120	355,706	711,602
Licenses, fees and charges for services	1,869,361	1,530,402	(338,959)	1,942,692
Miscellaneous	-	95,389	95,389	-
<b>TOTAL REVENUES</b>	<u>\$65,812,727</u>	<u>66,571,681</u>	<u>758,954</u>	<u>\$68,389,043</u>
<b>EXPENDITURES</b>				
Current:				
General government	\$ 1,988,946	1,895,512	93,434	\$ 1,600,216
Public safety	4,317,224	4,158,943	158,281	4,349,619
Public works	2,876,718	2,650,168	226,550	2,791,679
Land and building administration	442,747	431,217	11,530	464,498
Health and welfare	1,088,764	1,031,101	57,663	1,118,959
Beach and recreation	454,831	437,236	17,595	458,247
Education	44,037,924	43,812,311	225,613	46,029,462
Library	1,186,960	1,186,960	-	1,241,069
Employee benefits	2,982,421	2,947,894	34,527	3,147,144
Miscellaneous	389,652	342,874	46,778	571,122
Capital outlay	172,224	157,297	14,927	913,600
Debt service	<u>4,263,514</u>	<u>4,263,514</u>	<u>-</u>	<u>4,371,564</u>
<b>TOTAL EXPENDITURES</b>	<u>64,201,925</u>	<u>63,315,027</u>	<u>886,898</u>	<u>67,057,179</u>
Excess (deficiency) of revenues over expenditures	<u>1,610,802</u>	<u>3,256,654</u>	<u>1,645,852</u>	<u>1,331,864</u>
Other Financing Sources (Uses):				
Operating transfers in	139,100	207,962	68,862	-
Operating transfers out	<u>(2,700,902)</u>	<u>(2,700,902)</u>	<u>-</u>	<u>(1,331,864)</u>
Net Other Financing Sources (Uses)	<u>(2,561,802)</u>	<u>(2,492,940)</u>	<u>68,862</u>	<u>(1,331,864)</u>
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses	<u>\$ ( 951,000)</u>	<u>\$ 763,714</u>	<u>\$1,714,714</u>	<u>\$ -</u>

Sources: Annual Independent Audit Report and FY 2009-10 Adopted Budget.

## Comparative Balance Sheets - General Fund

Fiscal Year Ended:	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
<b>ASSETS</b>					
Cash and cash equivalents	\$ 4,555,566	\$ 4,109,582	\$ 7,346,226	\$ 4,404,310	\$ 6,564,615
Investments	6,515,741	7,237,104	6,137,400	10,254,724	10,998,538
Receivables (net)	796,778	813,318	760,124	666,822	750,681
Due from other governments	757,791	797,943	850,341	393,207	491,628
Due from other funds	<u>45,141</u>	<u>719,039</u>	<u>720,985</u>	<u>873,399</u>	<u>259,691</u>
<b>TOTAL ASSETS</b>	<u>\$12,671,017</u>	<u>\$13,676,986</u>	<u>\$15,815,076</u>	<u>\$16,592,462</u>	<u>\$19,065,153</u>
<b>LIABILITIES AND FUND BALANCES</b>					
<b>LIABILITIES</b>					
Accounts and other payables	\$ 574,001	\$ 178,113	\$ 421,545	\$ 382,078	\$ 612,706
Due to other funds	3,500,803	3,229,751	4,062,415	4,297,083	4,616,580
Deferred revenue	<u>1,678,586</u>	<u>3,162,989</u>	<u>3,599,126</u>	<u>3,616,319</u>	<u>4,966,430</u>
<b>TOTAL LIABILITIES</b>	<u>5,753,390</u>	<u>6,570,853</u>	<u>8,083,086</u>	<u>8,295,480</u>	<u>10,195,716</u>
<b>FUND BALANCES</b>					
Reserved for encumbrances	431,268	397,092	618,450	744,317	552,345
Unreserved:					
Designated for subsequent year's budget	150,000	-	300,000	295,000	250,000
Undesignated	<u>6,336,359</u>	<u>6,709,041</u>	<u>6,813,540</u>	<u>7,257,665</u>	<u>8,067,092</u>
<b>TOTAL FUND BALANCES</b>	<u>6,917,627</u>	<u>7,106,133</u>	<u>7,731,990</u>	<u>8,296,982</u>	<u>8,869,437</u>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<u>\$12,671,017</u>	<u>\$13,676,986</u>	<u>\$15,815,076</u>	<u>\$16,592,462</u>	<u>\$19,065,153</u>

Source: Finance office and annual audited financial statements.

# Statement of Revenues, Expenditures and Changes in Fund Balance - General Fund

Fiscal Year Ended:	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
<b>REVENUES</b>					
Taxes	\$47,612,345	\$50,731,567	\$53,907,756	\$57,232,068	\$60,749,964
Intergovernmental	3,438,852	4,682,324	4,817,458	18,061,642 <sup>(1)</sup>	7,376,662
Charges for services	2,143,482	1,997,119	1,822,256	2,003,930	1,530,402
Income on investments	758,539	979,036	1,461,301	1,235,661	1,232,120
Miscellaneous	<u>529,336</u>	<u>717</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>TOTAL REVENUES</b>	<u>54,482,554</u>	<u>58,390,763</u>	<u>62,008,771</u>	<u>78,533,301</u>	<u>70,889,148</u>
<b>EXPENDITURES</b>					
Current:					
General government	1,267,904	1,270,117	1,254,954	1,686,344	1,864,092
Public safety	3,612,588	3,684,929	3,986,166	4,064,930	4,131,202
Public works	1,817,739	1,807,176	1,943,291	2,355,557	2,776,229
Land and buildings administration	440,448	433,927	399,633	458,831	432,348
Health and welfare	865,175	918,819	961,971	1,014,788	1,028,710
Beach and recreation	411,089	390,709	413,078	428,023	437,041
Education	36,253,672	39,261,170	41,242,537	56,099,065	48,244,440
Library	941,540	1,002,254	1,076,608	1,130,438	1,186,960
Insurance, employee benefits and miscellaneous	4,306,608	3,120,130	3,048,463	3,346,138	3,301,920
Capital outlay	491,336	196,617	148,037	173,653	157,297
Debt Service	<u>3,544,899</u>	<u>3,811,039</u>	<u>4,358,276</u>	<u>4,361,189</u>	<u>4,263,514</u>
<b>TOTAL EXPENDITURES</b>	<u>53,952,998</u>	<u>55,896,887</u>	<u>58,833,014</u>	<u>75,118,956</u>	<u>67,823,753</u>
Excess (deficiency) of revenues over expenditures	<u>529,556</u>	<u>2,493,876</u>	<u>3,175,757</u>	<u>3,414,345</u>	<u>3,065,395</u>
Other financing sources (uses):					
Operating transfers in	119,099	128,630	124,100	134,100	207,962
Operating transfers (out)	<u>( 3,039,854)</u>	<u>( 2,434,000)</u>	<u>(2,674,000)</u>	<u>(2,983,453)</u>	<u>(2,700,902)</u>
Net other financing sources (uses):	<u>( 2,920,755)</u>	<u>( 2,305,370)</u>	<u>(2,549,900)</u>	<u>(2,849,353)</u>	<u>(2,492,940)</u>
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses	<u>(2,391,199)</u>	<u>188,506</u>	<u>625,857</u>	<u>564,992</u>	<u>572,455</u>
<b>FUND BALANCES</b>					
Fund Balance – July 1	<u>9,308,826</u>	<u>6,917,627</u>	<u>7,106,133</u>	<u>7,731,990</u>	<u>8,296,982</u>
Fund Balance – June 30	<u>\$ 6,917,627</u>	<u>\$ 7,106,133</u>	<u>\$ 7,731,990</u>	<u>\$ 8,296,982</u>	<u>\$ 8,869,437</u>

(1) Includes \$15,079,168 on-behalf of payments made by the State of Connecticut to the Teachers' Retirement Fund. The payments were larger than prior years due to the issuance of pension obligation bonds by the State of Connecticut to fund the State Teachers' Retirement Fund.

Source: Annual audited financial statements.

## Comparative Balance Sheets - Capital Projects Fund

Fiscal Year Ended:	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
<b>ASSETS</b>					
Cash and cash equivalents	\$ 997,000	\$ 997,000	\$ 997,000	\$ 997,000	\$ 997,000
Receivables (net)	-	-	735,024	-	-
Due from other funds	3,345,254	3,080,850	3,889,575	4,132,265	4,455,212
Due from other governments	<u>735,024</u>	<u>735,024</u>	<u>-</u>	<u>638,627</u>	<u>52,087</u>
<b>TOTAL ASSETS</b>	<u>\$ 5,077,278</u>	<u>\$ 4,812,874</u>	<u>\$ 5,621,599</u>	<u>\$ 5,767,892</u>	<u>\$ 5,504,299</u>
<b>LIABILITIES AND FUND BALANCES</b>					
<b>LIABILITIES</b>					
Accounts and other payables	\$ -	\$ 66,639	\$ 187,916	\$ 35,317	\$ 106,657
Due to other funds	2,903	417,018	417,018	320,621	-
Bond Anticipation Notes payable	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>TOTAL LIABILITIES</b>	<u>2,903</u>	<u>483,657</u>	<u>604,934</u>	<u>355,938</u>	<u>106,657</u>
<b>FUND BALANCES</b>					
Reserved for encumbrances	140,673	120,836	348,671	332,188	804,961
Unreserved:					
Designated for specific purposes	-	-	-	-	-
Undesignated	<u>4,933,702</u>	<u>4,208,381</u>	<u>4,667,994</u>	<u>5,079,766</u>	<u>4,592,681</u>
<b>TOTAL FUND BALANCES</b>	<u>5,074,375</u>	<u>4,329,217</u>	<u>5,016,665</u>	<u>5,411,954</u>	<u>5,397,642</u>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<u>\$ 5,077,278</u>	<u>\$ 4,812,874</u>	<u>\$ 5,621,599</u>	<u>\$ 5,767,892</u>	<u>\$ 5,504,299</u>

Source: Annual audited financial statements.

