



**PRELIMINARY OFFICIAL STATEMENT DATED DECEMBER 5, 2022**

**NEW ISSUE-BOOK ENTRY ONLY**

**RATINGS: See "Ratings" herein**

*In the opinion of Bond Counsel, assuming the accuracy of and continuing 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"), based on existing law, interest on the Notes is excludable from gross income for federal income tax purposes and is not treated as an item of tax preference for purposes of calculating the federal alternative minimum tax imposed on individuals under the Code; however, such interest is taking into account in determining the annual adjusted financial statement income of certain corporations for the purpose of computing the alternative minimum tax imposed on corporations under the Code for tax years beginning after December 31, 2022. Interest on the Notes may be includable in the calculation of certain taxes under the Code, as described under Appendix B – "Form of Legal Opinion of Bond Counsel and Tax Exemption" herein.*

*In the opinion of Bond Counsel, 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 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.*

**TOWN OF MADISON, CONNECTICUT**

**\$8,200,000**

**GENERAL OBLIGATION BOND ANTICIPATION NOTES, ISSUE OF 2022  
(BANK QUALIFIED)**

**Dated: Date of Delivery**

**Due: December 21, 2023**

<u>Coupon</u>	<u>Yield</u>	<u>CUSIP</u> <sup>1, 2</sup>
%	%	556717***

The \$8,200,000 General Obligation Bond Anticipation Notes, Issue of 2022 (the "Notes") will be general obligations of the Town of Madison (the "Town") and the Town will pledge its full faith and credit to pay the principal of and interest on the Notes when due. Interest on the Notes will be payable at maturity on December 21, 2023. **The Notes are NOT subject to redemption prior to maturity.**

The Notes are being offered for sale in accordance with an official Notice of Sale dated December 5, 2022. Telephone and Electronic bids via **PARITY®** for the Notes will be received until 11:00 A.M. (E.T.) on December 13, 2022, at the Office of the First Selectman, 8 Campus Drive, Madison Connecticut 06443, as described in the official Notice of Sale. (See Appendix D herein).

Unless requested by the successful purchaser as described under "Option For No Book Entry" herein, the Notes will be issued by means of a book-entry system and registered in the name of Cede & Co., as nominee for The Depository Trust Company ("DTC"), New York, New York. DTC will act as securities depository for the Notes. The Beneficial Owners of the Notes will not receive certificates representing their ownership in the Notes. Principal of and interest on the Notes will be payable by the Town or its agent to DTC or its nominee as registered owners of the Notes. The Ownership of the Notes may be in principal amounts of \$5,000 or integral multiples thereof. (See "Book-Entry System" herein).

If requested by the successful purchaser as described under "Option For No Book Entry" herein, the Notes will be issued in the form of a single fully-registered physical certificate in the par amount of the Notes.

Unless the successful bidder on the Notes is designated as the certifying bank, registrar, transfer and paying agent for the Notes as provided in "Option For No Book Entry" herein, the certifying bank, registrar, transfer and paying agent for the Notes will be U.S. Bank Trust Company, National Association, City Place I, 185 Asylum Street, 27<sup>th</sup> Floor, Hartford, Connecticut.

*The Notes are offered for delivery when, as and if issued, subject to the final approving opinion of Shipman & Goodwin LLP, Bond Counsel, of Hartford, Connecticut. It is expected that delivery of the Notes will be made in either book-entry form to DTC or to the successful purchaser electing to be the paying agent on the Notes on or about December 27, 2022.*

<sup>1</sup> The deposit of the Notes with DTC under a book-entry system requires the assignment of a CUSIP number prior to delivery.

<sup>2</sup> Copyright, American Bankers Association. CUSIP® is a registered trademark of the American Bankers Association. CUSIP numbers have been assigned by an independent company not affiliated with the Town and are included solely for the convenience of the holders of the Notes. The Town is not responsible for the selection or use of these CUSIP numbers, does not undertake any responsibility for their accuracy, and makes no representation as to their correctness on the Notes or as indicated above. The CUSIP number for a specific maturity is subject to being changed after the issuance of the Notes as a result of various subsequent actions including, but not limited to, a refunding in whole or in part of such maturity or as a result of the procurement of secondary market portfolio insurance or other similar enhancement by investors that is applicable to all or a portion of certain maturities of the Notes.

This Preliminary Official Statement and the information contained herein are subject to completion or amendment. Under no circumstances shall this Preliminary Official Statement constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of the securities in any jurisdiction in which such offer, solicitation or sale would be unlawful prior to registration or qualification under the securities laws of any such jurisdiction.

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 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 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 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.

Other than as to matters expressly set forth in Appendix A – “Audited Financial Statements” herein, the independent auditors for the Town are not passing on and do not assume any responsibility for the accuracy or adequacy of the statements made in this Official Statement and make no representation that they have independently verified the same.

Other than as to matters expressly set forth in Appendix B “Form of Legal Opinion of Bond Counsel” herein, 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.

The Town deems this Official Statement to be “final” as of its date for purposes of Securities and Exchange Commission Rule 15c2-12(b)(1).

The Municipal Advisor to the Town has provided the following sentence for inclusion in this Official Statement. The Municipal Advisor has reviewed the information in this Official Statement in accordance with, and as part of, its responsibilities to the Town and, as applicable, to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Municipal Advisor does not guarantee the accuracy or completeness of such information.

This Official Statement may include “forward-looking statements” within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. Without limiting the foregoing, the words “may,” “believe,” “could,” “might,” “possible,” “potential,” “project,” “will,” “should,” “expect,” “intend,” “plan,” “predict,” “anticipate,” “estimate,” “approximate,” “contemplate,” “continue,” “target,” “goal” and similar expressions are intended to identify forward-looking statements, although not all forward-looking statements contain these words. All forward-looking statements included in this Official Statement are based on information available to the Town up to the date as of which such statements are to be made, or otherwise up to, and including, the date of this document, and the Town assumes no obligation to update any such forward-looking statements to reflect events or circumstances that arise after the date hereof or after the date of any report containing such forward-looking statement, as applicable. Actual results could differ materially from those anticipated in these forward-looking statements as a result of certain important factors, including, but not limited to (i) the effect of and from, future municipal, state and federal budgetary matters, including state and federal grants and other forms of financial aid to the Town; (ii) federal tax policy, including the deductibility of state and local taxes for federal tax purposes; (iii) macroeconomic and business developments, both for the country as a whole and particularly affecting the Town; (iv) financial services industry developments; (v) litigation or arbitration; (vi) climate and weather related developments, natural disasters and other acts of God; (vii) factors used in estimating future obligations of the Town; (viii) the effects of epidemics and pandemics, including economic effects; and (ix) other factors contained in this Official Statement.

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**MUNICIPAL ADVISOR**  
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## NOTE ISSUE SUMMARY

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*The information in this section is qualified in its entirety by the detailed information and financial statement appearing elsewhere in this Official Statement. Investors must read the entire Official Statement to obtain information essential to the making of an informed investment decision. The Official Statement speaks only as of its date and the information herein is subject to change.*

<b>Issuer:</b>	The Town of Madison, Connecticut (the “Town”).
<b>Issue:</b>	\$8,200,000 General Obligation Bond Anticipation Notes (the “Notes”), Issue of 2022.
<b>Dated Date:</b>	Date of Delivery.
<b>Interest Due:</b>	At maturity on December 21, 2023.
<b>Principal Due Date:</b>	At maturity on December 21, 2023.
<b>Purpose:</b>	The Notes are being issued to fund Town and Board of Education capital improvements as authorized by the Town pursuant to Title 7 of the General Statutes of Connecticut, as amended, the Charter of the Town of Madison, and bond resolutions adopted at referendum by the Town.
<b>Security:</b>	The Notes will be general obligations of the Town, and the Town will pledge its full faith and credit to the payment of principal of and interest on the Notes when due. See “Security and Remedies” 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>Ratings:</b>	The Town received a credit rating of [ ] from Moody’s Investors Service, Inc. (“Moody’s”). See “Ratings” herein.
<b>Optional Redemption:</b>	The Notes are <b>not</b> subject to redemption prior to maturity.
<b>Certifying Bank, Registrar, Transfer, and Paying Agent:</b>	Unless the successful bidder on the Notes is designated as the certifying bank, registrar, transfer and paying agent for the Notes as provided in “Option For No Book Entry” herein, the Notes will be certified by U.S. Bank Trust Company, National Association, in Hartford, Connecticut, which will also act as transfer and paying agent and registrar.
<b>Legal Opinion:</b>	Shipman & Goodwin LLP of Hartford, Connecticut will act as Bond Counsel.
<b>Continuing Disclosure:</b>	In accordance with the requirements of Rule 15c2-12 promulgated by the Securities and Exchange Commission, the Town will agree to provide, or cause to be provided notice of the occurrence of certain events within ten (10) business days of the occurrence of such events, as specified in the Continuing Disclosure Agreement to be executed substantially in the form attached as Appendix C to this Official Statement.
<b>Delivery:</b>	It is expected that delivery of the Notes in book-entry-only form will be made to The Depository Trust Company (unless the successful purchaser has requested no book entry as described herein, then it is expected that delivery of the Notes will be made to the purchaser) on or about December 27, 2022. Payment must be made in Federal Funds.
<b>Issuer Official:</b>	Ms. Stacy S. Nobitz, CPA, Director of Finance, 8 Campus Drive, Madison, Connecticut 06443. Telephone (203) 245-6310.
<b>Municipal Advisor:</b>	Munistat Services, Inc., 129 Samson Rock Drive, Suite A, Madison, Connecticut 06443, attention: William Lindsay, Managing Director, Telephone: (203) 421-2880.

## I. SECURITIES OFFERED

### INTRODUCTION

This Official Statement, including the cover page, and appendices, is provided for the purpose of presenting certain information relating to the Town of Madison, Connecticut (the “Town”) in connection with the sale of \$8,200,000 General Obligation Bond Anticipation Notes (the “Notes”), Issue of 2022, of the Town.

This Official Statement is not to be construed as a contract or agreement between the Town and the purchasers or holders of any of the Notes. Any statements made in this Official Statement involving matters of opinion or estimates are not intended to be representations of fact, and no representation is made that any such opinion or estimate will be realized. Neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the Town since the date hereof. All quotations from and summaries and explanations of provisions of statutes, charters, or other laws and acts and proceedings of the Town contained herein do not purport to be complete and are qualified in their entirety by reference to the original official documents, and all references to the Notes, and the proceedings of the Town relating thereto are qualified in their entirety by reference to the definitive form of 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.

### DESCRIPTION OF THE NOTES

The Notes will be dated December 27, 2022 and will be due and payable as to both principal and interest at maturity on December 21, 2023. Interest will be calculated on the basis of a 360-day year, consisting of twelve 30-day months.

Unless requested by the successful purchaser as described under “Option For No Book Entry” herein, the Notes will be issued as fully-registered notes in denominations of \$5,000 or any integral multiples thereof. A book-entry transfer system will be employed evidencing ownership of the Notes with transfers of ownership on the records of The Depository Trust Company, New York, New York (“DTC”), and its participants pursuant to the rules and procedures established by DTC and its participants. See “Book-Entry System” herein.

If requested by the successful purchaser as described under “Option For No Book Entry” herein, the Notes will be issued in the form of a single fully-registered physical certificate in the par amount of the Notes. Principal of and interest on the Notes will be payable by the Town or its agent to the successful purchaser, as registered owner of the Notes.

Unless the successful bidder on the Notes is designated as the certifying bank, registrar, transfer and paying agent for the Notes as provided in “Option For No Book Entry” herein, the certifying bank, registrar, transfer and paying agent for the Notes will be certified by U.S. Bank Trust Company, National Association, City Place I, 185 Asylum Street, 27<sup>th</sup> Floor, Hartford, Connecticut. The legal opinion on the Notes will be rendered by Shipman & Goodwin LLP of Hartford, Connecticut, in substantially the form set forth in Appendix B to this Official Statement.

The Notes are not subject to redemption prior to maturity.

### AUTHORIZATION AND USE OF PROCEEDS

Authorization: The Notes were authorized and are being issued pursuant to bond resolutions approved at a referendum held on February 15, 2022 in accordance with the Town Charter.

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

<u>Project</u>	<u>Total Amount of Authorization</u>	<u>Notes Maturing 12/27/2022</u>	<u>Additions/ Reductions</u>	<u>The Notes (This Issue)</u>
New Elementary School & Systemwide Renovations.....	\$ 89,200,000	\$ -	\$ 7,400,000	\$ 7,400,000
Academy Community Center & Municipal Building.....	15,900,000	-	800,000	800,000
<b>Total</b>	<b>\$ 105,100,000</b>	<b>\$ -</b>	<b>\$ 8,200,000</b>	<b>\$ 8,200,000</b>

## **RATINGS**

The Notes have been rated [ ] by Moody's Investors Service, Inc. ("Moody's"). The rating on all of the Town's outstanding bonds has recently been affirmed as [ ] by Moody's. Certain outstanding bonds of the Town are also rated "AAA" by Fitch Ratings. 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.

## **OPTION FOR NO BOOK ENTRY**

As described in the official Notice of Sale dated December 5, 2022, a bidder may request that the Notes be issued in the form of a single fully-registered physical certificate in the par amount of the Notes, rather than in book-entry form through the facilities of DTC, provided the bid is for all the Notes at the same interest rate. A bidder for the Notes requesting that the Notes be issued in non-book-entry form may request that it be designated by the Town as the certifying agent, registrar and paying and transfer agent for the Notes if it is a bank or trust company authorized to act in such capacity pursuant to the Connecticut General Statutes. Any bidder seeking to have the Notes issued in the form of a fully-registered physical certificate, rather than in book-entry form, or to be designated as certifying agent, registrar and paying and transfer agent for such Notes, shall indicate this preference to the Town at the time of the submission of the bid. The Town reserves the right to decline any request to issue the Notes in non-book-entry form, or to designate the successful bidder as certifying agent, registrar and paying and transfer agent for the Notes, if it should determine, in its sole discretion, that issuing the Notes in this manner is not in its best interests. The successful bidder seeking the issuance of the Notes in this manner, and any subsequent registered owner of the Notes, shall bear any and all costs, including counsel fees, or any re-registration or transfer of Notes from time to time, including any costs to convert the Notes to book-entry form and shall not impose or charge the Town for any costs or expenses related to the services as certifying agent, registrar and paying and transfer agent for the Notes if the successful bidder is so designated.

Unless the successful bidder makes a request for no book entry as described herein and in the official Notice of Sale, the Notes will be issued by means of a book-entry system with no physical distribution of note certificates made to the public.

## **BOOK-ENTRY SYSTEM**

This section describes how ownership of the Notes is to be transferred and how the principal of, premium, if any, and interest on the Notes are to be paid to and accredited by DTC while the Notes are registered in its nominee name. The information in this section concerning DTC and the Book-Entry System has been provided by DTC for use in disclosure documents such as this Official Statement. The Town believes the source of such information to be reliable, but takes no responsibility for the accuracy or completeness thereof.

The Town cannot and does not give any assurance that (1) DTC will distribute payments of debt service on the Notes, or redemption or other notices to DTC Participants, (2) DTC Participants or others will distribute debt service payments paid to DTC or its nominee (as the registered owner of the Notes), or redemption or other notices, to the Beneficial Owners, or that they will do so on a timely basis, or (3) DTC will serve and act in the manner described in this Official Statement. The current rules applicable to DTC are on file with the Securities and Exchange Commission, and the current procedures of DTC to be followed in dealing with DTC Participants are on file with DTC.

Unless the successful purchaser has requested no book entry as described under "Option For No Book Entry" herein, the Notes will be issued by means of a book-entry system and registered in the name at Cede & Co., as nominee for the Depository Trust Company ("DTC"), New York, New York. DTC will act as securities depository for the Notes. 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 Note certificate will be issued for each maturity of the Notes in the aggregate principal amount of such maturity and interest rate, and will be deposited with DTC.

DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered

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

Purchases of the Notes under the DTC system must be made by or through Direct Participants, which will receive a credit for the Notes on DTC's records. The ownership interest of each actual purchaser of each 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 confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the 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 Notes, except in the event that use of the book-entry system for the Notes is discontinued.

To facilitate subsequent transfers, all 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 Notes with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not affect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Notes; DTC's records reflect only the identity of the Direct Participants to whose accounts such 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. Beneficial Owners of Notes may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Notes, such as redemptions, tenders, defaults, and proposed amendments to the Note documents. For example, Beneficial Owners of Notes may wish to ascertain that the nominee holding the Notes for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

Redemption notices shall be sent to DTC. If less than all of 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 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 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 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 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-only transfers through DTC (or a successor securities depository). In that event, 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 NOTES**

The determination of the Town officials authorizing the issuance of the Notes provides for issuance of fully-registered note certificates directly to Beneficial Owners of the Notes or their nominees 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 for the Notes to replace DTC; or (b) the Town determines to discontinue the book-entry system of evidence and transfer of ownership of the Notes. A Beneficial Owner of the Notes, upon registration of certificates held in such Beneficial Owner's name, will become the registered owner of 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 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.

## **SECURITIES AND REMEDIES**

The Notes will be general obligations of the Town, 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 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 or of qualified disabled persons taxable at limited amounts. There were no acres of such certified forest land on the last completed Grand List of the Town. The Town may place a lien on the property for the amount of tax relief granted, plus interest, with respect to dwelling houses of qualified elderly persons of low income or qualified disabled persons. Under existing statutes, the State of Connecticut is obligated to pay the Town the amount of tax revenue which the Town would have received except for the limitation under certain of the statutes upon its power to tax dwelling houses of qualified elderly persons of low income.

Payment of the 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 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 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 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.

## **CONSIDERATIONS FOR NOTEHOLDERS**

In making an investment decision with respect to the Notes, investors should consider carefully the information in this Official Statement and, in addition to those investment characteristics of fixed-rate municipal debt obligations, consider the following information.

Purchase of the Notes involves a degree of risk. Potential investors should be thoroughly familiar with this entire Official Statement (including the appendices attached hereto) in order to make a judgment as to whether the Notes are an appropriate investment, to identify risk factors and to make an informed investment decision. The discussion herein of risks that could affect payment to be made by the Town with respect to the Notes and the market value of the Notes is not intended to be comprehensive or definitive, but rather is to summarize certain matters which could affect the ability of the Town to make such payments and the market value of the Notes.

### **The COVID-19 Outbreak**

The outbreak of COVID-19 was declared a Public Health Emergency of International Concern by the World Health Organization. On March 13, 2020, the President of the United States declared a national emergency as a result of the COVID-19 outbreak. The outbreak of the virus has affected travel, commerce and financial markets globally. There can be no assurances that the continuing prevalence of COVID-19 will not materially affect local, state, national, and global activity; increase public health emergency response costs; and materially adversely impact the financial condition of the Town.

### ***Federal Response to COVID-19's Impact on the Economy***

On March 11, 2021, President Biden signed into law the \$1.9 trillion American Rescue Plan Act of 2021 (the "Rescue Plan"). The Rescue Plan relief package includes, amongst other provisions, \$350 billion in state and local government aid. Of the \$350 billion, the State and its local governments are expected to receive approximately \$4.2 billion as a result of this legislation, with \$2.6 billion in State relief and another \$1.6 billion in relief for local governments.

The Rescue Plan relief package also includes approximately \$123 billion to allow for a return to full-time, in-person teaching at elementary and high schools, which funds may be used for numerous purposes, including but not limited to expanding testing, modifying classrooms, improving ventilation, and hiring more custodial staff. The State's K-12 schools are expected to receive approximately \$1.1 billion.

The Rescue Plan relief package includes another \$160 billion dedicated to COVID-19 vaccination development and distribution.

### ***State and Local Responses to COVID-19's Impact on the Economy***

Governor Lamont also declared a state of emergency throughout the State of Connecticut and took steps to mitigate the spread and impacts of COVID-19. Public schools began to operate remotely and many businesses, with the exception of those deemed to be essential, were required to operate in a limited capacity, if not required to temporarily close altogether. Connecticut's COVID-19 vaccination plan commenced on December 14, 2020, and today the vaccine is widely available to all individuals who are six (6) months of age and older. As of February 28, 2022, the State has lifted nearly all restrictions put in place during the height of the pandemic. The State will continue to evaluate the need for additional restrictions on an ongoing basis. For up-to-date information concerning the State's actions in response to COVID-19, see <https://portal.ct.gov/coronavirus>. Neither the Town, nor the parties involved with the issuance of the Notes, has reviewed the information provided by the State on its website and such parties take no responsibility for the accuracy thereof.

The extent to which COVID-19 impacts the State's operations and its financial condition will depend on future developments, which are uncertain and cannot be fully predicted with confidence at this time, including the duration of the outbreak, new information which may emerge concerning the severity of COVID-19 and the actions to contain COVID-19 or treat its impact, among others. There can be no assurances that the outbreak will not further materially adversely affect the financial condition of the State or the Town.

To date, the Town has not experienced a material negative financial impact as a result of COVID-19. The Town collected approximately 99.5% of the Fiscal Year 2022 General Fund levy, with 99.8% having been collected for Fiscal Year 2021 and 99.9% having been collected for Fiscal Year 2020.

The Town was awarded and received \$5.3 million in federal funding as a result of the American Rescue Plan. The Town developed a plan for the use of such funds that focuses on infrastructure improvements and community-based programs that comply with the federal eligibility criteria. The majority of these funds have been allocated to project expenditures to date. In addition, the Board of Education was also awarded \$852 thousand in funding under the American Rescue Plan. The funds will be used for intervention, social and emotional learning as well as technology.

### ***Cybersecurity***

Town departments face cyber threats from time to time, including, but not limited to, hacking, viruses, malware, phishing, and other attacks on computers and other sensitive digital networks and systems. To mitigate the risk of business operations impact and/or damage from cyber incidents or cyber-attacks, the Town invests in various forms of cybersecurity and operational controls, including a comprehensive policy relating to the security of the Town's government networks. No assurances can be given, however, that such security and operational control measures will be completely successful to guard against cyber threats and attacks. The results of any such attack could impact business operations and/or damage the Town's digital networks and systems and the costs of remedying any such damage could be substantial.

### ***Climate Change***

Numerous scientific studies have detailed changing global weather patterns and the potential for increasing extreme weather events across the world. The Town's location in southern Connecticut on the Long Island Sound increases its vulnerability to flooding. In addition to flooding, the Town faces other threats due to climate change, including damaging wind that could become more severe and frequent. The Town cannot predict the timing, extent or severity of climate change and its impact on its operations and finances.

The Town has a long history of planning for resiliency, including the adoption of Coastal Zone Regulations in accordance with Connecticut General Statutes Section 22a-90 through 22a-111 inclusive. Madison participates in the South-Central Region Multi-Jurisdiction Hazard Mitigation Plan which was originally adopted in 2014, approved by the Federal Emergency Management Agency ("FEMA") in 2018 and is updated once every five-years. A Coastal Resiliency Plan was developed in 2016 by consultants at the direction of Town officials. The Coastal Resiliency Plan addresses current and future social, economic and ecological resilience of the Town's shoreline with respect to the impacts of sea level rise and anticipated increases in the frequency and severity of storm surge, coastal flooding, and erosion. The four basic steps of the Coastal Resiliency Plan include: 1) generate awareness of coastal risks; 2) assess coastal risks and opportunities; 3) identify options or choices for addressing priority risks and vulnerabilities; and 4) develop and implement an action plan to put selected options or choices into place. Additionally, in 2019 the Board of Selectmen adopted a resolution establishing the Coastal Resiliency Commission to work closely with State agencies, include Connecticut Institute for Resilience and Climate Adaptation ("CIRCA") and the Department of Energy & Environmental Protection ("CTDEEP") to assist in the evaluation of projected impacts of climate change and sea level rise. This Commission consists of seven members and aids in the recommendation of capital projects for inclusion in the Town's Capital Improvements Program ("CIP"). Some of the Town's priority projects include hard shoreline protection; infrastructure improvements and retrofits, and emergency operations and shelter improvements. During fiscal year 2021-22 the Town established a Coastal Resiliency Fund with an initial deposit of \$500,000. In the fiscal year 2022-23 CIP, the Town has included annual contributions of \$100,000 to the Coastal Resiliency Fund.

## **QUALIFICATION FOR FINANCIAL INSTITUTIONS**

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.

## **AVAILABILITY OF CONTINUING DISCLOSURE**

The Town prepares, in accordance with State law, annual audited financial statements and files such annual audits with the State of Connecticut, Office of Policy and Management. The Town provides, and will continue to provide, to the Municipal Securities Rulemaking Board's ("MSRB") Electronic Municipal Market Access System ongoing disclosure in the form of the

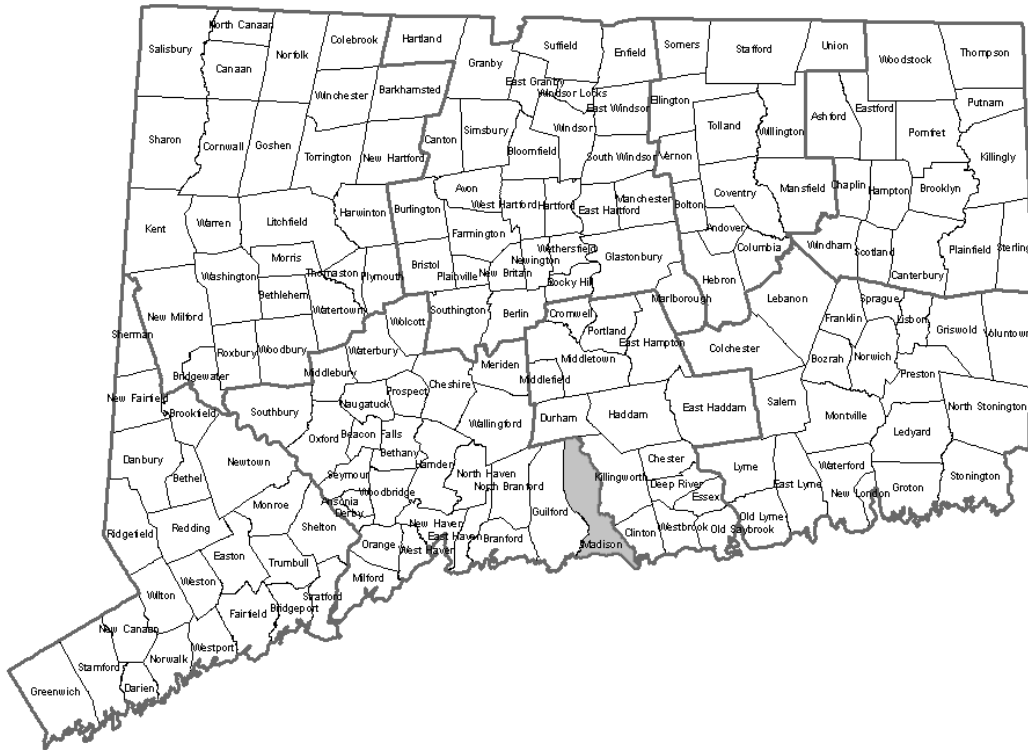
Comprehensive Annual Financial Report, recommended and adopted budgets, and other materials relating to its management and financial condition, as may be necessary or requested.

In accordance with the requirements of Rule 15c2-12 promulgated by the Securities and Exchange Commission, the Town will agree to provide, or cause to be provided notice of the occurrence of certain events within ten (10) business days of the occurrence of such events, as specified in the Continuing Disclosure Agreement to be executed substantially in the form attached as Appendix C to this Official Statement.

The Town has previously undertaken in Continuing 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 Rule 15c2-12(b)(5). In the past five (5) years, the Town has not failed in any material respect to meet any of its undertakings under such agreements.

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## 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 and Killingworth; 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 and New London Counties and New York. According to the 2020 U.S. Census the Town's population was 18,065. Bus, air and rail service are available from New Haven, Hartford, Providence, Rhode Island and New York. The Town has a 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 the 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 Conservation and Development to maintain the Town's 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 adopted since that time. The Town is completely zoned with approximately 96% 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 Conservation and 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 four 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; Rockland Preserve, a 650 acre park which includes walking, hiking and single-track mountain bike trails, s mountain bike pump track and skills park as family bike area; and Salt Meadow Park, a 42-acre passive and active recreation facility, including three multi-purpose playing fields, conversation areas, shared path and trail system and a canoe/kayak launch.