# Statement of Revenues, Expenditures and Changes in Fund Balance - Capital Projects Fund

Fiscal Year Ended:	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
<b>REVENUES</b>					
Intergovernmental revenue	\$ 878,775	\$ -	\$ 532,620	\$ 12,947	\$ 23,643
Charges for services	-	-	-	-	65,000
Miscellaneous	<u>117,200</u>	<u>249,555</u>	<u>29,178</u>	<u>281,353</u>	<u>134,955</u>
<b>TOTAL REVENUES</b>	<u>995,975</u>	<u>249,555</u>	<u>561,798</u>	<u>294,300</u>	<u>223,598</u>
<b>EXPENDITURES</b>					
Education	-	-	-	-	197,057
Insurance, employee benefits and miscellaneous	994,813	173,946	33,250	189,180	355,448
Capital outlay	3,653,093	3,805,236	2,215,100	2,693,284	2,352,445
Debt service	<u>-</u>	<u>-</u>	<u>300,000</u>	<u>-</u>	<u>-</u>
<b>TOTAL EXPENDITURES</b>	<u>4,647,906</u>	<u>3,979,182</u>	<u>2,548,350</u>	<u>2,882,464</u>	<u>2,904,950</u>
Excess (deficiency) of revenues over expenditures	<u>( 3,651,931)</u>	<u>( 3,729,627)</u>	<u>(1,986,552)</u>	<u>(2,588,164)</u>	<u>(2,681,352)</u>
Other financing sources (uses):					
Proceeds from sale of bonds/notes	6,840,000	560,000	-	-	-
Proceeds from capital leases	37,214	-	-	-	-
Operating transfers in	3,151,502	2,434,000	2,674,000	2,983,453	2,735,902
Operating transfers (out)	<u>-</u>	<u>( 9,531)</u>	<u>-</u>	<u>-</u>	<u>( 68,862)</u>
Net other financing sources (uses)	<u>10,028,716</u>	<u>2,984,469</u>	<u>2,674,000</u>	<u>2,983,453</u>	<u>2,667,040</u>
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses	<u>6,376,785</u>	<u>( 745,158)</u>	<u>687,448</u>	<u>395,289</u>	<u>( 14,312)</u>
<b>FUND BALANCES</b>					
Fund Balance - July 1	<u>( 1,302,410)</u>	<u>5,074,375</u>	<u>4,329,217</u>	<u>5,016,665</u>	<u>5,411,954</u>
Fund Balance - June 30	<u>\$ 5,074,375</u>	<u>\$ 4,329,217</u>	<u>\$5,016,665</u>	<u>\$5,411,954</u>	<u>\$5,397,642</u>

Source: Town finance office and annual audited financial statements.

## Comparative Balance Sheets - Special Revenue Funds

Fiscal Year Ended:	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
<b>ASSETS</b>					
Cash and cash equivalents	\$ 978,312	\$ 938,165	\$1,069,607	\$1,402,073	\$1,118,941
Accounts receivable	3,393	18,711	778	5,415	12,592
Due from other funds	118,339	92,478	93,399	115,971	157,195
Due from other governments	14,100	14,047	19,315	19,366	53,313
Inventory	<u>14,698</u>	<u>18,460</u>	<u>18,789</u>	<u>23,578</u>	<u>21,224</u>
<b>TOTAL ASSETS</b>	<u>\$1,128,842</u>	<u>\$1,081,861</u>	<u>\$1,201,888</u>	<u>\$1,566,403</u>	<u>\$1,363,265</u>
<b>LIABILITIES AND FUND BALANCES</b>					
<b>LIABILITIES</b>					
Accounts and other payables	\$ 61,299	\$ 27,096	\$ 75,648	\$ 41,663	\$ 95,304
Accrued liabilities	65,090	9,358	-	-	-
Due to other funds	41,756	290,990	301,618	536,453	476,962
Due to other governments	4,933	3,369	2,903	2,870	2,818
Deferred revenue	<u>78,200</u>	<u>15,504</u>	<u>118,773</u>	<u>82,284</u>	<u>41,524</u>
<b>TOTAL LIABILITIES</b>	<u>251,278</u>	<u>346,317</u>	<u>498,942</u>	<u>663,270</u>	<u>616,608</u>
<b>FUND BALANCES</b>					
Reserved:					
Encumbrances	9,164	28,005	10,736	7,187	1,694
Inventory	14,698	-	-	33,421	-
Trust purposes	61,290	11,947	23,696	23,578	27,280
Unreserved:					
Undesignated	<u>792,412</u>	<u>695,592</u>	<u>668,514</u>	<u>838,947</u>	<u>717,683</u>
<b>TOTAL FUND BALANCES</b>	<u>877,564</u>	<u>735,544</u>	<u>702,946</u>	<u>903,133</u>	<u>746,657</u>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<u>\$1,128,842</u>	<u>\$1,081,861</u>	<u>\$1,201,888</u>	<u>\$1,566,403</u>	<u>\$1,363,265</u>

Source: Town finance office and annual audited financial statements.

# Statement of Revenues, Expenditures and Changes in Fund Balance - Special Revenue Funds

Fiscal Year Ended:	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
<b>REVENUES</b>					
Intergovernmental	\$1,143,251	\$1,289,348	\$1,141,375	\$1,289,931	\$1,587,804
Charges for services	1664,698	1,608,947	1,720,592	1,880,955	1,875,565
Income on investments	18,111	29,567	34,095	23,638	13,309
Contributions	61,559	35,228	94,182	86,518	87,019
Miscellaneous	<u>54,690</u>	<u>67,674</u>	<u>76,774</u>	<u>71,794</u>	<u>87,388</u>
<b>TOTAL REVENUES</b>	<u>2,942,309</u>	<u>3,030,764</u>	<u>3,067,018</u>	<u>3,352,836</u>	<u>3,651,085</u>
<b>EXPENDITURES</b>					
General government	18,210	10,435	28,655	826	6,016
Public safety	34,253	40,197	28,233	28,313	24,896
Public works	178,714	281,655	204,491	93,896	236,749
Health and welfare	33,279	88,388	124,361	127,184	188,853
Beach and recreation	1,426,106	1,912,365	673,617	711,013	704,780
Education	1,083,321	685,058	1,873,665	2,019,266	2,178,951
Insurance, employee benefits and miscellaneous	<u>35,033</u>	<u>35,587</u>	<u>42,494</u>	<u>38,051</u>	<u>293,216</u>
<b>TOTAL EXPENDITURES</b>	<u>2,808,916</u>	<u>3,053,685</u>	<u>2,975,516</u>	<u>3,018,549</u>	<u>3,633,461</u>
Excess (Deficiency) of revenues over expenditures	<u>133,393</u>	<u>( 22,921)</u>	<u>91,502</u>	<u>334,287</u>	<u>17,624</u>
Other financing sources (uses):					
Operating transfers in	-	-	-	-	-
Operating transfers out	<u>( 119,099)</u>	<u>( 119,099)</u>	<u>( 124,100)</u>	<u>( 134,100)</u>	<u>( 174,100)</u>
Net other financing sources (uses)	<u>( 119,099)</u>	<u>( 119,099)</u>	<u>( 124,100)</u>	<u>( 134,100)</u>	<u>( 174,100)</u>
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses	14,294	( 142,020)	( 32,598)	200,187	(156,476)
<b>FUND BALANCES</b>					
Fund Balance - July 1	<u>863,270</u>	<u>877,564</u>	<u>735,544</u>	<u>702,946</u>	<u>903,133</u>
Fund Balance - June 30	<u>\$ 877,564</u>	<u>\$ 735,544</u>	<u>\$ 702,946</u>	<u>\$ 903,133</u>	<u>\$ 746,657</u>

Source: Town finance office and annual audited financial statements.

## **SECTION VI - ADDITIONAL INFORMATION**

### **Litigation**

The Town of Madison, its officers, employees, boards and commissions are defendants in various lawsuits. After consultation with the Town's Corporation Counsel and other attorneys providing legal counsel to the Town, it is the opinion of the Town officials that there are no claims or litigation pending, or to their knowledge threatened, which would individually or in the aggregate result in final judgments against the Town which would have a material adverse affect on the finances of the Town or which would impact the validity of the Bonds and the Notes or the power of the Town to levy and collect taxes to pay principal and interest on the Bonds and the Notes.

### **Availability of Continuing Disclosure**

The Town of Madison prepares, in accordance with State Law, annual independent audited financial statements and files such annual reports with the State Office of Policy and Management within six months of the end of its fiscal year. The Town provides, and will continue to provide Moody's Investors Service and Fitch Ratings ongoing disclosure in the form of comprehensive annual financial reports, adopted budgets and other materials relating to its management and financial condition, as may be necessary or requested.

In accordance with the requirements of Rule 15c2-12(b)(5) promulgated by the Securities and Exchange Commission, the Town will agree to provide or cause to be provided in accordance with the requirements of SEC Rule 15c2-12, notice of the occurrence of certain material events with respect to the Notes.

The Town has previously undertaken in Continuous Disclosure Agreements entered into for the benefit of holders of certain of its general obligation bonds and notes to provide certain annual financial information and event notices pursuant to SEC Rule 15c2-12(b)(5). To date the Town has not failed to meet any of its undertakings under such agreements.

### **Financial Advisor**

The Town has retained Independent Bond and Investment Consultants LLC, of Madison, Connecticut, as financial advisor in connection with the issuance and sale of the Bonds and the Notes. Although Independent Bond and Investment Consultants LLC has assisted in the preparation of the Official Statement, Independent Bond and Investment Consultants LLC is not obligated to undertake, and has not undertaken to make, an independent verification of, nor do they assume responsibility for the accuracy, completeness, or fairness of the information contained in the Official Statement. Independent Bond and Investment Consultants LLC is an independent advisory firm and is not engaged in the business of underwriting, trading or distributing municipal securities or other public securities.

### **Documents Accompanying Delivery of the Bonds and the Notes**

Upon the delivery of the Bonds and the Notes, the winning bidder will be furnished with the following:

1. A Signature and No Litigation Certificate stating that at the time of delivery, no litigation is pending or threatened affecting the validity of the Bonds and the Notes or the levy or collection of taxes to pay them;
2. A certificate on behalf of the Town, signed by the First Selectman and Finance Director, dated the date of delivery and attached to a signed copy of the Official Statement, certifying that to the best of said officials' knowledge and belief, on the date the bids were accepted for the Bonds and the Notes, the descriptions and statements in the Official Statement relating to the Town and its finances were true and correct in all material respects and did not contain any untrue statement of a material fact, or omit to state a material fact, necessary to make the statements therein, in light of the circumstances under which they were made, not misleading, and that there has been no material adverse change in the financial condition of the Town from that set forth in or contemplated by the Official Statement;
3. Receipts for the purchase prices of the Bonds and the Notes;
4. The approving opinion of Day Pitney LLP, Bond Counsel, in substantially the form set out in Appendix B hereto;
5. Executed Continuing Disclosure Agreements for the Bonds and the Notes in substantially the form set out in Appendices C and D hereto;
6. Within seven business days of the pricing, the Town will furnish the purchaser of the Bonds 100 copies and purchasers of the Notes 15 copies of the Final Official Statement, as prepared by the Town.