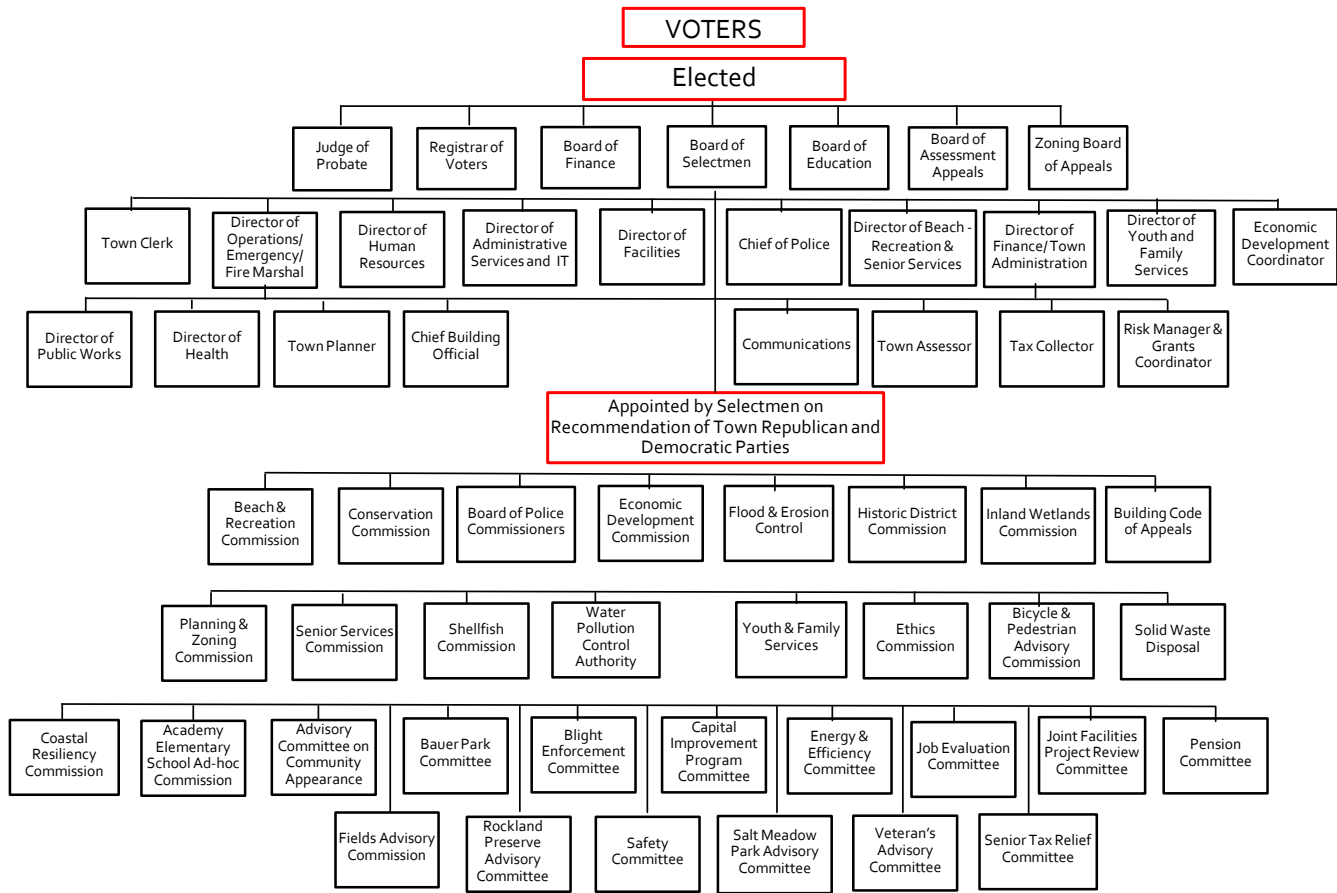
From January 1, 2021 to January 1, 2022, there were approximately 350 single family home sales with prices ranging from \$148,000 to \$2,741,000. The average selling price was approximately \$650,000. There are approximately 8 recorded new construction sales ranging from \$624,494 to \$950,000 during that period.

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 Wells Fargo, Bank of America, M&T Bank, Citizens Bank, Webster Bank, Key Bank, Liberty Bank, Guilford Savings Bank and Essex Savings Bank.

The Town provides educational opportunity with public school grades PreK-12. In addition, within the Town there are three private schools with grades Pre-K-8 and one private school with grades K-8, along with eight different pre-school programs. There are colleges and universities located within a short distance from the Town, including Middlesex Community College and Wesleyan University, both in Middletown, approximately 20 miles north of Madison. To the west are Quinnipiac University, 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.

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## ORGANIZATIONAL CHART



### FORM OF GOVERNMENT

The Town of Madison operates under the provisions of its Charter, most recently revised on November 8, 2022, and the General Statutes of the State of Connecticut. The legislative body is the Town Meeting. Starting in calendar year 2023, the Executive body consists of a five-member Board of Selectmen, with the First Selectman acting as the chief executive officer. Election to the Board of Selectmen is for a four-year term. A seven-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 Madison Planning & Zoning Commission works to evaluate and implement state and local statutes and regulations regarding residential and commercial development within the municipality while protecting natural and cultural resources. The Planning & Zoning Commission is guided by the 2013 Plan of Conservation & Development, which is updated every 10 years with input from Madison residents and representatives of different community organizations. A comprehensive update to this Plan is underway and adoption is anticipated in October 2023.

The Economic Development Commission is a seven-member board appointed by the Board of Selectmen. The Commission’s role is to monitor economic conditions, research trends affecting Town revenue/expenses, and prepare recommendations to strengthen and diversify the Town’s tax base. This board seeks options for increasing revenue growth without mill rate increases by identifying and improving under-performing areas seeking opportunities to diversify the tax base to increase the grand list, identifying other revenue opportunities, suggesting viable and acceptable incentives for revenue positive development and uncovering revenue productive strategies for residential and commercial development.

**MUNICIPAL OFFICIALS**

	<b>Term Expires November</b>
<b>Board of Selectmen</b>	
Peggy Lyons, First Selectman.....	2023
Alfred J. Goldberg.....	2023
Bruce Wilson.....	2023
Noreen Kokoruda.....	2023
Scott Murphy.....	2023
 <b>Board of Finance</b>	
John Picard, Chairman.....	2023
Fillmore McPherson.....	2023
Justin Murphy.....	2023
Katie Stein.....	2025
Cindy Breckheimer.....	2025
Jean Fitzgerald.....	2025
 <b>Other Officials</b>	
Stacy S. Nobitz, CPA, Director of Finance and Town Administrative Services.....	Indefinite
Samuel DeBurra, Director of Operations and Fire Marshal.....	Indefinite
John Drumm, Chief of Police.....	Indefinite
John J. Iennaco, P.E., CFM Town Engineer and Director of Public Works.....	Indefinite
William McMinn, Director of Facilities.....	Indefinite
Sheri Cote, Economic Development Director.....	Indefinite
Erin Mannix, Town Planner.....	Indefinite
Trent Joseph, Director of Health.....	Indefinite
Debra Ferrante, Manager of Human Resources.....	Indefinite
Scott Cochran, Director of Youth and Family Services.....	Indefinite
Austin Hall, Director of Beach and Recreation and Senior Services.....	Indefinite
Arthur Sickle, Director of Information Technology and Administrative Services.....	Indefinite
Nancy J. Martucci, Town Clerk.....	Indefinite
Orietta Nucolo, CCMA, Assessor.....	Indefinite
Christina Consiglio, Tax Collector.....	Indefinite
Craig Cooke Ph.D., Superintendent of Schools.....	Indefinite

**SUMMARY OF MUNICIPAL SERVICES**

**Police:** The Town is provided with 24-hour police coverage by a force consisting of 30 full-time officers, 1 part-time officer and 1 executive officer. There is one full-time animal control officer and one part-time animal control officer. Hammonasset State Park, located in Madison, is served by the Connecticut State Police Barracks at Westbrook, with occasional assistance by the local department.

**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 Chestnut Hill Road, and the North Madison Volunteer Fire Company which serves the northern sector of Town. Each company is a private, non-profit 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 47 volunteers in the Madison Hose Company #1, and 51 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 Madison Police Department, Madison Hose Company #1, and North Madison Volunteer Fire Department. The area hospitals are the Middlesex Hospital, 20 miles north in Middletown; and Yale New Haven Hospital which is located in New Haven, 23 miles to the west. These facilities are aided by a Shoreline Clinic in the Town of Essex and the 30,000 square foot Yale New Haven Ambulatory Service Center in Guilford. These two facilities provide satellite emergency services.

**Health:** The Town engages a full-time Director of Health and a full-time Sanitarian. The Director is 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 municipal solid waste transfer station and recycling facility. Effective July 1, 2022, the Town, along with Guilford, entered into a five-year renewable contract with Covanta Bristol, Inc. for the transportation and disposal of solid waste and the transportation and processing of recyclables.

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

**Electric:** Eversource Energy provides electrical service and maintains a regional maintenance facility in Madison.

**Beach & Recreation:** The Beach & Recreation Director works under the direction of the First Selectman, Beach & Recreation Commission and the Board of Selectmen. The staff consists of a year-round complement of four individuals to which approximately 75 are added in the summer season. Town recreation facilities include 3 beaches, 14 hiking trails, 15 miles of single bike trails, a learning pump track center, and numerous playgrounds and playing fields. The Town is currently in the process of undertaking renovations to a former school building and converting it into a Community Center which will be operated by the Beach & Recreation department. The Town operates more than 130 programs throughout the year, including action-oriented opportunities such as aerobics, backpacking, badminton, dancing, skiing, sailing and swimming. The Beach and Recreation Department also includes managing the Grounds Maintenance Department which includes cemeteries, parks, athletic fields and beaches. It consists of grounds maintainers and a superintendent. This department is responsible for grounds as well as various assigned buildings.

**Senior Services:** Senior Services provides activities, transportation, lunch and other programs to citizens 60 years of age or older at the Town's Senior Center. Social services, support and advocacy are also provided under the direction of a Director of Senior Services who is supported by four full-time employees, three part-time employees and three part-time bus drivers. Currently, there is one Director who oversees both Senior Services and Beach and Recreation.

**Public Works:** The Department of Public Works & Engineering consists of the Engineering, Highway and Solid Waste divisions. The department staff includes a Director of Public Works & Town Engineer, an Assistant Director of Public Works, an Administrative Assistant, a Highway Superintendent, an eleven-person Highway crew and a two-person Bulky Waste and Recycling Facility.

The Department provides engineering and land surveying services for the Town and Madison Public School projects. It also provides engineering assistance to other Town departments, boards and commissions. It maintains the Town's infrastructure including 120 miles of Town roads, parking areas, sidewalks, bridges and storm drainage systems. The Department also conducts winter snow and ice control operations for the Town's roadway system and parking areas, manages street and Town property, trees, manages the Town's vehicle and equipment fleet and operates the Town's Bulky Waste Disposal and Recycling facility.

**Facilities:** The Facilities Department consists of building custodians and one Director of Facilities, who serves both the Town and the Board of Education. This Department is responsible for various Town buildings including, schools and the Town's new Community Center.

**Youth and Family Services:** Youth and Family Services' 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. Nine full-time and three



part-time employees work at Youth and Family Services including two school-based Clinicians, all under the direction of the Director of Youth and Family 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. Located in downtown Madison, the Library is a center for life-long learning and exploration. The facility has a collection of books and audiovisual materials, computer assess and Wi-Fi, early-literacy and discovery classes for children, programs and volunteer opportunities for teens, lecture series and musical performances for adults, monthly art exhibits, and free meeting space for community organizations. In July 2021, the Library completed a major renovation project including the construction of a 20,000 square foot addition which includes a new 90 seat community room. The renovations incorporated upgrades to the current Boston Post Road walkways and the construction of an approximately 47-car on-site parking lot. The total cost of the project was approximately \$14 million and the Town has provided a grant to the Library in the amount of \$9 million. The balance of the project costs were funded by a \$3 million grant from the State of Connecticut and \$2 million in donations.

**MUNICIPAL EMPLOYEES**

<u>Fiscal Year</u>	<u>Full-time Equivalent Employees</u>				
	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
General Government.....	128.3	121.7	122.3	126.6	129.6
Board of Education.....	538.0	564.0	561.0	584.0	597.0
<b>Total.....</b>	<b>666.3</b>	<b>685.7</b>	<b>683.3</b>	<b>710.6</b>	<b>726.6</b>

Source: Town officials.

**MUNICIPAL EMPLOYEES BY CATEGORY**

<u>Department</u>	<u>Full-Time Equivalent Employees</u>
Animal Control.....	1.0
Assessor.....	3.7
Beach & Recreation.....	3.9
Building.....	2.0
Emergency Communications.....	9.0
Facilities Administration.....	3.3
Grounds Maintenance.....	9.0
Finance.....	3.3
Fire Marshal.....	2.3
Health Department.....	2.5
Human Resources.....	2.0
Land Use.....	3.9
Police Chief & Support Staff.....	4.0
Police Clerical.....	3.0
Police Officers.....	27.0
Public Works & Engineering.....	16.6
Selectman’s Office.....	2.5
Senior Services.....	10.7
Tax Office.....	2.1
Technology.....	1.5
Town Clerk.....	3.3
Youth & Family Services.....	11.7
Sub-Total General Government.....	128.3
Education <sup>1</sup> .....	538.0
Grand Total.....	<b>666.3</b>

<sup>1</sup> Includes full-time equivalent and permanent part-time employees.

Source: Town officials.

**MUNICIPAL EMPLOYEE COLLECTIVE BARGAINING REPRESENTATION**

<b>Employees Represented</b>	<b>Union Organization</b>	<b>Number of Employees Covered</b>	<b>Contract Expiration Date</b>
<b>General Government</b>			
<b>Full-time</b>			
Police.....	Council 15, AFSCME.....	27.0	6/30/2025
Dispatchers/Police Clerical.....	Emergency Communications and Records.....	8.0	6/30/2022 <sup>1</sup>
Maintenance.....	United Public Service Employee Union.....	8.0	6/30/2023
Public Works.....	Teamsters Local 443.....	12.0	6/30/2024
Town Staff.....	Unaffiliated.....	73.3	N/A
	<b>Sub-total General Government</b>	<b>128.3</b>	
<b>Board of Education</b>			
Administrators.....	Association of Madison Administrators.....	10.0	6/30/2024
Teachers.....	Madison Education Association.....	293.0	6/30/2025
Clerical.....	Madison Association of Education.....		
	Support Services.....	147.0	6/30/2025
School Nurses.....	United Public Services Employee Union.....	5.0	TBD <sup>2</sup>
Maintenance.....	Teamsters Local 443.....	33.0	6/30/2024
Cafeteria.....	National Association of Municipal.....		
	Employees Local RI 222.....	21.0	6/30/2024
BOE Staff.....	Unaffiliated.....	29.0	N/A
	<b>Sub-total Board of Education</b>	<b>538.0</b>	
	<b>Grand total all employees</b>	<b>666.3</b>	

<sup>1</sup> In negotiations.