## **Concluding Statement**

Additional information may be obtained upon request from the Office of the Director of Finance at (203) 245-6310 or from Independent Bond and Investment Consultants at (203) 245-9603.

Any statements in this Official Statement involving matters of opinion or estimates, whether or not expressly so stated, are intended as such and not as representations of fact. No representation is made that any of such statements will be realized. This Official Statement is not to be constructed as a contract or agreement between the Town and the purchasers or holders of any of the Bonds and the Notes.

This Official Statement is submitted only in connection with the sale of the Bonds and the Notes by the Town and may not be reproduced or used in whole or part for any other purpose.

Day Pitney LLP, Bond Counsel, are not passing upon and do not assume responsibility for the accuracy or completeness of the statements made in this Official Statement, other than as set forth in Appendix B - "OPINION OF BOND COUNSEL AND TAX EXEMPTION", and they make no representation that they have independently verified the same.

## **TOWN OF MADISON, CONNECTICUT**

By: \_\_\_\_\_  
**FILLMORE MCPHERSON**  
*First Selectman*

By: \_\_\_\_\_  
**DOROTHY W. BAVIN**  
*Director of Finance*

**Dated: March 16, 2010**

## APPENDIX A – AUDITED FINANCIAL STATEMENTS

### TOWN OF MADISON, CONNECTICUT

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June 30, 2009

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**Appendix A - Financial Statements** - is taken from the Annual Financial Report of the Town of Madison for the Fiscal Year ended June 30, 2009, and does not include all the schedules or management letter in such report. A copy of the complete report is available upon request to the Director of Finance, Town of Madison, Connecticut.



Accounting | Tax | Business Consulting

## Independent Auditors' Report

Board of Finance  
Town of Madison  
Madison, Connecticut

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Town of Madison, Connecticut, as of and for the year ended June 30, 2009, which collectively comprise the Town's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Town's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

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

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

A-1

Blum, Shapiro & Company, P.C.

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

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

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

December 14, 2009

## **TOWN OF MADISON, CONNECTICUT**

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

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

#### **FINANCIAL HIGHLIGHTS**

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

#### **OVERVIEW OF THE FINANCIAL STATEMENTS**

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

##### ***Government-Wide Financial Statements***

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

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

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

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

### ***Fund Financial Statements***

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

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

## GOVERNMENT-WIDE FINANCIAL ANALYSIS

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

**TABLE 1**  
**NET ASSETS**

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

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

**TABLE 2**  
**CHANGES IN NET ASSETS**

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

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

***Governmental Activities***

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

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

**TABLE 3  
GOVERNMENTAL ACTIVITIES**

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

## **TOWN FUNDS FINANCIAL ANALYSIS**

### ***Governmental Funds***

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

### ***Proprietary Funds***

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

### ***General Fund Budgetary Highlights***

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

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

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

## **CAPITAL ASSET AND DEBT ADMINISTRATION**

### ***Capital Assets***

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

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

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

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

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

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

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

## ***Long-Term Debt***

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

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

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

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

## **ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES**

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

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

## **CONTACTING THE TOWN'S FINANCIAL MANAGEMENT**

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

## TOWN OF MADISON, CONNECTICUT

## STATEMENT OF NET ASSETS

JUNE 30, 2009

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

The accompanying notes are an integral part of the financial statements

## TOWN OF MADISON, CONNECTICUT

## STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2009

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

## TOWN OF MADISON, CONNECTICUT

## BALANCE SHEET - GOVERNMENTAL FUNDS

JUNE 30, 2009

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

(Continued on next page)

## TOWN OF MADISON, CONNECTICUT

## BALANCE SHEET - GOVERNMENTAL FUNDS (CONTINUED)

JUNE 30, 2009

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

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

Fund balances - total governmental funds	\$ 15,751,049
--	---------------

Capital assets used in governmental activities are not financial  
resources and, therefore, are not reported in the funds:

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

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

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

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

2,224,766

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

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

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

## TOWN OF MADISON, CONNECTICUT

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

FOR THE YEAR ENDED JUNE 30, 2009

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

(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, 2009

Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund  
Balances of Governmental Funds to the Statement of Activities:

Amounts reported for governmental activities in the statement of activities (Exhibit II) are different because:

Net change in fund balances - total governmental funds (Exhibit IV)	\$ 407,195
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Governmental funds report capital outlays as expenditures. In the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense:

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

The statement of activities reports losses arising from the trade-in of existing capital assets to acquire new capital assets. Conversely governmental funds do not report any gain or loss on a trade-in of capital assets.	(54,672)
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Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds, and revenues recognized in the funds are not reported in the statement of activities:

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

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

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

Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds.

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

Internal service funds are used by management to charge costs to individual funds. The net revenue of certain activities of internal services funds is reported with governmental activities.	<u>807,657</u>
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Change in Net Assets of Governmental Activities (Exhibit II)	<u>\$ 3,855,449</u>
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The accompanying notes are an integral part of the financial statements

## TOWN OF MADISON, CONNECTICUT

## PROPRIETARY FUNDS

## STATEMENT OF NET ASSETS

JUNE 30, 2009

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

The accompanying notes are an integral part of the financial statements

## TOWN OF MADISON, CONNECTICUT

## PROPRIETARY FUNDS

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

FOR THE YEAR ENDED JUNE 30, 2009

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

The accompanying notes are an integral part of the financial statements

## TOWN OF MADISON, CONNECTICUT

## PROPRIETARY FUNDS

## STATEMENT OF CASH FLOWS

## FOR THE YEAR ENDED JUNE 30, 2009

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

The accompanying notes are an integral part of the financial statements

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

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

The accompanying notes are an integral part of the financial statements

**TOWN OF MADISON, CONNECTICUT****FIDUCIARY FUNDS****STATEMENT OF CHANGES IN PLAN NET ASSETS****PENSION TRUST FUNDS****FOR THE YEAR ENDED JUNE 30, 2009**

## Additions (reductions):

## Contributions:

Employer	\$ 804,320
Plan members	153,501
Total contributions	<u>957,821</u>

## Investment income (loss):

Interest	633,204
Net depreciation in fair value of investments	<u>(3,808,088)</u>
Total investment loss	<u>(3,174,884)</u>

Net reductions	<u>(2,217,063)</u>
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## Deductions:

Benefits	1,260,852
Administration	90,460
Total deductions	<u>1,351,312</u>

Net Decrease	(3,568,375)
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Net Assets Held in Trust for Pension Benefits, July 1, 2008	<u>23,143,369</u>
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Net Assets Held in Trust for Pension Benefits, June 30, 2009	<u>\$ 19,574,994</u>
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The accompanying notes are an integral part of the financial statements

## TOWN OF MADISON, CONNECTICUT

### NOTES TO FINANCIAL STATEMENTS

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#### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

##### A. Reporting Entity

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

##### B. Government-Wide and Fund Financial Statements

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

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

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

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

##### **Governmental Funds**

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

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

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

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

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

### **Proprietary Funds**

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

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

### **Fiduciary Funds**

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

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

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

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

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

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

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

The Town reports the following major governmental funds:

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

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

Additionally, the Town reports the following fund types:

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

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

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

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

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

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Town's internal service funds are charges to customers for services. Operating expenses for the internal service fund include the cost of services and administrative expenses. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the Town's policy to use restricted resources first, then unrestricted resources as they are needed.

#### **D. Deposits and Investments**

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

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

Investments for the Town are reported at fair value.

## **E. Receivables and Payables**

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

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

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

## **F. Inventories and Prepaid Items**

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

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

## **G. Capital Assets**

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

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

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

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

## H. Compensated Absences

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

## I. Long-Term Obligations

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

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

## J. Fund Equity

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

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

## 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 25<sup>th</sup> of May by use of voting machines. The operating budget includes proposed expenditures and the means of financing them.

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

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

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

## **B. Deficit Fund Equity**

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

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

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

## **3. CASH, CASH EQUIVALENTS AND INVESTMENTS**

The deposit of public funds is controlled by the Connecticut General Statutes (Section 7-402). Deposits may be made in a “qualified public depository” as defined by Statute, or, in amounts not exceeding the Federal Deposit Insurance Corporation insurance limit in an “out of state bank,” as defined by the Statutes, which is not a “qualified public depository.”

The Connecticut General Statutes (Section 7-400) permit municipalities to invest in: 1) obligations of the United States and its agencies, 2) highly rated obligations of any state of the United States or of any political subdivision, authority or agency thereof, and 3) shares or other interests in custodial arrangements or pools maintaining constant net asset values and in highly rated no-load open-end money market and mutual funds (with constant or fluctuating net asset values) whose portfolios are limited to obligations of the United States and its agencies, and repurchase agreements fully collateralized by such obligations. Other provisions of the Statutes cover specific municipal funds with particular investment authority. The provisions of the Statutes regarding the investment of municipal pension funds do not specify permitted investments. Therefore, investment of such funds is generally controlled by the laws applicable to fiduciaries and the provisions of the applicable plan.

The Statutes (Sections 3-24f and 3-27f) also provide for investment in shares of the State Short-Term Investment Fund (STIF) and the State Tax Exempt Proceeds Fund (TEPF). These investment pools are under the control of the State Treasurer, with oversight provided by the Treasurer’s Cash Management Advisory Board, and are regulated under the State Statutes and subject to annual audit by the Auditors of Public Accounts. Investment yields are accounted for on an amortized-cost basis with an investment portfolio that is designed to attain a market-average rate of return throughout budgetary and economic cycles. Investors accrue interest daily based on actual earnings, less expenses and transfers to the designated surplus reserve, and the fair value of the position in the pool is the same as the value of the pool shares.

### **Deposits**

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

Based on the criteria described in GASB Statement No. 40, *Deposits and Investment Risk Disclosures*, \$5,517,317 of the Town's bank balance of \$5,860,978 was exposed to custodial credit risk as follows:

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

### Cash Equivalents

At June 30, 2009, the Town's cash equivalents amounted to \$7,382,307. The following table provides a summary of the Town's cash equivalents (excluding U.S. government guaranteed obligations) as rated by nationally recognized statistical rating organizations. The pools all have maturities of less than one year.

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

\*Not rated

### Investments

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

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

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

*Interest Rate Risk* - The Town limits their maximum final stated maturities to 15 years, unless specific authority is given to exceed. To the extent possible, the Town will attempt to match its investments with anticipated cash flow requirements.

*Credit Risk - Investments* - As indicated above, State Statutes limit the investment options of cities and towns. The Town has an investment policy that allows the same type of investments as State Statutes.

*Concentration of Credit Risk* - The Town does not have a policy limiting an investment in any one issuer that is in excess of 5% of the Town's total investments.

*Custodial Credit Risk* - Custodial credit risk for an investment is the risk that, in the event of the failure of the counterparty (the institution that pledges collateral or repurchase agreement securities to the Town or that sells investments to or buys them for the Town), the Town will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Town does not have a policy for custodial credit risk. At June 30, 2009, the Town did not have any uninsured and unregistered securities held by the counterparty, or by its trust department or agent that were not in the Town's name.

#### 4. RECEIVABLES

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

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

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

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

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

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

## 5. CAPITAL ASSETS

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

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

Depreciation expense was charged to functions/programs as follows:

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

## 6. INTERFUND ACCOUNTS

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

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

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

Interfund transfers:

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

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

## 7. LONG-TERM DEBT

### General Obligation Bonds

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

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

### Note Payable

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

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

## Changes in Long-Term Liabilities

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

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

## Legal Debt Limit

The Town's indebtedness does not exceed the legal debt limitations as established by Connecticut General Statutes as reflected in the following schedule:

<u>Category</u>	<u>Debt Limit</u>	<u>Net Indebtedness</u>	<u>Balance</u>
General purpose	\$ 137,049,068	\$ 12,182,712	\$ 124,866,356
Schools	274,098,137	28,421,309	245,676,828
Sewers	228,415,114		228,415,114
Urban renewal	197,959,765		197,959,765
Pension deficit	182,732,091		182,732,091

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

## 8. RISK MANAGEMENT

The Town is exposed to various risks of loss including torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Town generally obtains commercial insurance for these risks, but, as of July 1, 1995, has chosen to retain the risks for employee health and medical claims. The Town's claims for risks covered by insurance have not exceeded covered losses during the past three years.

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

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

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

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

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

## 9. EMPLOYEE RETIREMENT SYSTEMS AND PENSION PLANS

### A. Plan Description

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

At July 1, 2008 PERS membership consisted of:

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

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

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

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

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

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

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

#### **B. Summary of Significant Accounting Policies and Plan Asset Matters**

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

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

#### **C. Funding Policy**

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

#### D. Annual Pension Cost and Net Pension Obligations

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

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

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

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

#### E. Trend Information

<b>Police</b>			
<b>Fiscal Year</b>	<b>Annual Pension Cost (APC)</b>	<b>Percentage of APC Contributed</b>	<b>Net Pension Obligation (Asset)</b>
6/30/07	\$ 205,355	99.8%	\$ (53,144)
6/30/08	243,665	99.8	(52,625)
6/30/09	181,831	99.6	(51,852)
<b>Town</b>			
<b>Fiscal Year</b>	<b>Annual Pension Cost (APC)</b>	<b>Percentage of APC Contributed</b>	<b>Net Pension Obligation (Asset)</b>
6/30/07	\$ 526,936	99.1%	\$ (312,253)
6/30/08	562,394	99.0	(306,756)
6/30/09	548,687	101.1	(312,162)

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

## F. Pension Plan Required Supplementary Information

### Schedule of Funding Progress

Police							
Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Liability (AAL) (b)	Funded (Unfunded) AAL (UAAL) (a-b)	Percentage Funded (a/b)	Covered Payroll (c)	UAAL as a % of Covered Payroll ((a-b)/c)	
7/1/03	\$ 7,319,467	\$ 9,001,574	\$ (1,682,107)	81.31%	\$ 1,205,147	139.58%	
7/1/04	7,911,725	8,465,736	(554,011)	93.46	1,649,337	33.59	
7/1/05	8,977,591	9,442,295	(464,704)	95.08	1,717,985	27.05	
7/1/06	9,866,208	10,570,705	(704,497)	93.34	1,703,295	41.36	
7/1/07	10,703,571	10,838,073	(134,502)	98.80	1,629,320	8.30	
7/1/08	11,401,835	12,064,850	(663,015)	94.50	1,611,345	41.10	
Town							
Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Liability (AAL) (b)	Funded (Unfunded) AAL (UAAL) (a-b)	Percentage Funded (a/b)	Covered Payroll (c)	UAAL as a % of Covered Payroll ((a-b)/c)	
7/1/03	\$ 7,028,942	\$ 8,804,322	\$ (1,775,380)	79.80%	\$ 4,538,870	39.12%	
7/1/04	7,605,838	9,581,954	(1,976,116)	79.40	4,555,378	43.38	
7/1/05	8,833,514	9,822,328	(988,814)	90.00	4,785,753	20.70	
7/1/06	9,800,123	10,726,781	(926,658)	91.40	5,321,243	17.41	
7/1/07	10,754,373	11,442,890	(688,517)	94.00	6,050,618	11.38	
7/1/08	12,048,208	12,296,712	(248,504)	98.00	6,316,555	3.93	
Fire							
Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Liability (AAL) (b)	Funded (Unfunded) AAL (UAAL) (a-b)	Percentage Funded (a/b)	Covered Payroll (c)	UAAL as a % of Covered Payroll ((a-b)/c)	
7/1/03	\$ 672,345	\$ 831,922	\$ (159,577)	80.82%	N/A	N/A	
7/1/04	741,678	855,231	(113,553)	86.72	N/A	N/A	
7/1/05	848,719	903,158	(54,439)	94.00	N/A	N/A	
7/1/06	919,660	1,008,565	(88,905)	91.19	N/A	N/A	
7/1/07	1,026,407	1,146,806	(120,399)	89.50	N/A	N/A	
7/1/08	1,778,861	1,847,637	(68,776)	96.30	N/A	N/A	

## Schedule of Employer Contributions

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

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

### G. Defined Contribution Plan

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

### H. Teachers' Retirement

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

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

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

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

## Pension Trust Funds

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

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

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

## **10. OTHER POSTEMPLOYMENT BENEFITS**

### **A. Plan Description and Benefits Provided**

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

#### **Unrepresented Retired Employees**

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

#### **AFSCME Police**

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

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

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

#### **UPSEU Emergency Dispatchers**

No contract language regarding health insurance for retirees.

#### **Board of Education**

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

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

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

Custodians: Can purchase post-retirement until Medicare eligible.

Cafeteria Workers: No post-retirement benefits.

## B. Membership

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

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

## C. Description of Actuarial Assumptions and Methods

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

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

## D. Annual OPEB Cost and Net OPEB Obligations

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

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

The annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation (asset) for the fiscal year ending June 30, 2009 is presented below. Data is only presented for one fiscal year as it is the first year of implementation.

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

### **Schedule of Funding Progress**

The annual other post employment benefit (OPEB) cost is calculated based on the annual required contribution (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed 30 years. The following table shows the components of the annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the Town's net OPEB obligation (asset):

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

## **11. CONTINGENT LIABILITIES**

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

## TOWN OF MADISON, CONNECTICUT

## GENERAL FUND

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

FOR THE YEAR ENDED JUNE 30, 2009

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

(Continued on next page)

## TOWN OF MADISON, CONNECTICUT

## GENERAL FUND

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

**FOR THE YEAR ENDED JUNE 30, 2009**

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

## TOWN OF MADISON, CONNECTICUT

## GENERAL FUND

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

FOR THE YEAR ENDED JUNE 30, 2009

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

(Continued on next page)

## TOWN OF MADISON, CONNECTICUT

## GENERAL FUND

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

**FOR THE YEAR ENDED JUNE 30, 2009**

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

Budgetary expenditures are different than GAAP expenditures because:

State of Connecticut on-behalf payments to the Connecticut State Teachers' Retirement System for Town teachers are not budgeted

3,319,186

Special education excess cost grant is reported gross for GAAP purposes.

1,093,670

Encumbrances for purchases and commitments ordered but not received are reported in the year the order is placed for budgetary purposes, but in the year received for financial reporting purposes

95,870

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

\$ 70,524,655

## APPENDIX B - OPINION OF BOND COUNSEL AND TAX EXEMPTION

*The following information has been prepared by Bond Counsel in connection with this bond and note issue. Bond Counsel are not passing upon and do not assume responsibility for the accuracy or completeness of the statements made in the Official Statement (other than matters in this Appendix), and they make no representation that they have independently verified the same.*

### BOND COUNSEL OPINION

The legal opinion of the firm of Day Pitney LLP of Hartford, Connecticut, Bond Counsel, will be furnished to the successful bidder when the Bonds and Notes are delivered, and a copy of the legal opinion will be included in the record of proceedings of the Town authorizing the Bonds and Notes. The opinion will be dated and given on and will speak only as of the date of original delivery of the Bonds and Notes to the successful bidder.

The opinion of Day Pitney LLP with respect to the Bonds and Notes will be substantially in the following form:

[FORM OF BOND COUNSEL OPINION]

(date of closing)

Town of Madison  
Madison, Connecticut

We have represented the Town of Madison, Connecticut as Bond Counsel in connection with the issuance by the Town of \$7,905,000 General Obligation Bonds, Issue of 2010, Series A, dated as of March 15, 2010 and \$500,000 Bond Anticipation Notes, dated as of March 31, 2010.

We have examined a record of proceedings authorizing the Bonds and Notes, and based on our examination, we are of the opinion that the Town of Madison is authorized to issue the Bonds and Notes; the Town is duly and legally organized; all proper proceedings for the issuance and delivery of the Bonds and Notes have been taken; no limitation of indebtedness under the laws of the State of Connecticut has been exceeded in the issuance of the Bonds and Notes; the Bonds and Notes will be valid and binding general obligations of the Town when certified as provided thereon by a duly authorized official of U.S. Bank National Association; and the Town has the power to levy ad valorem taxes to pay the Bonds and Notes against all the taxable property in the Town without limit as to rate or amount except certified forest land taxable at a limited rate pursuant to Section 12-97 of the General Statutes of Connecticut, Revision of 1958, as amended, and dwelling houses of qualified elderly people of low income taxable at limited amounts pursuant to Section 12-129b of said General Statutes or Public Act No. 06-176.

It is to be understood that the rights of the holders of the Bonds and Notes and the enforceability thereof may be subject to bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights heretofore or hereafter enacted and to the exercise of judicial discretion.