<sup>2</sup> New bargaining unit. First contract is currently in negotiations.

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. For binding arbitration of all other municipal employee contract, there is an irrebuttable presumption that 15% of the municipal employer's budget reserve 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.

**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, two schools for pupils in grades K through 3; one lower middle school for pupils in grades 4 through 5; one upper middle school for pupils in grades 6 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.

In the fall of 2019 the Board of Education voted unanimously to adopt a 4-school model that includes the new construction of a Pre-K-5 school on the Green Hill Road Campus that currently includes Daniel Hand High School and Polson Middle

School; undertake improvements to Brown Intermediate School and transition to a K-5 school; maintain Polson Middle School for grades 6-8 and undertake improvements including a new Air Quality/HVAC system, renovations to the auditorium and various security upgrades; and maintain Daniel Hand High School for grades 9-12. Under the 4-school model, the Town Campus Modularity as well as Ryerson and Jeffrey Elementary Schools will be closed to students. A referendum vote to undertake the aforementioned changes and authorize the issuance of up to \$89.2 million in bond to fund the improvements was approved by voters of the Town in February 2022.

**EDUCATIONAL FACILITIES**

	<u>Grades</u>	<u>Date of Construction</u>	<u>Additions &amp; Renovations</u>	<u>Number of Classrooms</u>	<u>Enrollment 10/1/2022</u> <sup>1</sup>	<u>Capacity</u> <sup>2</sup>
<b><u>Elementary Schools:</u></b>						
Town Campus Modularity.....	Pre-K	2000	2000	10	44	250
Kathleen H. Ryerson.....	K-3	1966	1995	21	316	350
J. Milton Jeffrey.....	K-3	1958	1963,1987,1994	32	362	700
Sub totals				63	722	1,300
<b><u>Middle Schools:</u></b>						
Dr. Robert H. Brown.....	4-5	1970	1971, 2004	33	354	650
Walter C. Polson.....	6-8	1960	1965,1970,1987,1990	30	522	650
Sub totals				63	876	1,300
<b><u>High School:</u></b>						
Daniel Hand.....	9-12	2003	2003	60	828	1,250
Totals				186	2,426	3,850

<sup>1</sup> Includes special education students.

<sup>2</sup> Capacities are programmatic capacities and may differ from the actual physical limitations of the facilities.

Source: Superintendent of Schools.

**ENROLLMENT HISTORY**

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

<u>School Year</u>	<u>Pre-K</u>	<u>K-3</u>	<u>4-5</u>	<u>6-8</u>	<u>9-12</u>	<u>Total</u>
<i>Historical</i>						
2012-13	55	952	533	591	1,256	3,387
2013-14	41	884	546	540	1,252	3,263
2014-15	52	853	488	553	1,229	3,175
2015-16	54	837	416	556	1,164	3,027
2016-17	43	831	414	487	1,154	2,929
2017-18	41	820	393	433	1,132	2,819
2018-19	46	797	380	424	1,072	2,719
2019-20	40	637	335	590	1,012	2,614
2020-21	38	602	319	549	970	2,478
2021-22	48	640	338	539	875	2,440
2022-23	44	678	354	522	828	2,426
<i>Projected</i>						
2023-24	45	725	345	534	801	2,450
2024-25	46	766	355	543	767	2,477
2025-26	47	824	372	557	747	2,547
2026-27	48	891	392	552	756	2,639
2027-28	49	898	426	576	753	2,702

Source: Superintendent of Schools/Applied Data Services.

### III. ECONOMIC AND DEMOGRAPHIC DATA

#### POPULATION TRENDS

<u>Year</u>	<u>Town of Madison</u>	<u>% Increase</u>	<u>New Haven County</u>	<u>State of Connecticut</u>
1980	14,031	43.6	744,948	3,032,217
1990	15,485	10.4	761,337	3,107,576
2000	17,858	15.3	804,219	3,287,116
2010	18,269	2.3	862,477	3,574,097
2020	18,065	(1.1)	855,733	3,570,549

Source: U.S. Census Bureau, Decennial Census, 1980-2010; American Community Survey, 2016-2020.

#### AGE DISTRIBUTION OF THE POPULATION

<u>Age</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>
Under 5.....	772	4.3	44,155	5.2	182,708	5.1
5 - 9.....	742	4.1	45,604	5.3	192,321	5.4
10 - 14.....	1,474	8.2	50,929	6.0	221,648	6.2
15 - 19.....	1,236	6.8	58,002	6.8	241,286	6.8
20 - 24.....	890	4.9	58,983	6.9	243,381	6.8
25 - 34.....	1,082	6.0	114,417	13.4	443,917	12.4
35 - 44.....	1,497	8.3	100,973	11.8	426,097	11.9
45 - 54.....	2,981	16.5	114,471	13.4	493,186	13.8
55 - 59.....	1,826	10.1	62,943	7.4	267,164	7.5
60 - 64.....	1,249	6.9	56,399	6.6	243,375	6.8
65 - 74.....	2,563	14.2	83,534	9.8	345,407	9.7
75 - 84.....	1,125	6.2	41,948	4.9	175,909	4.9
85 and over....	628	3.5	23,375	2.7	94,150	2.6
Total.....	<u>18,065</u>	<u>100.0</u>	<u>855,733</u>	<u>100.0</u>	<u>3,570,549</u>	<u>100.0</u>
Median Age (years).....		50.1		40.5		41.1

Source: U.S. Census Bureau, American Community Survey, 2016-2020.

#### EDUCATIONAL ATTAINMENT

<u>Educational Attainment Group</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>
Less than 9th grade.....	20	0.2	24,293	4.1	99,436	4.0
9th to 12th grade.....	232	1.8	33,498	5.6	126,114	5.1
High School graduate.....	1,926	14.9	179,781	30.1	655,381	26.3
Some college, no degree.....	1,461	11.3	101,819	17.0	419,238	16.8
Associate's degree.....	760	5.9	43,480	7.3	193,036	7.8
Bachelor's degree.....	4,650	35.9	113,619	19.0	551,459	22.2
Graduate or professional degree.....	<u>3,902</u>	<u>30.1</u>	<u>101,570</u>	<u>17.0</u>	<u>444,541</u>	<u>17.9</u>
Total.....	<u>12,951</u>	<u>100.0</u>	<u>598,060</u>	<u>100.0</u>	<u>2,489,205</u>	<u>100.0</u>
Percent of High School Graduates		98.1%		90.4%		91.0%
Percent of College Graduates		66.0%		36.0%		40.1%

Source: U.S. Census Bureau, American Community Survey, 2016-2020.

## SELECTED WEALTH AND INCOME INDICATORS

	<u>Median Family Income</u>		<u>Per Capita Income</u>	
	<u>(2000)</u>	<u>(2020)</u>	<u>(2000)</u>	<u>(2020)</u>
Town of Madison.....	\$ 101,297	\$ 143,000	\$ 40,537	\$ 62,752
New Haven County.....	60,549	92,508	24,439	39,134
Connecticut.....	65,521	102,061	28,766	45,668
United States.....	49,600	80,069	21,690	35,384

Source: U.S. Census Bureau, American Community Survey, 2016-2020.

## INCOME DISTRIBUTION

	<u>Town of Madison</u>		<u>New Haven County</u>		<u>State of Connecticut</u>	
	<u>Families</u>	<u>Percent</u>	<u>Families</u>	<u>Percent</u>	<u>Families</u>	<u>Percent</u>
Less than \$10,000 .....	38	0.8	6,899	3.3	24,418	2.7
\$ 10,000 to 14,999 .....	15	0.3	3,864	1.9	14,648	1.6
\$ 15,000 to 24,999 .....	31	0.6	10,204	4.9	38,026	4.2
\$ 25,000 to 34,999 .....	175	3.5	12,361	5.9	46,409	5.1
\$ 35,000 to 49,999 .....	248	4.9	18,561	8.9	75,375	8.3
\$ 50,000 to 74,999 .....	441	8.7	32,009	15.4	129,070	14.3
\$ 75,000 to 99,999 .....	689	13.6	27,988	13.4	113,813	12.6
\$100,000 to 149,999 .....	1,058	20.9	43,256	20.8	189,460	21.0
\$150,000 to 199,999 .....	475	9.4	24,922	12.0	110,975	12.3
\$200,000 or more .....	1,892	37.4	28,107	13.5	160,802	17.8
Total .....	<u>5,062</u>	<u>100.0</u>	<u>208,171</u>	<u>100.0</u>	<u>902,996</u>	<u>100.0</u>

Source: U.S. Census Bureau, American Community Survey, 2016-2020.

## EMPLOYMENT BY INDUSTRY

<u>Employment Sector</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>
Agriculture, Forestry, Fishing, Hunting & Mining.....	17	0.2	1,049	0.2	7,173	0.4
Manufacturing.....	423	4.8	25,848	6.0	110,308	6.1
Construction.....	1,304	14.7	46,774	10.9	188,968	10.5
Wholesale Trade.....	286	3.2	10,935	2.5	42,782	2.4
Retail Trade.....	671	7.6	46,359	10.8	190,314	10.5
Transportation, Warehousing & Utilities.....	227	2.6	19,333	4.5	78,107	4.3
Information.....	239	2.7	7,976	1.9	36,880	2.0
Finance, Insurance & Real Estate.....	683	7.7	27,682	6.4	163,661	9.1
Professional, Scientific & Management.....	1,180	13.3	43,197	10.1	211,665	11.7
Educational Services & Health Care.....	2,474	28.0	133,012	31.0	478,318	26.5
Arts, Entertainment, Recreation & Food Services.....	540	6.1	32,804	7.6	149,684	8.3
Other Service (including nonprofit).....	381	4.3	18,622	4.3	82,940	4.6
Public Administration.....	424	4.8	15,825	3.7	66,725	3.7
Total.....	<u>8,849</u>	<u>100.0</u>	<u>429,416</u>	<u>100.0</u>	<u>1,807,525</u>	<u>100.0</u>

Source: U.S. Census Bureau, American Community Survey, 2016-2020.

## MAJOR EMPLOYERS

<u>Name of Employer</u>	<u>Nature of Entity</u>	<u>Estimated Number of Employees</u>
Town of Madison.....	Municipality.....	666
Clarity Software Solutions.....	Private Business.....	135
Grove School.....	Educational Facility.....	115
Roberts Food Center.....	Grocery Store.....	120
Stop and Shop.....	Grocery Store.....	125
Camp Laurelwood.....	Camp.....	125
Madison Beach Hotel/Wharf Restaurant.....	Hotel.....	90
Madison Beach Club.....	Private Club.....	90
The Hearth at Tuxis Pond.....	Healthcare Facility.....	85
Harborside Healthcare/Madison House.....	Long-Term Health Care Facility.....	75
Total.....		<u>1,626</u>

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>Period</u>	<u>Town of Madison</u>		<u>Percentage Unemployed</u>		
	<u>Employed</u>	<u>Unemployed</u>	<u>Town of Madison (%)</u>	<u>New Haven Labor Market (%)</u>	<u>State of Connecticut (%)</u>
Jan-Oct 2022 .....	9,011	289	3.1	4.0	4.3
<u>Annual Average</u>					
2021.....	8,626	383	4.3	5.9	4.3
2020.....	8,673	497	5.4	7.2	7.8
2019.....	9,190	243	2.6	3.4	3.5
2018.....	9,036	268	2.9	3.8	3.9
2017.....	8,962	301	3.2	4.4	4.4
2016.....	8,755	327	3.6	4.8	4.8
2015.....	8,864	364	4.0	5.6	5.6
2014.....	8,556	455	5.0	6.7	6.6
2013.....	8,337	535	6.0	8.1	8.0
2012.....	8,364	579	6.5	8.6	8.4

Source: State of Connecticut, Department of Labor.

### BUILDING PERMITS

<u>Fiscal Year</u> <u>Ending 6/30</u>	<u>Number of</u> <u>Permits</u>	<u>Value of</u> <u>Permits</u>
2022	2,366	\$ 68,450,822
2021	2,587	58,407,628
2020	1,153	36,678,000
2019	2,158	32,700,000
2018	1,907	32,574,905
2017	1,836	22,541,095
2016	2,157	32,270,053
2015	1,903	28,589,872
2014	1,773	22,833,617
2013	2,099	30,342,598

Source: Town Building Department.

### NUMBER OF DWELLING UNITS

<u>2020</u>	<u>2010</u>	<u>2000</u>	<u>1990</u>	<u>% Increase</u> <u>2000-2020</u>	<u>% Increase</u> <u>1990-2020</u>
8,162	8,049	7,386	6,511	9.6%	25.4%

Source: U.S. Census Bureau, American Community Survey, 2016-2020.

### HOUSING INVENTORY

<u>Type</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>
1-unit, detached.....	7,377	90.4	10,075	46.3	897,094	59.0
1-unit, attached.....	214	2.6	744	3.4	85,585	5.6
2 units.....	121	1.5	2,968	13.6	125,289	8.2
3 or 4 units.....	166	2.0	1,866	8.6	128,352	8.4
5 to 9 units.....	187	2.3	1,410	6.5	80,405	5.3
10 to 19 units.....	8	0.1	1,212	5.6	54,136	3.6
20 or more units.....	89	1.1	3,438	15.8	137,923	9.1
Mobile home, boat, other.....	0	0.0	37	0.2	12,415	0.8
Total .....	<u>8,162</u>	<u>100.0</u>	<u>21,750</u>	<u>100.0</u>	<u>1,521,199</u>	<u>100.0</u>

Source: U.S. Census Bureau, American Community Survey, 2016-2020.