The Internal Revenue Code of 1986, as amended (the "Code"), establishes certain requirements that must be met in order that interest on the Bonds and Notes is excluded from gross income for Federal income tax purposes. The Town officials authorized to issue the Bonds and Notes have executed written representations and agreements on behalf of the Town relating to compliance with such provisions of the Code to ensure that the interest on the Bonds and Notes will be excluded from gross income for Federal income tax purposes. The representations and agreements also provide that the Bonds and Notes are designated or deemed designated as "qualified tax-exempt obligations" for purposes of the deduction for Federal income tax purposes by financial institutions of a portion of interest expense allocable to tax-exempt obligations.

Based on such representations and agreements and on the record of proceedings authorizing the Bonds and Notes, and assuming the accuracy of such representations and compliance with such agreements, it is our opinion that, under existing statutes: (1) interest on the Bonds and Notes is excluded from gross income for Federal income tax purposes pursuant to Section 103 of the Code; (2) interest on the Bonds and Notes is not treated as a preference item for purposes of calculating the Federal alternative minimum tax and is not taken into account in the calculation of adjusted current earnings for purposes of the Federal alternative minimum tax imposed on corporations; and (3) the Bonds and Notes are "qualified tax-exempt obligations" for purposes of the deduction for Federal income tax purposes by financial institutions of a portion of interest expense allocable to tax-exempt obligations.

Based on the record of proceedings authorizing the Bonds and Notes, it is our opinion that, under existing statutes: (1) interest on the Bonds and Notes is excluded from Connecticut taxable income for purposes of the Connecticut income tax on individuals, trusts and estates; and (2) interest on the Bonds and Notes is excluded from amounts on which the net Connecticut minimum tax is based in the case of individuals, trusts and estates required to pay the Federal alternative minimum tax.

Very truly yours,

Day Pitney LLP

## **FEDERAL INCOME TAX.**

***Interest Excluded From Gross Income.*** The Internal Revenue Code of 1986, as amended (the "Code") establishes certain requirements that must be met in order that interest on the Bonds and Notes is excluded from the gross income of the owners thereof for Federal income tax purposes. Some of these requirements must be continuously met subsequent to delivery of the Bonds and Notes. Failure to comply with any of these requirements may cause the interest on the Bonds and Notes to be includable in gross income for Federal income tax purposes retroactively to the date of their issuance irrespective of the date on which such noncompliance occurs.

The Town officials authorized to issue the Bonds and Notes will enter into a Tax Compliance Agreement in connection with the delivery of the Bonds and Notes, which will contain certain representations and covenants on behalf of the Town relating to compliance with such requirements of the Code to ensure that the interest on the Bonds and Notes will be excluded from the gross income of the owners thereof for Federal income tax purposes.

***Alternative Minimum Tax.*** The Code imposes an alternative minimum tax on individuals and an alternative minimum tax on corporations. The alternative minimum tax is imposed on alternative minimum taxable income, which includes preference items. The Code also provides that for most corporations a portion of the excess of adjusted current earnings (which includes certain tax-exempt interest) over other alternative minimum taxable income will be included in alternative minimum taxable income for purposes of calculating the corporation's alternative minimum tax. The interest on certain tax-exempt bonds issued in calendar years 2009 and 2010 is excluded from treatment as a preference item for purposes of the Federal alternative minimum tax and from being taken into account in the calculation of adjusted current earnings for purposes of the Federal alternative minimum tax imposed on corporations. The Town's Tax Compliance Agreement will contain certain representations to ensure that interest on the Bonds and Notes is not treated as a preference item for individuals or corporations or included in the calculation of adjusted current earnings for corporations in calculating alternative minimum taxable income.

***Financial Institutions.*** The Code provides that commercial banks, thrift institutions and certain other financial institutions may not deduct the portion of their interest expense allocable to tax-exempt obligations acquired after August 7, 1986, other than "qualified tax-exempt obligations". The Town's Tax Compliance Agreement will contain certain representations and covenants to ensure that the Bonds and Notes will be "qualified tax-exempt obligations" for purposes of the deduction for Federal income tax purposes by financial institutions of a portion of interest expense allocable to tax-exempt obligations.

***Additional Federal Income Tax Matters.*** In addition to the matters addressed above, prospective purchasers of the Bonds and Notes should be aware that the ownership of tax-exempt obligations, such as the Bonds and Notes, may result in collateral Federal income tax consequences to certain taxpayers, including without limitation, taxpayers otherwise eligible for the earned income credit, recipients of Social Security and certain Railroad Retirement benefits, taxpayers that may be deemed to have incurred or continued indebtedness to purchase or carry tax-exempt obligations, financial institutions, certain insurance companies, certain S corporations and foreign corporations subject to the branch profits tax. Prospective purchasers of the Bonds and Notes may also wish to consult with their tax advisors with respect to the need to furnish certain taxpayer information in order to avoid backup withholding.

## **STATE OF CONNECTICUT TAX ON INTEREST.**

The opinion of Bond Counsel will state in substance that, based on the record of proceedings authorizing the Bonds and Notes, under existing statutes: (1) interest on the Bonds and Notes is excluded from Connecticut taxable income for purposes of the Connecticut income tax on individuals, trusts and estates; and (2) interest on the Bonds and Notes is excluded from amounts on which the net Connecticut minimum tax is based in the case of individuals, trusts and estates required to pay the Federal alternative minimum tax.

Interest on the Bonds and Notes is included in gross income for purposes of the Connecticut corporation business tax.

Owners of the Bonds and Notes should consult their tax advisors with respect to other applicable state and local tax consequences of ownership of the Bonds and Notes and the disposition thereof, including the extent to which gains and losses from the sale or exchange of the Bonds and Notes held as capital assets reduce and increase, respectively, amounts taken into account in computing the Connecticut income tax on individuals, trusts and estates and may affect the net Connecticut minimum tax on such taxpayers who are also required to pay the Federal alternative minimum tax.

#### **ORIGINAL ISSUE DISCOUNT.**

The initial public offering price of certain of the Bonds may be less than the amount payable on the Bonds at maturity. The excess of the amount payable at maturity over the initial public offering price at which a substantial amount of such Bonds are sold constitutes original issue discount. Any prices set forth on the cover page of the Official Statement may or may not reflect the prices at which a substantial amount of the Bonds were ultimately sold to the public.

The discussion in this paragraph applies to those Bonds having original issue discount. Under Section 1288 of the Code, the amount of original issue discount treated as having accrued with respect to any such bond during each day it is owned by a taxpayer is added to the cost basis of such owner for purposes of determining gain or loss upon the sale or other disposition of such bond by such owner. Accrued original issue discount on a bond is excluded from gross income of the owners thereof for Federal income tax purposes. Accrued original issue discount on a bond is also excluded from Connecticut taxable income for purposes of the Connecticut income tax on individuals, trusts and estates and is excluded from amounts on which the net Connecticut minimum tax is based in the case of individuals, trusts and estates required to pay the Federal alternative minimum tax. Original issue discount on any bond is treated as accruing on the basis of economic accrual for such purposes, computed by a constant semiannual compounding method using the yield to maturity on such bond. The original issue discount attributable to any bond for any particular semiannual period is equal to the excess of the product of (i) one-half of the yield to maturity of such bond and (ii) the amount which would be the adjusted basis of the bond at the beginning of such semiannual period if held by the original owner and purchased by such owner at the initial public offering price, over the interest payable on such bond during such period. The amount so treated as accruing during each semiannual period is apportioned in equal amounts among the days in that period to determine the amount of original issue discount accruing for such purposes during each such day. Owners of Bonds having original issue discount, and especially any owner who is not an original owner of a bond who bought the bond at its initial public offering price, should consult their tax advisors with respect to the Federal and state income tax consequences of the disposition of such Bonds.

#### **ORIGINAL ISSUE PREMIUM.**

The initial public offering price of certain of the Bonds may be greater than the amount payable on the Bonds at maturity. The excess of the initial public offering price at which a substantial amount of such Bonds are sold over the amount payable thereon at maturity constitutes original issue premium. Any prices set forth on the cover page of the Official Statement may or may not reflect the prices at which a substantial amount of the Bonds were ultimately sold to the public.

The discussion in this paragraph applies to those Bonds having original issue premium. Under Sections 1016 and 171 of the Code, the amount of original issue premium treated as having amortized with respect to any bond during each day it is owned by a taxpayer is subtracted from the cost basis of such owner for purposes of determining gain or loss upon the sale or other disposition of such bond by such owner. Original issue premium on any bond is treated as amortizing on the basis of the taxpayer's yield to maturity on such bond using the taxpayer's cost basis and a constant semiannual compounding method. As a consequence of the resulting cost basis reduction, under certain circumstances an owner of a bond acquired with original issue premium may realize a taxable gain upon disposition thereof even though it is sold or redeemed for an amount equal to or less than such owner's original cost of acquiring the bond. Amortized original issue premium on a bond is not allowed as a deduction from gross income for Federal income tax purposes. Amortized original issue premium on a bond also does not reduce Connecticut taxable income for purposes of the Connecticut income tax on individuals, trusts and estates and does not reduce amounts on which the net Connecticut minimum tax is based in the case of individuals, trusts and estates required to pay the Federal alternative minimum tax. Owners of Bonds having original issue premium, and especially any owner who is not an original owner of a bond who bought the bond at its initial public offering price, should consult their tax advisors with respect to the Federal and state income tax consequences of the disposition of such Bonds.

## **GENERAL.**

Bond Counsel has not undertaken to advise in the future whether any events after the date of issuance of the Bonds and Notes may affect the tax status of interest on the Bonds and Notes. Legislation affecting municipal bonds is regularly under consideration by the United States Congress. No assurance can be given that future Federal legislation enacted or proposed after the date of issuance of the Bonds and Notes will not have an adverse effect on the tax-exempt status or market price of the Bonds and Notes or will not change the effect of other Federal tax law consequences discussed above of owning and disposing of the Bonds and Notes. No assurance can be given that future legislation, or amendments to the State income tax law, if enacted into law, will not contain provisions which could, directly or indirectly, reduce the benefit of the exclusion of the interest on the Bonds and Notes or any gain made on the sale or exchange thereof from Connecticut taxable income for purposes of the Connecticut income tax on individuals, trusts and estates.

The information above does not purport to deal with all aspects of Federal or State of Connecticut taxation that may be relevant to a particular owner of the Bonds and Notes. Prospective owners of the Bonds and Notes, particularly those who may be subject to special rules, are advised to consult their own tax advisors regarding the Federal, state and local tax consequences of owning and disposing of the Bonds and Notes, including any tax consequences arising under the laws of any other state or other taxing jurisdiction.