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### OWNER OCCUPIED HOUSING VALUES

<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>
Less than \$50,000.....	32	0.5	4,002	1.9	17,908	2.0
\$ 50,000 to \$ 99,999 .....	28	0.5	9,551	4.6	26,616	2.9
\$ 100,000 to \$149,999 .....	0	0.0	22,947	11.1	76,280	8.3
\$ 150,000 to \$199,999 .....	72	1.2	33,787	16.3	135,429	14.8
\$ 200,000 to \$299,999 .....	633	10.8	60,287	29.2	249,697	27.3
\$ 300,000 to \$499,999 .....	3,028	51.7	57,488	27.8	255,697	27.9
\$ 500,000 to \$999,999 .....	1,839	31.4	16,253	7.9	110,850	12.1
\$1,000,000 and over .....	221	3.8	2,495	1.2	42,931	4.7
<b>Total.....</b>	<b>5,853</b>	<b>100.0</b>	<b>206,810</b>	<b>100.0</b>	<b>915,408</b>	<b>100.0</b>
<b>Median Value</b>	\$424,000		\$252,300		\$279,700	

Source: U.S. Census Bureau, American Community Survey, 2016-2020.

### 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>
Built 2014 or later.....	10	0.1	4,262	1.2	23,860	1.6
Built 2010 to 2013.....	30	0.4	3,527	1.0	22,107	1.5
Built 2000 to 2009.....	832	10.2	21,460	5.8	102,986	6.8
Built 1990 to 1999.....	781	9.6	26,952	7.3	118,768	7.8
Built 1980 to 1989.....	1,215	14.9	45,440	12.3	188,346	12.4
Built 1970 to 1979.....	1,840	22.5	49,631	13.5	204,902	13.5
Built 1960 to 1969.....	1,044	12.8	45,712	12.4	206,458	13.6
Built 1950 to 1959.....	896	11.0	54,837	14.9	223,513	14.7
Built 1940 to 1949.....	330	4.0	26,802	7.3	102,488	6.7
Built 1939 or earlier.....	1,184	14.5	89,367	24.3	327,771	21.5
Total housing units.....	<b>8,162</b>	<b>100.0</b>	<b>367,990</b>	<b>100.0</b>	<b>1,521,199</b>	<b>100.0</b>
Percent Owner Occupied.....		83.2%		62.1%		66.1%

Source: U.S. Census Bureau, American Community Survey, 2016-2020.

### 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.....	10,724	45.5	8,170	38.9	2,553	99.3
Commercial.....	279	1.2	261	1.2	18	0.7
Institutional.....	635	2.7	635	3.0	-	0.0
Open Space.....	10,315	43.8	10,315	49.1	-	0.0
Other <sup>1</sup> .....	1,611	6.8	1,611	7.7	-	0.0
Total Area.....	<b>23,564</b>	<b>100.0</b>	<b>20,992</b>	<b>100.0</b>	<b>2,571</b>	<b>100.0</b>

<sup>1</sup> Other use contains Public Utilities and Roads/Right of Ways

Source: Town of Madison, Planning Department.



## IV. TAX BASE DATA

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### ASSESSMENTS

The Town of Madison last had a general property revaluation for the grand list dated October 1, 2018. 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.

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.

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.

**COMPARATIVE ASSESSED VALUATIONS**

<b>Grand List As of 10/1</b>	<b>Real Property</b>	<b>Personal Property</b>	<b>Motor Vehicle Property</b>	<b>Gross Taxable Grand List</b>	<b>Less Exemptions</b>	<b>Net Taxable Grand List</b>
2021	\$2,731,454,207	\$87,967,350	\$229,620,480	\$3,049,042,037	\$9,462,850	\$3,039,579,187
2020	2,717,330,077	82,865,770	181,706,810	2,981,902,657	8,186,691	2,973,715,966
2019	2,709,711,900	79,251,530	171,650,441	2,960,613,871	8,245,513	2,952,368,358
2018 <sup>1</sup>	2,695,098,900	74,927,671	171,465,907	2,941,492,478	8,583,260	2,932,909,218
2017	2,682,848,200	62,627,330	167,606,825	2,913,082,355	8,697,430	2,904,384,925
2016	2,672,487,600	61,544,750	164,082,112	2,898,114,462	9,206,150	2,888,908,312
2015	2,660,790,600	59,406,441	162,452,600	2,882,649,641	9,824,120	2,872,825,521
2014	2,653,792,700	55,045,264	162,561,400	2,871,399,364	10,176,160	2,861,223,204
2013 <sup>1</sup>	2,654,593,300	52,996,187	161,432,490	2,869,021,977	10,114,260	2,858,907,717
2012	3,262,430,578	51,185,576	154,687,500	3,468,303,654	10,513,730	3,457,789,924

<b>Grand List As of 10/1</b>	<b>Residential Real Property</b>	<b>Commercial &amp; Industrial Real Property</b>	<b>Vacant Land</b>	<b>Total Real Property</b>
2021	\$2,502,224,717	\$200,142,290	\$29,087,200	\$2,731,454,207
2020	2,489,859,887	197,891,390	29,578,800	2,717,330,077
2019	2,481,022,940	196,997,860	31,691,100	2,709,711,900
2018 <sup>1</sup>	2,473,164,700	191,392,700	30,541,500	2,695,098,900
2017	2,472,996,000	180,611,300	29,240,900	2,682,848,200
2016	2,462,672,800	179,595,100	30,219,700	2,672,487,600
2015	2,450,789,900	180,454,900	29,545,800	2,660,790,600
2014	2,452,713,700	172,902,600	28,176,400	2,653,792,700
2013 <sup>1</sup>	2,450,345,200	172,360,700	31,887,400	2,654,593,300
2012	3,045,313,468	178,181,910	38,935,200	3,262,430,578

<sup>1</sup> Revaluation Year.

Source: Assessor's Office, Town of Madison.

**PROPERTY TAX LEVIES AND COLLECTIONS**

<b>Fiscal Ended 30-Jun</b>	<b>Taxable Grand List</b>	<b>Total Tax Rate ( Mills)</b>	<b>Adjusted Tax Levy</b>	<b>Collected End of Each FY</b>	<b>Uncollected Taxes % Annual Levy Fiscal Year</b>	<b>As of 6/30/2022 <sup>2</sup></b>
2023 <sup>1</sup>	\$3,039,579,187	29.41	\$ 88,760,124	N/A	N/A	N/A
2022 <sup>2</sup>	2,973,715,966	28.85	82,692,182	99.5%	0.5%	\$420,851
2021	2,952,368,358	28.35	83,631,378	99.8%	0.2%	189,311
2020 <sup>3</sup>	2,932,909,218	28.35	83,058,081	99.9%	0.1%	110,376
2019	2,904,384,925	28.04	81,527,844	99.4%	0.1%	95,461
2018	2,888,908,312	27.30	78,890,981	99.5%	0.1%	73,665
2017	2,872,825,521	26.49	76,096,977	99.5%	0.1%	42,991
2016	2,861,223,204	25.76	73,526,539	99.5%	0.1%	37,145
2015 <sup>3</sup>	2,858,907,717	25.17	71,781,400	99.4%	0.0%	31,259
2014	3,457,789,924	20.39	69,958,789	99.5%	0.0%	23,171

<sup>1</sup> Adopted Budget.

<sup>2</sup> Unaudited estimate.

<sup>3</sup> Revaluation Year.

Source: Assessors Office, Town of Madison.

**MOTOR VEHICLE PROPERTY TAX RATE**

Connecticut General Statutes Section 12-71e creates a cap on the local property tax mill rate for motor vehicles. The statute provides that (1) for the assessment year October 1, 2016, the mill rate for motor vehicles shall not exceed 39 mills, and (2) for the assessment year October 1, 2017 to October 1, 2020, inclusive, the mill rate for motor vehicles shall not exceed 45 mills, and (3) for the assessment year commencing October 1, 2021, and each assessment year thereafter, the mill rate for motor vehicles shall not exceed 32.46 mills. No district or borough may set a motor vehicle mill rate that if combined with the motor vehicle mill rate of the town or city in which such district or borough is located would result in a combined motor vehicle mill rate in excess of these mill rate caps. The Town’s mill rate for motor vehicles for fiscal year 2022-2023 is 29.41.

For the fiscal year ending June 30, 2022, motor vehicle property tax grants to municipalities that impose mill rates on real property and personal property other than motor vehicles greater than 45 mills or that, when combined with the mill rate of any district located within the municipality, impose mill rates greater than 45 mills, shall be made in an amount equal to the difference between the amount of property taxes levied by the municipality and any district located within the municipality on motor vehicles for the assessment year October 1, 2020, and the amount such levy would have been if the mill rate on motor vehicles for that assessment year was 45 mills. For the fiscal year ending June 30, 2023, and each fiscal year thereafter, motor vehicle property tax grants to municipalities that impose mill rates on real property and personal property other than motor vehicles greater than 32.46 mills or that, when combined with the mill rate of any district located within the municipality, impose mill rates greater than 32.46 mills, shall be made in an amount equal to the difference between the amount of property taxes levied by the municipality and any district located within the municipality on motor vehicles for the assessment year October 1, 2021, and each assessment year thereafter, and the amount such levy would have been if the mill rate on motor vehicles for that assessment year was 32.46 mills.

**TEN LARGEST TAXPAYERS**

<u>Name of Taxpayer</u>	<u>Nature of Property</u>	<u>Estimated Assessment as of 10/1/2021</u>	<u>Rank</u>	<u>Percent of Total</u>
Eversource.....	Utility.....	\$ 42,827,790	1	1.41%
Madison Beach Hotel.....	Hotel.....	8,653,000	2	0.28%
Connecticut Water Company.....	Utility.....	6,768,630	3	0.22%
Hearth at Tuxis Pond LLC.....	Nursing/Health Facility.....	6,635,200	4	0.22%
Southern Connecticut Gas.....	Utility.....	6,314,080	5	0.21%
Sherwood Island 44 LLC.....	Supermarket/Retail Strip.....	5,888,500	6	0.19%
Connecticut Light & Power.....	Utility.....	5,273,820	7	0.17%
Debolina LLC.....	School- Private.....	5,056,600	8	0.17%
Madison House Prop Co LLC.....	Nursing/Health Facility.....	3,710,000	9	0.12%
Davis Realty LLC.....	Real Estate.....	3,290,000	10	0.11%
Total		<u>\$ 94,417,620</u>		<u>3.11%</u>

Source: Assessor Office, Town of Madison.

**EQUALIZED NET GRAND LIST**

<u>Grand List of 10/1</u>	<u>Equalized Net Grand List</u>	<u>% Growth</u>
2020	\$5,125,254,449	16.78%
2019	4,388,761,355	4.72%
2018	4,190,771,740	-1.85%
2017	4,269,820,427	1.59%
2016	4,202,834,048	-0.15%
2015	4,209,286,504	-0.04%
2014	4,211,167,689	3.07%
2013	4,085,765,310	-6.11%
2012	4,351,612,899	4.38%
2011	4,169,051,045	-3.52%

Source: State of Connecticut, Office of Policy and Management.

## V. FINANCIAL INFORMATION

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### FISCAL YEAR

The Town's fiscal year begins July 1 and ends June 30.

### BASIS OF ACCOUNTING

#### *Accounting Policies*

The financial statements of the Town of Madison, Connecticut 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. Please refer to Appendix A "Basic Financial Statements" herein for compliance and implementation details.

The reporting model includes the following segments:

*Management's Discussion and Analysis ("MD&A")* – provides introductory information on basic financial statements and an analytical overview of the Town's financial activities.

*Government-wide financial statements* – consist of a statement of net assets and a statement of activities, which are prepared on the accrual basis of accounting. These statements distinguish between governmental activities and business-type activities and exclude fiduciary activities (employee retirement system and agency funds). Capital assets, including infrastructure and long-term obligations are included along with current assets and liabilities.

*Fund financial statements* – provides information about the Town's governmental, proprietary and fiduciary funds. These statements emphasize major fund activity and, depending on the fund type, utilize a different basis of accounting.

*Required supplementary information* – in addition to the MD&A, budgetary comparison schedules are presented for the General Fund.

Please refer to Appendix A "Basic Financial Statements" herein for measurement focus and basis of accounting of the government-wide financial statements as well as the fiduciary fund financial statements of the Town of Madison.

### ANNUAL 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, Mahoney Sabol & Company, LLP, 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, 2021, 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 Mahoney Sabol & Company, LLP, Certified Public Accountants, Glastonbury, Connecticut. The information contained in "Appendix A" is not the whole audit report. Individuals wishing a complete document should contact the Finance Director.

### BUDGETARY PROCEDURES

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 \$250,000 or less may be recommended by the Board of Selectmen and approved by the Board of Finance without Town Meeting approval. All balances in the General Fund at the end of the fiscal year revert to the Fund Balance.

#### **MUNICIPAL BUDGET EXPENDITURES CAP**

Connecticut General Statutes Section 4-661 creates a cap on adopted general budget expenditures for municipalities in Connecticut in order for municipalities to be eligible to receive the full amount of the State's municipal revenue sharing grant. Beginning in fiscal year ending June 30, 2018, and in each fiscal year thereafter, the Office of Policy and Management ("OPM") must reduce the municipal revenue sharing grant amount for those municipalities whose adopted general budget expenditures (with certain exceptions including but not limited to debt service, special education, implementation of court orders or arbitration awards, budgeting for an audited deficit, nonrecurring grants, capital expenditures of \$100,000 or more, or payments on unfunded pension liabilities, and certain major disaster or emergency expenditures) exceeds the spending limits specified in the statute. For each applicable fiscal year, OPM must determine the municipality's percentage growth in general budget expenditures over the prior fiscal year and reduce the grant if the growth rate is equal to or greater than 2.5% or the inflation rate, whichever is greater, each of those amounts adjusted by an amount proportionate to any increase in the municipality's population from the previous fiscal year. The reduction is generally equal to 50 cents for every dollar the municipality spends over this cap. Each municipality must annually certify to the Secretary of the OPM whether such municipality has exceeded the cap set forth in the statute and if so the amount by which the cap was exceeded. For fiscal year ending June 30, 2023 the Town expect to receive municipal revenue sharing grant in the amount of \$274,184.

**PENSION PLANS**

***Defined Benefit Public Retirement System Pension Plans***

The Town 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’s financial reporting entity and are accounted for in the fiduciary fund financial statements as Pension Trust Funds. The PERS include the Town Employees’ Pension Plan (the “Town Plan”), the Police Pension Plan (the “Police Plan”), and the Firemen’s Benefit Plan (the “Fire 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. It is the policy of the Town to have actuarial valuations every year. The most recent completed actuarial valuations for the Town Plan, Police Plan and Fire Plan is dated July 1, 2021.

In accordance with Government Accounting Standards Board's (GASB) Statement No. 67, the components of the net pension liability of the Town plans as of June 30, 2022 were as follows:

	<b>Town Employees' Retirement Plan</b>				
Fiscal Year Ending June 30	2022	2021	2020	2019	2018
Total pension liability.....	\$ 34,319,758	\$ 33,263,700	\$ 30,564,415	\$ 27,090,988	\$ 25,992,878
Plan fiduciary net position.....	22,384,510	25,778,252	20,286,759	19,874,937	18,865,295
Net pension liability.....	<u>\$ 11,935,248</u>	<u>\$ 7,485,448</u>	<u>\$ 10,277,656</u>	<u>\$ 7,216,051</u>	<u>\$ 7,127,583</u>
Plan fiduciary net position as a % of total pension liability.....	65.22%	77.50%	66.37%	73.36%	72.58%
Covered Employee Payroll.....	\$ 8,503,214	\$ 8,431,963	\$ 8,301,642	\$ 8,446,424	\$ 7,593,574
Net Pension liability as a % of covered employee payroll.....	140.36%	88.77%	123.80%	85.43%	93.86%
	<b>Police Retirement Plan</b>				
Fiscal Year Ending June 30	2022	2021	2020	2019	2018
Total pension liability.....	\$ 21,138,187	\$ 20,842,966	\$ 20,116,352	\$ 19,259,854	\$ 18,828,096
Plan fiduciary net position.....	13,858,356	16,834,453	13,726,322	13,958,739	13,792,852
Net pension liability.....	<u>\$ 7,279,831</u>	<u>\$ 4,008,513</u>	<u>\$ 6,390,030</u>	<u>\$ 5,301,115</u>	<u>\$ 5,035,244</u>
Plan fiduciary net position as a % of total pension liability.....	65.56%	80.77%	68.23%	72.48%	73.26%
Covered Employee Payroll.....	\$ 1,762,519	\$ 1,777,185	\$ 1,734,081	\$ 1,678,549	\$ 1,634,080
Net Pension liability as a % of covered employee payroll.....	413.04%	225.55%	368.50%	315.82%	308.14%

**Volunteer Fire Supplement Retirement Plan**

Fiscal Year Ending June 30	2022	2021	2020	2019	2018
Total pension liability.....	\$ 2,024,265	\$ 1,956,643	\$ 1,915,392	\$ 1,839,151	\$ 1,872,167
Plan fiduciary net position.....	1,468,193	1,802,669	1,470,719	1,491,300	1,501,886
Net pension liability.....	<u>\$ 556,072</u>	<u>\$ 153,974</u>	<u>\$ 444,673</u>	<u>\$ 347,851</u>	<u>\$ 370,281</u>
Plan fiduciary net position as a % of total pension liability.....	72.53%	92.13%	76.78%	81.09%	80.22%
Covered Employee Payroll.....	N/A	N/A	N/A	N/A	N/A
Net Pension liability as a % of covered employee payroll.....	N/A	N/A	N/A	N/A	N/A

The following represents the net pension liability of the Town, calculated using the current discount rate of each plan, as well as what the Town's net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage point higher than the current rate:

	<b>1% Decrease</b> <b>5.75%</b>	<b>Current</b> <b>Discount Rate</b> <b>6.75%</b>	<b>1% Increase</b> <b>7.75%</b>
Town Plan.....	\$ 15,802,319	\$ 11,935,248	\$ 8,662,153

	<b>1% Decrease</b> <b>5.75%</b>	<b>Current</b> <b>Discount Rate</b> <b>6.75%</b>	<b>1% Increase</b> <b>7.75%</b>
Police Retirement Plan.....	\$ 9,681,503	\$ 7,279,831	\$ 5,269,583

	<b>1% Decrease</b> <b>5.50%</b>	<b>Current</b> <b>Discount Rate</b> <b>6.50%</b>	<b>1% Increase</b> <b>7.50%</b>
Volunteer Fire Department Supplemental Retirement Plan.....	\$ 774,396	\$ 556,072	\$ 369,903

*[The remainder of this page intentionally left blank]*

The following represents historic trend information of the Town's Pension Plans:

**Schedule of Funding Progress**

<b>Actuarial Valuation Date</b>	<b>Actuarial Value of Assets</b>	<b>Actuarial Accrued Liability (AAL)</b>	<b>Unfunded AAL (UAAL)</b>	<b>Funded Ratio</b>	<b>Covered Payroll</b>	<b>UAAL as a Percentage of Covered Payroll</b>
<i><u>Town Employees' Retirement Plan</u></i>						
7/1/2021	\$ 22,865,369	\$ 33,201,772	\$ 10,336,403	68.9%	\$ 7,670,867	134.7%
7/1/2020	20,764,679	31,855,473	11,090,794	65.2%	8,503,214	130.4%
7/1/2019	19,889,632	29,440,126	9,550,494	67.6%	8,431,963	113.3%
7/1/2018	19,188,800	26,179,970	6,991,170	73.3%	8,301,642	84.2%
7/1/2017	18,523,511	25,086,662	6,563,151	73.8%	8,446,424	77.7%
<i><u>Police Retirement Plan</u></i>						
7/1/2021	\$ 15,158,801	\$ 21,024,271	\$ 5,865,470	72.1%	\$ 1,529,152	383.6%
7/1/2020	14,225,668	20,548,948	6,323,280	69.2%	1,762,519	358.8%
7/1/2019	14,089,861	19,773,723	5,683,862	71.3%	1,777,185	319.8%
7/1/2018	14,008,367	18,930,191	4,921,824	74.0%	1,734,081	283.8%
7/1/2017	13,669,715	18,522,645	4,852,930	73.8%	1,678,549	289.1%
<i><u>Volunteer Fire Supplemental Retirement Plan</u></i>						
7/1/2021	\$ 1,639,922	\$ 1,980,129	\$ 340,207	82.8%	N/A	N/A
7/1/2020	1,546,609	1,925,318	378,709	80.3%	N/A	N/A
7/1/2019	1,545,305	1,870,603	325,298	82.6%	N/A	N/A
7/1/2018	1,549,747	1,804,336	254,589	85.9%	N/A	N/A
7/1/2017	1,480,950	1,827,906	346,956	81.0%	N/A	N/A

**Schedule of Employer Contributions**

<b>Fiscal Year</b>	<b>Town Employee's Retirement Plan</b>			<b>Police Retirement Plan</b>			<b>Volunteer Fire Department Supplemental Retirement Plan</b>		
	<b>Actuarially Determined Contribution</b>	<b>Actual Contribution</b>	<b>Percentage Contributed</b>	<b>Actuarially Determined Contribution</b>	<b>Actual Contribution</b>	<b>Percentage Contributed</b>	<b>Actuarially Determined Contribution</b>	<b>Actual Contribution</b>	<b>Percentage Contributed</b>
2023 <sup>1</sup>	\$ 1,500,563	\$ 1,500,563	100.0%	\$ 561,797	\$ 561,797	100.0%	\$ 64,952	\$ 64,952	100.0%
2022 <sup>2</sup>	1,554,614	2,558,316	164.6%	626,752	655,189	104.5%	70,856	71,949	101.5%
2021	1,511,805	1,511,805	100.0%	755,497	755,497	100.0%	83,799	83,799	100.0%
2020	1,249,336	1,249,336	100.0%	645,044	645,044	100.0%	58,113	58,113	100.0%
2019	1,142,688	1,142,688	100.0%	598,365	598,363	100.0%	68,247	68,247	100.0%

<sup>1</sup> Adopted budget.

<sup>2</sup> Unaudited budget.

Source: Town officials and annual audit reports.

**Connecticut State Teachers' Retirement System**

The faculty and professional personnel of the Board of Education are eligible to participate in the State of Connecticut Teachers' Retirement System, a multiple employer public employees' retirement system described in the Connecticut General Statutes Chapter 167a. The system has been established to provide retirement and other benefits for teachers, their survivors and beneficiaries. The financial report for this may be obtained through the State Teachers' Retirement Board.

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 a single-employer other post-employment benefits plan to all Town employees retiring under the Town of Madison’s Retiree Medical Program. The level of these benefits is determined by contract for all union employees and by a Town ordinance for all non-represented employees. The Town currently pays for its other post-employment benefits on a pay-as-you-go basis.

The Town implemented GASB Statement No. 74. The following net OPEB liability of the Town OPEB Plan at June 30, 2022, determined by an actuarial valuation as of July 1, 2021 and based on actuarial assumptions as of that date, were as follows:

	<u>June 30, 2018</u>	<u>June 30, 2019</u>	<u>June 30, 2020</u>	<u>June 30, 2021</u>	<u>June 30, 2022</u>
Beginning Balance.....	\$ 20,096,051	\$ 19,634,018	\$ 21,192,520	\$ 28,147,634	\$ 27,010,475
Changes for the year:					
Service cost.....	339,036	325,311	339,736	543,473	476,679
Interest on total OPEB liability.....	720,567	759,242	741,250	625,901	585,518
Changes in benefit terms.....	-	-	-	230,577	277,552
Differences between expected and actual experience.....	-	-	(527,529)	-	(7,209,992)
Effect of assumptions changes or inputs.....	(901,124)	1,161,839	7,115,179	(1,793,438)	(4,668,654)
Benefit payments.....	<u>(620,512)</u>	<u>(687,890)</u>	<u>(713,522)</u>	<u>(743,672)</u>	<u>(763,676)</u>
Net changes.....	<u>(462,033)</u>	<u>1,558,502</u>	<u>6,955,114</u>	<u>(1,137,159)</u>	<u>(11,302,573)</u>
Ending Balance.....	<u>\$ 19,634,018</u>	<u>\$ 21,192,520</u>	<u>\$ 28,147,634</u>	<u>\$ 27,010,475</u>	<u>\$ 15,707,902</u>

The following represents the net OBEB liability of the Town, calculated using the current discount rate, as well as what the Town's net OBEB liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage point higher than the current rate:

	<u>1% Decrease</u>	<u>Current Discount Rate</u>	<u>1% Increase</u>
	<u>2.54%</u>	<u>3.54%</u>	<u>4.54%</u>
Town's Net OPEB Liability.....	\$ 18,154,759	\$ 15,707,902	\$ 13,750,145

The following represents the net OBEB liability of the Town, calculated using the current healthcare trend rate, as well as what the Town's net OBEB liability would be if it were calculated using a rate that is 1 percentage point lower or 1 percentage point higher than the current rate:

	<u>1% Decrease</u>	<u>Current Healthcare Cost Trend Rate</u>	<u>1% Increase</u>
Town's Net OPEB Liability.....	\$ 13,477,924	\$ 15,707,902	\$ 18,533,751

The following represents historic trend information of the Town’s OPEB Plans:

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets</u>	<u>Actuarial Accrued Liability (AAL)</u>	<u>Unfunded AAL (UAAL)</u>	<u>Funded Ratio</u>	<u>Covered Payroll</u>	<u>UAAL as a Percentage of Covered Payroll</u>
7/1/2021	\$ -	\$ 19,171,499	\$ (19,171,499)	0.00%	\$ 33,412,168	57.4%
7/1/2019	-	22,159,177	(22,159,177)	0.00%	29,140,269	76.0%
7/1/2017	-	18,812,581	(18,812,581)	0.00%	28,320,133	66.4%
1/1/2015	-	17,046,172	(17,046,172)	0.00%	27,011,000	63.1%
1/1/2013	-	19,559,073	(19,559,073)	0.00%	28,078,157	69.7%

For further information regarding Other Post-Employment Benefits, see Appendix A - "Notes to the Financial Statements" herein.

## 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; and (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 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.

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**COMPARATIVE GENERAL FUND OPERATING STATEMENT**  
(Budgetary Basis)

	<u>Fiscal Year 2020-21</u>			<u>Fiscal Year</u>	<u>Fiscal Year</u>
	<u>Revised</u>	<u>Actual</u>	<u>Variance</u>	<u>2021-22</u>	<u>2022-23</u>
	<u>Budget</u>	<u>Operations</u>	<u>Favorable</u>	<u>Unaudited</u>	<u>Adopted</u>
			<u>(Unfavorable)</u>	<u>Estimate</u>	<u>Budget</u>
<b>REVENUES</b>					
Property taxes.....	\$ 82,604,114	\$ 83,864,517	\$ 1,260,403	\$ 86,154,537	\$ 88,379,214
Income on investments.....	585,000	701,891	116,891	400,114	-
Intergovernmental.....	543,125	1,242,964	699,839	1,414,331	447,678
Charges for services.....	2,226,694	3,757,548	1,530,854	3,232,253	1,929,693
Appropriation of Fund Balance.....	2,598,122	-	(2,598,122)	-	500,000
<b>TOTAL REVENUES</b>	<u>\$ 88,557,055</u>	<u>89,566,920</u>	<u>1,009,865</u>	<u>\$ 91,201,235</u>	<u>\$ 91,256,585</u>
<b>EXPENDITURES</b>					
Current: .....					
General government.....	\$ 2,617,349	2,582,314	35,035	\$ 2,745,351	\$ 3,365,326
Public safety.....	5,999,704	5,977,942	21,762	6,576,567	6,603,399
Public works.....	3,768,231	3,664,459	103,772	3,800,328	3,937,705
Land and buildings administration.....	536,477	505,208	31,269	510,031	527,267
Health and welfare.....	1,743,210	1,684,364	58,846	1,660,470	1,831,154
Beach and recreation.....	1,764,608	1,764,608	-	1,644,246	1,689,283
Library.....	1,336,841	1,181,247	155,594	1,547,321	1,457,837
Education.....	56,816,750	56,472,065	344,685	57,481,093	58,757,887
Insurance and benefits.....	5,334,043	5,331,140	2,903	6,242,146	5,337,579
Capital outlay.....	42,352	39,349	3,003	62,187	39,400
Debt Service.....	3,338,047	3,338,047	-	3,351,601	3,008,363
<b>TOTAL EXPENDITURES</b>	<u>83,297,612</u>	<u>82,540,743</u>	<u>756,869</u>	<u>85,621,341</u>	<u>86,555,200</u>
Excess (deficiency) of revenues over expenditures.....	<u>5,259,443</u>	<u>7,026,177</u>	<u>1,766,734</u>	<u>5,579,894</u>	<u>4,701,385</u>
Other financing sources (uses):					
Cancellation of prior year encumbrance....	-	134,799	134,799	156,111	-
Sale of Property.....	-	-	-	2,300,000	-
Operating transfers in.....	107,600	5,551	(102,049)	107,000	103,500
Operating transfers out.....	(5,367,043)	(5,367,043)	-	(6,026,339)	(4,804,885)
Total Other financing sources (uses).....	<u>(5,259,443)</u>	<u>(5,226,693)</u>	<u>32,750</u>	<u>(3,463,228)</u>	<u>(4,701,385)</u>
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses.....	<u>\$ -</u>	<u>\$ 1,799,484</u>	<u>\$ 1,799,484</u>	<u>\$ 2,116,666</u>	<u>\$ -</u>

Source: Annual audited financial statements; fiscal year 2021-22 unaudited estimate; fiscal year 2022-23 adopted budget.