## APPENDIX C - FORM OF CONTINUING DISCLOSURE AGREEMENT FOR BONDS

*In accordance with the requirements of Rule 15c2-12 promulgated by the Securities and Exchange Commission, the Town will agree, pursuant to a Continuing Disclosure Agreement for Bonds to be executed by the Town substantially in the following form, to provide, or cause to be provided, (i) annual financial information and operating data, (ii) timely notice of the occurrence of certain material events with respect to the Bonds and (iii) timely notice of a failure by the Town to provide the required annual financial information on or before the date specified in the Continuing Disclosure Agreement for Bonds.*

### **Continuing Disclosure Agreement for Bonds**

This Continuing Disclosure Agreement for Bonds ("Agreement") is made as of March 31, 2010 by the Town of Madison, Connecticut (the "Issuer") acting by its undersigned officers, duly authorized, in connection with the issuance of \$7,905,000 General Obligation Bonds, Issue of 2010, Series A, dated as of March 15, 2010 (the "Bonds"), for the benefit of the beneficial owners from time to time of the Bonds.

**Section 1. Definitions.** For purposes of this Agreement, the following capitalized terms shall have the following meanings:

"Final Official Statement" means the official statement of the Issuer dated March 24, 2010 prepared in connection with the Bonds.

"MSRB" means the Municipal Securities Rulemaking Board established under the Securities Exchange Act of 1934, as amended, or any successor thereto.

"Repository" means the MSRB or any other information repository established pursuant to the Rule as amended from time to time.

"Rule" means Rule 15c2-12 under the Securities Exchange Act of 1934, as of the date of this Agreement.

"SEC" means the Securities and Exchange Commission of the United States, or any successor thereto.

### **Section 2. Annual Financial Information.**

(a) The Issuer agrees to provide or cause to be provided to each Repository, in accordance with the provisions of the Rule and of this Agreement, annual financial information and operating data (commencing with information and data for the fiscal year ending June 30, 2010) as follows:

(i) Financial statements of the Issuer's general fund, and any capital projects, internal service and pension trust or agency funds, for the prior fiscal year which statements shall be prepared in accordance with generally accepted accounting principles or mandated state statutory principles as in effect from time to time. As of the date of this Agreement, the Issuer prepares its financial statements in accordance with generally accepted accounting principles. The financial statements will be audited.

(ii) The following financial information and operating data to the extent not included in the financial statements described in (i) above:

- (A) amounts of the gross and the net taxable grand list applicable to the fiscal year,
- (B) listing of the ten largest taxpayers on the applicable grand list, together with each such taxpayer's taxable valuation thereon,
- (C) percentage of the annual property tax levy uncollected as of the close of the fiscal year,
- (D) schedule of annual debt service on outstanding long-term bonded indebtedness as of the close of the fiscal year,
- (E) calculation of total direct debt and total net direct debt as of the close of the fiscal year,

- (F) total direct debt and total net direct debt of the Issuer per capita,
- (G) ratios of the total direct debt and total net direct debt of the Issuer to the Issuer's net taxable grand list,
- (H) statement of statutory debt limitation as of the close of the fiscal year, and
- (I) funding status of the Issuer's pension benefit obligation.

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

(c) Annual financial information and operating data may be provided in whole or in part by cross-reference to other documents available to the public on the MSRB's Internet Web site referenced in the Rule as amended from time to time or filed with the SEC. All or a portion of the financial information and operating data may be provided in the form of a comprehensive annual financial report.

(d) The Issuer reserves the right (i) to provide financial statements which are not audited if no longer required by law, (ii) to modify from time to time the format of the presentation of such information or data, and (iii) to modify the accounting principles it follows to the extent required by law, by changes in generally accepted accounting principles, or by changes in accounting principles adopted by the Issuer; provided that the Issuer agrees that any such modification will be done in a manner consistent with the Rule.

### **Section 3. Material Events.**

The Issuer agrees to provide or cause to be provided, in a timely manner, to each Repository notice of the occurrence of any of the following events with respect to the Bonds, if material:

- (a) principal and interest payment delinquencies;
- (b) non-payment related defaults;
- (c) unscheduled draws on debt service reserves reflecting financial difficulties;
- (d) unscheduled draws on credit enhancements reflecting financial difficulties;
- (e) substitution of credit or liquidity providers, or their failure to perform;
- (f) adverse tax opinions or events affecting the tax-exempt status of the Bonds;
- (g) modifications to rights of holders of the Bonds;
- (h) Bond calls;
- (i) Bond defeasances;
- (j) release, substitution, or sale of property securing repayment of the Bonds; and
- (k) rating changes.

### **Section 4. Notice of Failure to Provide Annual Financial Information.**

The Issuer agrees to provide or cause to be provided, in a timely manner, to each Repository notice of any failure by the Issuer to provide annual financial information as set forth in Section 2(a) hereof on or before the date set forth in Section 2(b) hereof.

### **Section 5. Use of Agents.**

Annual financial information and operating data and notices to be provided pursuant to this Agreement may be provided by the Issuer or by any agents which may be employed by the Issuer for such purpose from time to time.

## **Section 6. Termination.**

The obligations of the Issuer under this Agreement shall terminate upon the earlier of (i) payment or legal defeasance, at maturity or otherwise, of all of the Bonds, or (ii) such time as the Issuer ceases to be an obligated person with respect to the Bonds within the meaning of the Rule.

## **Section 7. Enforcement.**

The Issuer acknowledges that the undertakings set forth in this Agreement are intended to be for the benefit of, and enforceable by, the beneficial owners from time to time of the Bonds. In the event the Issuer shall fail to perform its duties hereunder, the Issuer shall have the option to cure such failure within a reasonable time (but not exceeding 30 days with respect to the undertakings set forth in Section 2 of this Agreement or five business days with respect to the undertakings set forth in Sections 3 and 4 of this Agreement) from the time the Issuer's Director of Finance, or a successor, receives written notice from any beneficial owner of the Bonds of such failure. The present address of the Director of Finance is Madison Town Campus, 8 Campus Drive, Madison, Connecticut 06443.

In the event the Issuer does not cure such failure within the time specified above, the beneficial owner of any Bonds shall be entitled only to the remedy of specific performance. The parties expressly acknowledge and agree that no monetary damages shall arise or be payable hereunder nor shall any failure to comply with this Agreement constitute an event of default with respect to the Bonds.

## **Section 8. Miscellaneous.**

(a) All documents provided by the Issuer to a Repository pursuant to the Issuer's undertakings set forth in Sections 2, 3 and 4 of this Agreement shall be in an electronic format as prescribed by the MSRB from time to time and shall be accompanied by identifying information as prescribed by the MSRB from time to time

(b) The Issuer shall have no obligation to provide any information, data or notices other than as set forth in this Agreement; provided, however, nothing in this Agreement shall be construed as prohibiting the Issuer from providing such additional information, data or notices from time to time as it deems appropriate in connection with the Bonds. If the Issuer elects to provide any such additional information, data or notices, the Issuer shall have no obligation under this Agreement to update or continue to provide further additional information, data or notices of the type so provided.

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

(d) Notwithstanding any other provision of this Agreement, the Issuer may amend this Agreement, and any provision of this Agreement may be waived, if such amendment or waiver is made in connection with a change of circumstances that arises from a change in legal requirements, a change in law, or a change in the identity, nature or status of the Issuer, and is supported by an opinion of counsel expert in federal securities laws, to the effect that (i) such amendment or waiver would not materially adversely affect the beneficial owners of the Bonds, and (ii) the provisions of the Agreement as so amended or waived would have complied with the requirements of the Rule, taking into account any amendments or interpretations of the Rule as well as any changes in circumstances, in each case as of the date of such amendment to the Agreement or waiver. A copy of any such amendment or waiver will be filed in a timely manner with each Repository. The annual financial information provided on the first date following adoption of any such amendment will explain, in narrative form, the reasons for the amendment and the impact of the change in the type of operating or financial information provided.

(e) This Agreement may be executed in any number of counterparts, each of which shall be deemed an original, but such counterparts shall together constitute but one and the same instrument.

TOWN OF MADISON

By \_\_\_\_\_  
Fillmore McPherson, First Selectman

By \_\_\_\_\_  
Dorothy W. Bavin, Director of Finance

## APPENDIX D - FORM OF CONTINUING DISCLOSURE AGREEMENT FOR NOTES

*In accordance with the requirements of Rule 15c2-12 promulgated by the Securities and Exchange Commission, the Town will agree, pursuant to a Continuing Disclosure Agreement for Notes to be executed by the Town substantially in the following form, to provide, or cause to be provided, timely notice of the occurrence of certain material events with respect to the Notes:*

### **Continuing Disclosure Agreement For Notes**

This Continuing Disclosure Agreement for Notes ("Agreement") is made as of March 31, 2010 by the Town of Madison, Connecticut (the "Issuer") acting by its undersigned officers, duly authorized, in connection with the issuance of \$500,000 Bond Anticipation Notes, dated as of March 31, 2010 of the Issuer (the "Notes"), for the benefit of the beneficial owners from time to time of the Notes.

**Section 1. Definitions.** For purposes of this Agreement, the following capitalized terms shall have the following meanings:

"MSRB" means the Municipal Securities Rulemaking Board established under the Securities Exchange Act of 1934, as amended, or any successor thereto.

"Repository" means the MSRB or any other information repository established pursuant to the Rule as amended from time to time.

"Rule" means Rule 15c2-12 under the Securities Exchange Act of 1934, as of the date of this Agreement.

"SEC" means the Securities and Exchange Commission of the United States, or any successor thereto.

### **Section 2. Material Events.**

The Issuer agrees to provide or cause to be provided, in a timely manner, to each Repository, notice of the occurrence of any of the following events with respect to the Notes, if material:

- (a) principal and interest payment delinquencies;
- (b) non-payment related defaults;
- (c) unscheduled draws on debt service reserves reflecting financial difficulties;
- (d) unscheduled draws on credit enhancements reflecting financial difficulties;
- (e) substitution of credit or liquidity providers, or their failure to perform;
- (f) adverse tax opinions or events affecting the tax-exempt status of the Notes;
- (g) modifications to rights of holders of the Notes;
- (h) Note calls;
- (i) Note defeasances;
- (j) release, substitution, or sale of property securing repayment of the Notes; and
- (k) rating changes.

### **Section 3. Use of Agents.**

Notices to be provided pursuant to this Agreement may be provided by the Issuer or by any agents which may be employed by the Issuer for such purpose from time to time.

#### **Section 4. Termination.**

The obligations of the Issuer under this Agreement shall terminate upon the earlier of (i) payment or legal defeasance, at maturity or otherwise, of all of the Notes, or (ii) such time as the Issuer ceases to be an obligated person with respect to the Notes within the meaning of the Rule.