**COMPARATIVE GENERAL FUND BALANCE SHEET**  
 Summary of Audited Assets and Liabilities  
 (GAAP Basis)

<b>FISCAL YEAR ENDED:</b>	<b>2018</b>	<b>2019</b>	<b>2020</b>	<b>2021</b>	<b>2022<sup>1</sup></b>
<b>ASSETS</b>					
Cash and cash equivalents.....	\$ 9,744,156	\$ 20,985,245	\$ 33,710,834	\$ 37,449,089	\$ 33,263,739
Investments.....	12,153,153	12,588,845	-	-	-
Receivables, net.....	1,187,503	1,384,504	1,598,433	1,507,088	1,218,770
Due from other funds.....	4,317,392	2,834,499	3,185,352	5,414,362	8,159,881
Prepaid items and inventories.....	-	-	-	8,675	-
<b>TOTAL ASSETS.....</b>	<b><u>\$ 27,402,204</u></b>	<b><u>\$ 37,793,093</u></b>	<b><u>\$ 38,494,619</u></b>	<b><u>\$ 44,379,214</u></b>	<b><u>\$ 42,642,390</u></b>
<b>LIABILITIES, DEFERED INFLOWS OF RESOURCES AND FUND BALANCE</b>					
<b>LIABILITIES</b>					
Accounts payable.....	\$ 578,962	\$ 661,806	\$ 831,064	\$ 802,289	\$ 699,290
Accrued expense.....	-	-	-	459,893	455,559
Due to other funds.....	9,132,262	16,767,771	12,966,991	18,221,817	14,573,414
Deposits payable.....	-	-	-	437,346	443,936
<b>TOTAL LIABILITIES.....</b>	<b><u>9,711,224</u></b>	<b><u>17,429,577</u></b>	<b><u>13,798,055</u></b>	<b><u>19,921,345</u></b>	<b><u>16,172,199</u></b>
<b>DEFERRED INFLOWS OF RESOURCES</b>					
Unavailable revenue-property taxes.....	884,002	1,140,528	1,352,339	1,112,011	1,054,393
Advance property tax collections.....	5,815,258	5,087,809	4,991,767	3,331,711	3,293,691
<b>TOTAL DEFERRED INFLOWS OF RESOURCES.....</b>	<b><u>6,699,260</u></b>	<b><u>6,228,337</u></b>	<b><u>6,344,106</u></b>	<b><u>4,443,722</u></b>	<b><u>4,348,084</u></b>
<b>FUND BALANCES</b>					
Nonspendable.....	-	-	-	8,675	-
Assigned.....	957,233	737,976	1,673,390	1,605,711	1,338,732
Unassigned.....	10,034,487	13,397,203	16,679,068	18,399,761	20,783,375
<b>TOTAL FUND BALANCES.....</b>	<b><u>10,991,720</u></b>	<b><u>14,135,179</u></b>	<b><u>18,352,458</u></b>	<b><u>20,014,147</u></b>	<b><u>22,122,107</u></b>
<b>TOTAL LIABILITIES, DEFERED INFLOWS OF RESOURCES AND FUND BALANCES.....</b>	<b><u>\$ 27,402,204</u></b>	<b><u>\$ 37,793,093</u></b>	<b><u>\$ 38,494,619</u></b>	<b><u>\$ 44,379,214</u></b>	<b><u>\$ 42,642,390</u></b>

<sup>1</sup> Unaudited estimate.

Source: Annual audited financial statements;

## COMPARATIVE GENERAL FUND REVENUES AND EXPENDITURES

Summary of Audited Revenues and Expenditures  
(GAAP Basis)

FISCAL YEAR ENDED:	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022<sup>1</sup></u>
<b>REVENUES</b>					
Property taxes.....	\$ 78,922,266	\$ 81,551,338	\$ 83,058,502	\$ 83,864,517	\$ 86,154,537
Intergovernmental.....	8,338,172	10,143,631	10,136,079	9,777,578	9,684,225
Charges for services.....	2,099,399	2,165,461	2,681,873	3,188,418	3,055,726
Income on investments.....	15,832	1,014,980	843,130	701,891	400,270
Other.....	2,860	-	-	-	1,075
<b>TOTAL REVENUES.....</b>	<b><u>89,378,529</u></b>	<b><u>94,875,410</u></b>	<b><u>96,719,584</u></b>	<b><u>97,532,404</u></b>	<b><u>99,295,833</u></b>
<b>EXPENDITURES</b>					
Current:.....					
General government.....	2,281,160	2,236,534	2,462,538	2,548,105	2,704,263
Public safety.....	5,055,291	5,249,782	5,504,062	6,061,009	6,559,177
Public works.....	2,970,095	3,451,313	3,110,455	3,741,585	3,568,146
Land and buildings administration.....	619,574	521,886	515,607	492,465	499,707
Health and welfare.....	1,340,773	1,407,420	1,530,026	1,543,855	1,657,651
Beach and recreation.....	1,341,949	1,371,313	1,539,099	1,671,760	1,552,276
Education.....	61,414,283	64,012,845	63,655,216	63,378,730	64,546,602
Library.....	1,318,133	1,004,842	1,154,841	1,181,247	1,547,321
Insurance and benefits.....	4,666,458	4,820,316	4,937,910	5,332,178	6,238,830
Capital outlay.....	47,321	106,264	37,030	31,481	62,705
Debt Service.....	3,748,044	3,695,298	3,401,453	3,401,133	3,378,993
<b>TOTAL EXPENDITURES.....</b>	<b><u>84,803,081</u></b>	<b><u>87,877,813</u></b>	<b><u>87,848,237</u></b>	<b><u>89,383,548</u></b>	<b><u>92,315,671</u></b>
Excess (deficiency) of revenues over expenditures.....	4,575,448	6,997,597	8,871,347	8,148,856	6,980,162
Other financing sources (uses):					
Payment to refunded bond escrow agent.....	-	-	-	(3,876,683)	-
Proceeds from bond refunding.....	-	-	-	3,230,000	-
Premium on bond refunding.....	-	-	-	710,878	-
Capital Lease Financing.....	-	60,202	-	-	-
Sale of general capital assets.....	-	-	-	-	2,431,667
Operating transfers in.....	176,395	773,602	128,080	107,181	318,412
Operating transfers (out).....	(5,327,376)	(4,687,942)	(4,782,148)	(6,658,543)	(7,622,281)
Total other financing sources (uses)	<u>(5,150,981)</u>	<u>(3,854,138)</u>	<u>(4,654,068)</u>	<u>(6,487,167)</u>	<u>(4,872,202)</u>
Excess (deficiency) of revenues and other financing sources over expenditures and other uses.....	(575,533)	3,143,459	4,217,279	1,661,689	2,107,960
Fund Balance - July 1.....	<u>11,567,253</u>	<u>10,991,720</u>	<u>14,135,179</u>	<u>18,352,458</u>	<u>20,014,147</u>
Fund Balance - June 30.....	<u>\$ 10,991,720</u>	<u>\$ 14,135,179</u>	<u>\$ 18,352,458</u>	<u>\$ 20,014,147</u>	<u>\$ 22,122,107</u>

<sup>1</sup> Unaudited estimate.

Source: Annual audited financial statements;

## PROPERTY TAX REVENUES

<u>Fiscal Year</u>	<u>General Fund Revenues &amp; Transfers In</u>	<u>Property Tax Revenues</u>	<u>Property Tax Revenues as a Percentage of Total General Fund Revenues</u>
2023 <sup>1</sup>	\$ 91,360,085	\$ 88,379,214	96.7%
2022 <sup>2</sup>	102,045,912	86,154,537	84.4%
2021	97,639,585	83,864,517	85.9%
2020	96,847,664	83,058,502	85.8%
2019	95,649,012	81,551,338	85.3%

<sup>1</sup> Adopted Budget, excludes on-behalf payments to the Connecticut State Teachers' Retirement System.

<sup>2</sup> Unaudited estimate, includes on-behalf payments to the Connecticut State Teachers' Retirement System.

## INTERGOVERNMENTAL REVENUES

<u>Fiscal Year</u>	<u>General Fund Revenues &amp; Transfers In</u>	<u>Intergovernmental Revenues</u>	<u>Intergovernmental Revenue as a Percentage of Total General Fund Revenue</u>
2023 <sup>1</sup>	\$ 91,360,085	\$ 447,678	0.5%
2022 <sup>2</sup>	102,045,912	9,684,225	9.5%
2021	97,639,585	9,777,578	10.0%
2020	96,847,664	10,136,079	10.5%
2019	95,649,012	10,143,631	10.6%

<sup>1</sup> Adopted Budget, excludes on-behalf payments to the Connecticut State Teachers' Retirement System.

<sup>2</sup> Unaudited estimate, includes on-behalf payments to the Connecticut State Teachers' Retirement System.

## EXPENDITURES

<u>Fiscal Year</u>	<u>Education</u>	<u>Public Safety</u>	<u>Debt Service</u>	<u>Insurance &amp; Benefits</u>	<u>Public Works</u>
2023 <sup>1</sup>	64.3%	7.2%	3.3%	5.8%	4.3%
2022 <sup>2</sup>	64.6%	6.6%	3.4%	6.2%	3.6%
2021	70.9%	6.8%	3.8%	6.0%	4.2%
2020	72.5%	6.3%	3.9%	5.6%	3.5%
2019	72.8%	6.0%	4.2%	5.5%	3.9%
2018	72.4%	6.0%	4.4%	5.5%	3.5%
2017	72.2%	5.8%	4.7%	5.5%	3.7%
2016	71.8%	5.8%	5.7%	5.7%	3.8%

<sup>1</sup> Adopted Budget, excludes on-behalf payments to the Connecticut State Teachers' Retirement System.

<sup>2</sup> Unaudited estimate, includes on-behalf payments to the Connecticut State Teachers' Retirement System.

**VI. DEBT SUMMARY**

**PRINCIPAL AMOUNT OF INDEBTEDNESS**

As of December 27, 2022  
(Pro Forma)

**Long-Term Debt**

<u>Date of Issue</u>	<u>Purpose</u>	<u>Rate %</u>	<u>Original Issue</u>	<u>Debt Outstanding</u>	<u>Fiscal Year Maturity</u>
06/09/16	Refunding - General Purpose.....	2.00 -4.00	\$ 3,490,000	\$ 2,310,000	2030
06/09/16	Refunding - School Purpose.....	2.00 -4.00	5,065,000	1,280,000	2024
06/27/19	General Purpose.....	2.25 - 5.00	9,100,000	8,140,000	2039
06/02/21	Refunding - General Purpose.....	5.00	3,230,000	2,855,000	2030
	Total .....		<u>\$ 20,885,000</u>	<u>\$ 14,585,000</u>	

**Short-Term Debt**

<u>Date of Issue</u>	<u>Issue</u>	<u>Coupon Rate %</u>	<u>Original Issue Amount</u>	<u>Debt Outstanding Including This Issue</u>	<u>Final Maturity</u>
12/27/22	Bond Anticipation Notes.....	TBD	\$ 8,200,000	\$ 8,200,000	12/21/2023
	Total .....			<u>\$ 8,200,000</u>	

**OUTSTANDING SHORT-TERM INDEBTEDNESS**

Following this issuance, the Town will have \$8,200,000 in short-term indebtedness.

**OTHER LONG-TERM COMMITMENTS**

The Town has entered into an agreement to finance certain town equipment. The Town's capital leases lease obligations as of June 30, 2022 are as follows:

<u>Fiscal Year Ending</u>	<u>Prncipal Payments</u>
2023	\$786,346
2024	386,463
2025	328,266
2026	127,220
	<u>\$1,628,295</u>

**SCHOOL BUILDING GRANT REIMBURSEMENTS**

The State of Connecticut provides proportional progress payments for eligible school construction expenses on projects approved after July 1, 1996. Under the current program, the State of Connecticut will make proportional progress payments for eligible construction costs during the construction of the projects at the estimated reimbursement rates shown below. Currently, the Town is receiving reimbursement for the following projects:

<u>Project</u>	<u>Total Appropriation</u>	<u>Estimated Eligible Cost</u>	<u>Reimbursement Rate</u>	<u>Estimated Grant<sup>1</sup></u>
New Elementary School & Systemwide Renovations.....	\$ 89,200,000	\$ 53,926,683	18.21%	\$ 9,820,049

<sup>1</sup> Estimated grants receivable are based upon eligibility of reimbursable project costs. Final eligible costs to be determined at completion of post project audit. To date, the Town has not yet received any progress payments for the above project.