#### **Section 5. Enforcement.**

The Issuer acknowledges that the undertakings set forth in Section 2 of this Agreement are intended to be for the benefit of, and enforceable by, the beneficial owners from time to time of the Notes. In the event the Issuer shall fail to perform its duties hereunder, the Issuer shall have the option to cure such failure within a reasonable time (but not exceeding five business days with respect to the undertakings set forth in Section 2 of this Agreement) from the time the Issuer's Director of Finance, or a successor, receives written notice from any beneficial owner of the Notes of such failure. The present address of the Director of Finance is Madison Town Campus, 8 Campus Drive, Madison, Connecticut 06443.

In the event the Issuer does not cure such failure within the time specified above, the beneficial owner of any Notes shall be entitled only to the remedy of specific performance. The parties expressly acknowledge and agree that no monetary damages shall arise or be payable hereunder nor shall any failure to comply with this Agreement constitute an event of default with respect to the Notes.

#### **Section 6. Miscellaneous.**

(a) All documents provided by the Issuer to a Repository pursuant to the Issuer's undertakings set forth in Section 2 of this Agreement shall be in an electronic format as prescribed by the MSRB from time to time and shall be accompanied by identifying information as prescribed by the MSRB from time to time.

(b) The Issuer shall have no obligation to provide any information, data or notices other than as set forth in this Agreement; provided, however, nothing in this Agreement shall be construed as prohibiting the Issuer from providing such information, data or additional notices from time to time as it deems appropriate in connection with the Notes. If the Issuer elects to provide any such information, data or additional notices, the Issuer shall have no obligation under this Agreement to update or continue to provide further information, data or additional notices of the type so provided.

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

(d) Notwithstanding any other provision of this Agreement, the Issuer may amend this Agreement, and any provision of this Agreement may be waived, if such amendment or waiver is made in connection with a change of circumstances that arises from a change in legal requirements, a change in law, or a change in the identity, nature or status of the Issuer, and is supported by an opinion of counsel expert in federal securities laws, to the effect that (i) such amendment or waiver would not materially adversely affect the beneficial owners of the Notes, and (ii) the provisions of the Agreement as so amended or waived would have complied with the requirements of the Rule, taking into account any amendments or interpretations of the Rule as well as any changes in circumstances, in each case as of the date of such amendment to the Agreement or waiver. A copy of any such amendment or waiver will be filed in a timely manner with each Repository.

(e) This Agreement may be executed in any number of counterparts, each of which shall be deemed an original, but such counterparts shall together constitute but one and the same instrument.

TOWN OF MADISON

By: \_\_\_\_\_  
Fillmore McPherson, First Selectman

By: \_\_\_\_\_  
Dorothy W. Bavin, Director of Finance

## APPENDIX E - NOTICE OF SALE AND BID PROPOSAL – THE BONDS

**NOTICE OF SALE**  
**\$7,905,000**  
**Town of Madison, Connecticut**  
**General Obligation Bonds**  
**(BOOK-ENTRY)**

SEALED PROPOSALS and ELECTRONIC BIDS via PARITY® will be received by the Town of Madison, Connecticut at Office of the First Selectman, 8 Campus Drive, Madison, Connecticut, until **11:30 A.M. (Eastern Daylight Time) on WEDNESDAY,**

**MARCH 24, 2010**

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

**\$7,905,000 General Obligation Bonds, Issue of 2010, Series A**  
**Payable annually on March 15 as follows:**

**\$435,000 in 2012**  
**\$415,000 in 2013 to 2030**

The Bonds will be dated March 15, 2010, with interest payable on September 15, 2010 and thereafter semiannually on each March 15th and September 15th.

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

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

In the event that (a) DTC determines not to continue to act as securities depository for the Bonds and the Town fails to identify another qualified securities depository to replace DTC, or (b) the Town determines to discontinue the book-entry system of evidence and transfer of ownership of the Bonds, the Town will authenticate and deliver replacement Bonds in the form of fully registered certificates. Any such replacement Bonds will provide that interest will be payable by check mailed by the Paying Agent to the registered owner whose name appears on the registration books of the Town as of the close of business on the record date preceding each interest payment date. The record dates will be the last business day of August and February.

**Redemption.** Bonds maturing after March 15, 2015 are subject to redemption prior to maturity, at the option of the Town, on or after March 15, 2015, at any time, either in whole or in part, in such amounts and in such order of maturity (but by lot within a maturity) as the Town may determine, following notice mailed by first class mail at least 30 days prior to the redemption date to the registered owners of the Bonds to be redeemed, at the following redemption price, expressed as a percentage of the principal amount, plus accrued interest to the date set for redemption:

Period During <u>Which Redeemed</u>	Redemption <u>Price</u>
March 15, 2015 and thereafter	100%

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

**Sealed Proposals Bidding Procedure.** All proposals for the purchase of Bonds shall be submitted on forms furnished by the Town and submitted at the time and place indicated above. All proposals must be enclosed in sealed envelopes marked on the outside, in substance, "Proposal for Madison Bonds." All proposals should be addressed to Mr. Fillmore McPherson, First Selectman, Town of Madison, Office of the First Selectman, 8 Campus Drive, Madison, Connecticut 06443.

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

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

**Disclaimer** - Each PARITY® prospective electronic bidder shall be solely responsible to make necessary arrangements to access PARITY® for the purposes of submitting its bid in a timely manner and in compliance with the requirements of this Notice of Sale. Neither the Town nor PARITY® shall have any duty or obligation to undertake such arrangements to bid for any prospective bidder or to provide or assure such access to any prospective bidder, and neither the Town nor PARITY® shall be responsible for a bidder's failure to make a bid or for proper operation of, or have any liability for any delays or interruptions of, or any damages caused by, PARITY®. The Town is using PARITY® as a communication mechanism, and not as the Town's agent, to conduct the electronic bidding for the Bonds. The Town is not bound by any advice and determination of PARITY® to the effect that any particular bid complies with the terms of this Notice of Sale and in particular the bid requirements herein set forth. All costs and expenses incurred by prospective bidders in connection with their subscription to, arrangements with and submission of bids via PARITY® are the sole responsibility of the bidders; and the Town is not responsible, directly or indirectly, for any such costs or expenses. If a prospective bidder encounters any difficulty in arranging to bid or submitting, modifying or withdrawing a bid for the Bonds, the prospective bidder should telephone PARITY® at (212) 849-5021. If any provision of this Notice shall conflict with information provided by PARITY®, this Notice of Sale shall control.

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

**Basis of Award.** As between proposals which comply with this Notice, the Bonds will be sold to the responsible bidder offering to purchase the Bonds at the lowest true interest cost to the Town. For the purpose of determining the successful bidder, the true interest cost to the Town will be the annual interest rate, compounded semiannually, which, when used to discount all payments of principal and interest payable on the Bonds to March 15, 2010, the date of the Bonds, results in an amount equal to the purchase price for the Bonds, excluding interest accrued to the date of delivery. If there is more than one responsible bidder making said offer at the same lowest true interest cost, the Bonds will be sold to the responsible bidder whose proposal is selected by the Town by lot from among all such proposals. It is requested that each proposal be accompanied by a statement of the percentage of true interest cost completed to four decimal places. Such statement shall not be considered as part of the proposal.

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

The right is reserved to reject any and all proposals and to reject any proposal not complying with this Notice of Sale and to waive any irregularity or informality with respect to any proposal. The Town further reserves the right to postpone the sale to another time and date in its sole discretion for any reason, including internet difficulties. The Town will use its best efforts to notify prospective bidders in a timely manner of any need for a postponement. If the sale is postponed, an alternative bid date will be published on Bloomberg at least 48 hours prior to such alternative bid date. Upon the establishment of an alternative bid date, any bidder may submit proposals for the purchase of the Bonds in accordance with the provisions of this Notice of Sale.

**Certifying and Paying Agent.** The Bonds will be authenticated by U.S. Bank National Association, Hartford, Connecticut. U.S. Bank National Association will act as Registrar and Paying Agent.

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

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

**Official Statement.** The Town of Madison has prepared a preliminary Official Statement for the Bond issue which is dated March 16, 2010. The Town deems such preliminary Official Statement final as of its date for purposes of SEC Rule 15c2-12(b)(1), but it is subject to revision or amendment. The Town will make available to the winning purchaser 100 copies of the Official Statement as prepared by the Town at the Town's expense. The copies of the Official Statement will be made available to the winning purchaser at the office of the Town's financial advisor, Independent Bond and Investment Consultants LLC, Madison, Connecticut, by the delivery of the Bonds or by the seventh business day after the day bids on the Bonds are received if earlier. If the Town's financial advisor is provided with the necessary information from the winning purchaser by noon of the day following the day bids on the Bonds are received, the copies of the Official Statement will include an additional cover page and other pages indicating the interest rates, ratings, yields or reoffering prices, the name of the managing underwriter, the name of the insurer, if any, on the Bonds and any corrections. The purchaser shall arrange with the financial advisor the method of delivery of the copies of the Official Statement to the purchaser. Additional copies of the Official Statement may be obtained by the purchaser at its own expense by arrangement with the printer.

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

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

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

**Delivery Date and Payment.** It is expected that the closing on the Bonds will occur on or about March 31, 2010 through the facilities of the Depository Trust Company, New York, New York, against payment in immediately available Federal funds.

**More Information.** For more information regarding this issue and the Town reference is made to the Official Statement. Proposal forms and copies of the Official Statement may be obtained from Mr. William N. Lindsay, Independent Bond and Investment Consultants LLC, 129 Samson Rock Drive, Suite A, Madison, Connecticut 06443 (telephone: (203) 245-9603) or from Ms. Dorothy W. Bavin, Director of Finance, Town of Madison, Madison Town Campus, 8 Campus Drive, Madison, Connecticut 06443 (telephone: (860) 245-6310).

FILLMORE MCPHERSON,  
*First Selectman*

DOROTHY W. BAVIN,  
*Director of Finance*

March 16, 2010

# PROPOSAL FOR BONDS

March 24, 2010

Mr. Fillmore McPherson  
First Selectman  
Town of Madison  
Office of the First Selectman  
8 Campus Drive  
Madison, Connecticut 06443

Subject to the provisions and in accordance with the terms of the annexed Notice of Sale dated March 16, 2010 which is hereby made a part of this proposal, we hereby offer to purchase all of the aggregate principal amount of \$7,905,000 General Obligation Bonds, Issue of 2010, Series A, of the Town of Madison described in said Notice of Sale, and to pay therefor the price of par plus a premium of \$\_\_\_\_\_ plus interest accrued on said Bonds to the date of their delivery, provided that the Bonds maturing in the several years set forth below shall bear interest from their date until maturity at the respective rates per annum stated in the following table:

<u>Year of Maturity</u>	<u>Amount</u>	<u>Interest Rate</u>	<u>Year of Maturity</u>	<u>Amount</u>	<u>Interest Rate</u>
2012	\$435,000	_____ %	2022	\$415,000	_____ %
2013	\$415,000	_____ %	2023	\$415,000	_____ %
2014	\$415,000	_____ %	2024	\$415,000	_____ %
2015	\$415,000	_____ %	2025	\$415,000	_____ %
2016	\$415,000	_____ %	2026	\$415,000	_____ %
2017	\$415,000	_____ %	2027	\$415,000	_____ %
2018	\$415,000	_____ %	2028	\$415,000	_____ %
2019	\$415,000	_____ %	2029	\$415,000	_____ %
2020	\$415,000	_____ %	2030	\$415,000	_____ %
2021	\$415,000	_____ %			

We acknowledge receipt of the Official Statement referred to in the Notice of Sale.

Name of Bidder: \_\_\_\_\_

Address of Bidder: \_\_\_\_\_

Signature of Officer or  
Authorized Agent of Bidder: \_\_\_\_\_

Telephone Number: \_\_\_\_\_

The following is our computation of the net interest cost, made as provided in the above mentioned Notice of Sale, but not constituting any part of the foregoing proposal:

Percent True Interest Cost \_\_\_\_\_ %  
(four decimals)

Gross Interest \$ \_\_\_\_\_

Accrued Interest from March 15, 2010  
to March 31, 2010 \$ \_\_\_\_\_

Premium \$ \_\_\_\_\_

## **APPENDIX F - NOTICE OF SALE AND BID PROPOSAL – THE NOTES**

### **NOTICE OF SALE \$500,000 Town of Madison, Connecticut Bond Anticipation Notes (BOOK-ENTRY)**

SEALED PROPOSALS and ELECTRONIC BIDS via PARITY® will be received by the Town of Madison, Connecticut at Office of the First Selectman, 8 Campus Drive, Madison, Connecticut until **11 A.M. (Eastern Daylight Time) on WEDNESDAY,**

**MARCH 24, 2010**

for the purchase of \$500,000 Bond Anticipation Notes of the Town of Madison, dated March 31, 2010, maturing on December 15, 2010 (the "Notes").

The Town will designate the Notes as "qualified tax-exempt obligations" for purposes of the deduction for Federal income tax purposes by financial institutions of a portion of interest expense allocable to tax-exempt obligations.

The Notes will be payable with interest at maturity. Interest shall be computed on the basis of a 30-day month and a 360-day year. The Notes are not subject to redemption prior to maturity.

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

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

In the event that (a) DTC determines not to continue to act as securities depository for the Notes and the Town fails to identify another qualified securities depository to replace DTC, or (b) the Town determines to discontinue the book-entry system of evidence and transfer of ownership of the Notes, the Town will authenticate and deliver replacement Notes in the form of fully registered certificates. Any such replacement Notes, will provide that principal of and interest on the Notes will be payable to the registered owner upon presentation and surrender of the Notes at the principal office of the Paying Agent, or of its successors as paying agent for the Notes.

**Proposals.** Proposals may be made for all or any part of the Notes. No proposal for less than the minimum denomination or for less than par and accrued interest will be entertained. Each proposal must state one rate of interest in a multiple of one-hundredth (1/100) of one-percent (1%) per annum for each part of the Notes bid for in the proposal. For the purpose of the bidding process, the time as maintained on PARITY® shall constitute the official time. For information purposes only, bidders are requested to state in their bids the net interest rate to the Town, as described under "Basis of Award" below, represented by the rate or rates of interest and the bid price specified in their respective bids.

**Sealed Proposals Bidding Procedure.** All sealed proposals for the purchase of the Notes shall be submitted on forms furnished by the Town and submitted at the time and place indicated above. All proposals must be enclosed in sealed envelopes marked on the outside, in substance, "Proposal for Madison Notes." All proposals should be addressed to Mr. Fillmore McPherson, First Selectman, Town of Madison, Office of the First Selectman, 8 Campus Drive, Madison, Connecticut 06443.

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

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

***Disclaimer*** - Each PARITY® prospective electronic bidder shall be solely responsible to make necessary arrangements to access PARITY® for the purposes of submitting its bid in a timely manner and in compliance with the requirements of this Notice of Sale. Neither the Town nor PARITY® shall have any duty or obligation to undertake such arrangements to bid for any prospective bidder or to provide or assure such access to any prospective bidder, and neither the Town nor PARITY® shall be responsible for a bidder's failure to make a bid or for proper operation of, or have any liability for any delays or interruptions of, or any damages caused by, PARITY®. The Town is using PARITY® as a communication mechanism, and not as the Town's agent, to conduct the electronic bidding for the Notes. The Town is not bound by any advice and determination of PARITY® to the effect that any particular bid complies with the terms of this Notice of Sale and in particular the bid requirements herein set forth. All costs and expenses incurred by prospective bidders in connection with their subscription to, arrangements with and submission of bids via PARITY® are the sole responsibility of the bidders; and the Town is not responsible, directly or indirectly, for any such costs or expenses. If a prospective bidder encounters any difficulty in arranging to bid or submitting, modifying or withdrawing a bid for the Notes, the prospective bidder should telephone PARITY® at (212) 849-5021. If any provision of this Notice of Sale shall conflict with information provided by PARITY®, this Notice of Sale shall control.

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

**Basis of Award.** As between proposals which comply with this Notice, the Notes will be sold to the responsible bidder or bidders offering to purchase the Notes at the lowest net interest rate, which will be determined for each interest rate stated in the proposal based on the total interest to be payable at such rate and deducting therefrom any premium. If there is more than one responsible bidder making said offer at the same lowest net interest rate, the Notes will be sold to the responsible bidder with a proposal for the highest principal amount of Notes specified or, if the same principal amount of Notes is specified in such proposals, to the responsible bidder whose proposal is selected by the Town by lot from among all such proposals. If a bidder is awarded only a part of the Notes, any premium offered in such proposal will be proportionately reduced so that the resulting net interest rate with respect to the Notes awarded is the same as that contained in the bidder's proposal with respect to the entire amount bid at such rate, carried to four places.

The Town reserves the right to award to any bidder all or any part of the Notes bid for in its proposal. The right is reserved to reject any and all proposals and to reject any proposal not complying with this Notice of Sale and to waive any irregularity or informality with respect to any proposal.

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

**Certifying and Paying Agent.** The Notes will be authenticated by U.S. Bank National Association, Hartford, Connecticut. U.S. Bank National Association will act as Registrar and Paying Agent.

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

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

**Official Statement.** The Town of Madison has prepared a preliminary Official Statement for the Note issue which is dated March 16, 2010. The Town deems such preliminary Official Statement final as of its date for purposes of SEC Rule 15c2-12(b)(1) but it is subject to revision or amendment. The Town will make available to each winning purchaser 15 copies of the Official Statement as prepared by the Town at the Town's expense. The copies of the Official Statement will be made available to the winning purchaser(s) at the office of the Town's financial advisor, Independent Bond and Investment Consultants LLC, Madison, Connecticut, by the delivery of the Notes or by the seventh business day after the day bids on the Notes are received if earlier. The purchaser shall arrange with the financial advisor the method of delivery of the copies of the Official Statement to the purchaser. Additional copies of the Official Statement may be obtained by the purchaser at its own expense by arrangement with the printer.

**Continuing Disclosure Agreement.** The Town will enter into a Continuing Disclosure Agreement with respect to the Notes, substantially in the form attached as Appendix D to the Official Statement (the "Continuing Disclosure Agreement for Notes"), to provide or cause to be provided, in accordance with the requirements of SEC Rule 15c2-12, timely notice of the occurrence of certain material events with respect to the Notes. The winning bidder's obligation to purchase the Notes shall be conditioned upon its receiving, at or prior to the delivery of the Notes, an executed copy of the Continuing Disclosure Agreement for Notes.

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

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

**Delivery Date and Payment.** The Notes will be delivered against payment in immediately available Federal funds through the facilities of The Depository Trust Company, New York, New York on March 31, 2010.

**More Information.** For more information regarding this issue and the Town reference is made to Official Statement. Proposal forms and copies of the Official Statement may be obtained from Mr. William N. Lindsay, Independent Bond and Investment Consultants LLC, 129 Samson Rock Drive, Suite A, Madison, Connecticut 06443 (telephone: (203) 245-9603) or from Ms. Dorothy W. Bavin, Director of Finance, Town of Madison, Madison Town Campus, 8 Campus Drive, Madison, Connecticut 06443 (telephone: (860) 245-6310).

FILLMORE MCPHERSON,  
*First Selectman*

DOROTHY W. BAVIN,  
*Director of Finance*

March 16, 2010

## PROPOSAL FOR NOTES

March 24, 2010

Mr. Fillmore McPherson  
First Selectman  
Town of Madison  
Office of the First Selectman  
8 Campus Drive  
Madison, Connecticut 06443

Subject to the provisions and in accordance with the terms of the annexed Notice of Sale dated March 16, 2010 which is hereby made a part of this proposal, we hereby offer to purchase the principal amount of the Notes specified below at the interest rate per annum plus the premium, if any, specified below, and to pay therefor said principal amount, premium, if any, and interest accrued on said Notes to the date of their delivery, if any. The following is our computation of the net interest rate, made as provided in the above-mentioned Notice of Sale, but not constituting any part of the foregoing proposal.

Of the \$500,000 Bond Anticipation Notes of the Town of Madison, dated March 31, 2010, maturing December 15, 2010, we bid the following:

Principal Amount	\$	_____	Principal Amount	\$	_____
Interest Rate		_____ %	Interest Rate		_____ %
Premium	\$	_____	Premium	\$	_____
Net Interest Rate		_____ % (four decimals)	Net Interest Rate		_____ % (four decimals)

Principal Amount	\$	_____	Principal Amount	\$	_____
Interest Rate		_____ %	Interest Rate		_____ %
Premium	\$	_____	Premium	\$	_____
Net Interest Rate		_____ % (four decimals)	Net Interest Rate		_____ % (four decimals)

Name of Bidder: \_\_\_\_\_

Address of Bidder: \_\_\_\_\_

Signature of Officer or  
Authorized Agent of Bidder: \_\_\_\_\_

Telephone Number: \_\_\_\_\_