**COMBINED SCHEDULE OF DEBT THROUGH MATURITY**

As of December 27, 2022

(Pro Forma)

Fiscal Year	Existing Indebtedness			ALL ISSUES
	Principal Payments	Interest Payments	Total Debt Service	Total Principal
2022-23 <sup>1</sup>	\$ 825,000	\$ 263,788	\$ 1,088,788	\$ 825,000
2023-24	2,050,000	461,925	2,511,925	2,050,000
2024-25	1,495,000	382,825	1,877,825	1,495,000
2025-26	1,140,000	324,875	1,464,875	1,140,000
2026-27	1,130,000	276,925	1,406,925	1,130,000
2027-28	1,125,000	238,975	1,363,975	1,125,000
2028-29	1,125,000	200,575	1,325,575	1,125,000
2029-30	1,120,000	160,994	1,280,994	1,120,000
2030-31	755,000	124,381	879,381	755,000
2031-32	480,000	109,200	589,200	480,000
2032-33	480,000	97,200	577,200	480,000
2033-34	480,000	84,600	564,600	480,000
2034-35	480,000	71,400	551,400	480,000
2035-36	475,000	57,000	532,000	475,000
2036-37	475,000	42,750	517,750	475,000
2037-38	475,000	28,500	503,500	475,000
2038-39	475,000	14,250	489,250	475,000
	<u>\$ 14,585,000</u>	<u>\$ 2,940,163</u>	<u>\$ 17,525,163</u>	<u>\$ 14,585,000</u>

<sup>1</sup> Includes principal payments of \$1,715,000 and interest payments of \$295,588 made as of December 27, 2022.

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

**OVERLAPPING/UNDERLYING DEBT**

The Town does not have overlapping or underlying debt.

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

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**DEBT STATEMENT**  
As of December 27, 2022  
(Pro Forma)

<b>Bonded Indebtedness<sup>1</sup></b>	
General Purpose.....	\$ 13,305,000
Schools.....	1,280,000
<b>Total Bonded Indebtedness.....</b>	<u>14,585,000</u>
Short-Term Indebtedness.....	
<i>The Notes (This Issue)</i> .....	8,200,000
<b>Total Short-Term Indebtedness.....</b>	<u>8,200,000</u>
<b>Total Direct Indebtedness.....</b>	<u>22,785,000</u>
<b>Exclusions:</b>	
State School Building Grants.....	-
<b>Total Net Direct Indebtedness.....</b>	<u><u>\$ 22,785,000</u></u>

<sup>1</sup> Excludes capital lease obligations.

**CURRENT DEBT RATIOS**  
As of December 27, 2022  
(Pro Forma)

Total Direct Debt <sup>1</sup> .....	\$22,785,000
Net Direct Debt <sup>1</sup> .....	\$22,785,000
Population <sup>2</sup> .....	18,065
Net Taxable Grand List (10/1/21).....	\$3,039,579,187
Estimated Full Value.....	\$4,342,255,981
Equalized Net Taxable Grand List (2020) <sup>3</sup> .....	\$5,125,254,449
Per Capita Income (2020) <sup>2</sup> .....	\$62,752
<b>Total Direct Debt:</b>	
Per Capita.....	\$1,261.28
To Net Taxable Grand List.....	0.75%
To Estimated Full Value.....	0.52%
To Equalized Net Taxable Grand List.....	0.44%
Per Capita to Per Capita Income.....	2.01%
<b>Net Direct Debt:</b>	
Per Capita.....	\$1,261.28
To Net Taxable Grand List .....	0.75%
To Estimated Full Value .....	0.52%
To Equalized Net Taxable Grand List.....	0.44%
Per Capita to Per Capita Income.....	2.01%

<sup>1</sup> Excludes capital lease obligations.

<sup>2</sup> U.S. Census Bureau, American Community Survey, 2016-2020

<sup>3</sup> State of Connecticut, Office of Policy and Management.

**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.

Pursuant to Section 7-370c of the General Statutes of the State of Connecticut, the elective legislative body of a municipality is empowered to authorize by resolution the issuance of refunding bonds.

**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).

**LIMITATION OF INDEBTEDNESS**

Municipalities shall not incur indebtedness through the issuance of bonds or notes, which will cause aggregate indebtedness by class to exceed the following:

General Purposes: .....	2.25 times annual receipts from taxation
School Purposes:.....	4.50 times annual receipts from taxation
Sewer Purposes:.....	3.75 times annual receipts from taxation
Urban Renewal Purposes: .....	3.25 times annual receipts from taxation
Pension Obligation Purposes:.....	3.00 times annual receipts from taxation

In no case however, shall total indebtedness exceed seven times the base. "Annual receipts from taxation," (the "base,") are defined as total tax collections (including interest, penalties, and late payment of taxes, and state payments for revenue loss under CGS Sections 12-129d and 7-528).

The statutes also provide for exclusion from the debt limit calculation debt issued in anticipation of taxes; for the supply of water, gas, electricity; for the construction of subways for cables, wires and pipes; for the construction of underground conduits for cables, wires and pipes; and for two or more of such purposes. There are additional exclusions for indebtedness issued in anticipation of the receipt of proceeds from assessments levied upon property benefited by any public improvement and for indebtedness issued in anticipation of the receipt of proceeds from State or Federal grants evidenced by a written commitment or contract but only to the extent such indebtedness can be paid from such proceeds. The statutes also provide for exclusion from the debt limitation any debt upon placement in escrow of the proceeds of refunding bonds, note or other obligations or other funds of the municipality in amount sufficient to provide for the payment when due of the principal and interest on such debt.

**STATEMENT OF STATUTORY DEBT LIMITATION**

As of December 27, 2022

(Pro Forma)

Total Fiscal Year 2022 tax collections (including interest and lien fees)(unaudited estimate)	\$ 86,236,361
State Reimbursement for Revenue Loss on:	
Tax Relief for the Elderly	<u>-</u>
Base for Establishing Debt Limit	<u>\$ 86,236,361</u>

**Debt Limit <sup>1</sup>**

	<u>General Purpose</u>	<u>Schools</u>	<u>Sewers</u>	<u>Urban Renewal</u>	<u>Unfunded Past Pension</u>	<u>Total Debt</u>
(2.25 times base).....	\$ 194,031,812					
(4.50 times base).....		\$ 388,063,625				
(3.75 times base).....			\$ 323,386,354			
(3.25 times base).....				\$ 280,268,173		
(3.00 times base).....					\$ 258,709,083	
(7.00 times base).....						\$ 603,654,527
<b>Indebtedness</b>						
Bonds Payable.....	\$ 13,305,000	\$ 1,280,000	\$ -	\$ -	\$ -	\$ 14,585,000
<i>The Notes (This Issue)</i> .....	800,000	7,400,000	-	-	-	8,200,000
Authorized but Unissued Debt.....	11,100,000	81,800,000	-	-	-	92,900,000
Total Bonded Indebtedness...	<u>25,205,000</u>	<u>90,480,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>115,685,000</u>
School Grants Receivable.....	-	-	-	-	-	-
Net Bonded Indebtedness.....	<u>25,205,000</u>	<u>90,480,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>115,685,000</u>
Excess of Limit Over Outstanding and Authorized Debt.....	<u>\$ 168,826,812</u>	<u>\$ 297,583,625</u>	<u>\$ 323,386,354</u>	<u>\$ 280,268,173</u>	<u>\$ 258,709,083</u>	<u>\$ 487,969,527</u>

**AUTHORIZED BUT UNISSUED DEBT**

<u>Project</u>	<u>Amount of Total Authorization</u>	<u>Prior Bonds Issued</u>	<u>Grants Received</u>	<u>The Notes (This Issue)</u>	<u>Authorized But Unissued Debt</u>
New Elementary School & Systemwide Renovations.....	\$ 89,200,000	\$ -	\$ -	\$ 7,400,000	\$ 81,800,000
Academy Community Center & Municipal Building.....	15,900,000	-	4,000,000	800,000	11,100,000
Total All Projects	<u>\$ 105,100,000</u>	<u>\$ -</u>	<u>\$ 4,000,000</u>	<u>\$ 8,200,000</u>	<u>\$ 92,900,000</u>

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### HISTORICAL DEBT STATEMENT

	<u>2021-22<sup>1</sup></u>	<u>2020-21</u>	<u>2019-20</u>	<u>2018-19</u>	<u>2017-18</u>
Population <sup>2</sup> .....	18,065	18,065	18,065	18,113	18,183
Net taxable grand list.....	\$2,973,715,966	\$2,952,368,358	\$2,932,909,218	\$2,904,384,925	\$2,888,908,312
Estimated full value.....	\$4,248,165,666	\$4,217,669,083	\$4,189,870,311	\$4,149,121,321	\$4,127,011,874
Equalized net taxable grand list <sup>3</sup> ...	\$4,388,761,355	\$4,388,761,355	\$4,190,771,740	\$4,269,820,427	\$4,202,834,048
Per capita income <sup>2</sup> .....	\$62,752	\$62,752	\$62,752	\$54,813	\$53,943
Short-term debt.....	\$ -	\$ -	\$ -	\$ -	\$ -
Long-term debt.....	<u>\$ 16,300,000</u>	<u>\$ 19,255,000</u>	<u>\$ 22,820,000</u>	<u>\$ 25,425,000</u>	<u>\$ 19,430,000</u>
Total Direct debt.....	\$ 16,300,000	\$ 19,255,000	\$ 22,820,000	\$ 25,425,000	\$ 19,430,000
Net Direct debt.....	\$ 16,300,000	\$ 19,255,000	\$ 22,820,000	\$ 25,425,000	\$ 19,430,000

<sup>1</sup> Unaudited estimate.

<sup>2</sup> U.S. Census Bureau, American Community Survey, 2016-2020.

<sup>3</sup> Office of Policy and Management, State of Connecticut

### HISTORICAL DEBT RATIOS

	<u>2021-22<sup>1</sup></u>	<u>2020-21</u>	<u>2019-20</u>	<u>2018-19</u>	<u>2017-18</u>
<b>Total Direct debt:</b>					
Per capita.....	\$902.30	\$1,065.87	\$1,263.22	\$1,403.69	\$1,068.58
To net taxable grand list.....	0.55%	0.65%	0.78%	0.88%	0.67%
To estimated full value.....	0.38%	0.46%	0.54%	0.61%	0.47%
To equalized net taxable grand list.....	0.37%	0.44%	0.54%	0.60%	0.46%
Debt per capita to per capita income.....	1.44%	1.70%	2.01%	2.56%	1.98%
<b>Net direct debt:</b>					
Per capita.....	\$902.30	\$1,065.87	\$1,263.22	\$1,403.69	\$1,068.58
To net taxable grand list.....	0.55%	0.65%	0.78%	0.88%	0.67%
To estimated full value.....	0.38%	0.46%	0.54%	0.61%	0.47%
To equalized net taxable grand list.....	0.37%	0.44%	0.54%	0.60%	0.46%
Debt per capita to per capita income.....	1.44%	1.70%	2.01%	2.56%	1.98%

<sup>1</sup> Unaudited estimate.

### CAPITAL IMPROVEMENT PLAN

<u>Proposed Projects \$(000)</u>	<u>2022-23</u>	<u>2023-24</u>	<u>2024-25</u>	<u>2025-26</u>	<u>2026-27</u>	<u>2027-28</u>	<u>Total</u>
Beach and Recreation.....	\$ 3,036,880	\$ 125,491	\$ 63,041	\$ 167,757	\$ 25,000	\$ 275,000	\$ 3,693,169
Education.....	951,832	2,349,764	4,729,844	1,789,822	1,525,046	1,108,503	12,454,811
General Government.....	400,000	60,000	145,000	610,000	3,000,000	-	4,215,000
Facilities.....	1,918,480	537,805	3,178,782	461,444	506,359	255,736	6,858,606
Public Safety.....	745,769	525,992	1,675,157	1,157,000	622,000	1,302,000	6,027,918
Public Works.....	2,364,806	2,993,307	1,626,761	1,273,698	1,577,343	1,959,202	11,795,117
Technology.....	205,000	405,000	205,000	205,000	205,000	205,000	1,430,000
<b>Total Project Costs .....</b>	<u>\$ 9,622,767</u>	<u>\$ 6,997,359</u>	<u>\$ 11,623,585</u>	<u>\$ 5,664,721</u>	<u>\$ 7,460,748</u>	<u>\$ 5,105,441</u>	<u>\$ 46,474,621</u>
<b>Funding Sources</b>							
Capital Project Funds.....	\$ 5,110,980	\$ 4,278,411	\$ 9,448,984	\$ 5,304,721	\$ 4,960,748	\$ 5,105,441	\$ 34,209,285
Grants.....	4,511,787	2,718,948	2,174,601	360,000	2,500,000	-	12,265,336
General Obligation Bonds.....	-	-	-	-	-	-	-
<b>Total Funding Sources.....</b>	<u>\$ 9,622,767</u>	<u>\$ 6,997,359</u>	<u>\$ 11,623,585</u>	<u>\$ 5,664,721</u>	<u>\$ 7,460,748</u>	<u>\$ 5,105,441</u>	<u>\$ 46,474,621</u>

## VII. LEGAL AND OTHER INFORMATION

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### 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 Notes or the power of the Town to levy and collect taxes to pay principal and interest on the Notes.

### MUNICIPAL ADVISOR

The Town has retained Munistat Services, Inc. (the "Municipal Advisor") to serve as its municipal advisor in connection with the issuance of the Notes. The Municipal Advisor has not independently verified any of the information contained in this Official Statement and makes no guarantee as to its completeness or accuracy. The Municipal Advisor's fee for services rendered with respect to the sale of the Notes is contingent upon the issuance and delivery of the Notes, and receipt by the Town of payment therefor. The Town may engage the Municipal Advisor to perform other services, including without limitation, providing certain investment services with regards to the investment of Note proceeds.

### TRANSCRIPT AND CLOSING DOCUMENTS

Upon the delivery of 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 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 the Director of Finance, which will be 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, as of the date bids were received on the Notes, the descriptions and statements in the Official Statement (with such supplemental information concerning ratings, interest rates, and corrections) 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. The approving opinion of Shipman & Goodwin LLP, Bond Counsel, in substantially the form set out in Appendix B hereto;
4. An executed Continuing Disclosure Agreement in substantially the form set out in Appendix C hereto; and
5. A Receipt for the purchase price of the Notes;

The Town has prepared a Preliminary Official Statement for the Notes which is dated December 5, 2022. The Town deems such Official Statement final as of its date for the purposes of SEC Rule 15c2-12(b)(1), but it is subject to revision or amendment. Within seven business days of the award for the Notes, the Town will furnish the winning bidder with a reasonable number of copies of the Official Statement, as prepared for this issue at the Town's expense.

### CONCLUDING STATEMENT

Additional information may be obtained upon request from the Office of the Director of Finance at (203) 245-6310 or from Munistat Services, Inc. at (203) 421-2880.

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 Notes.

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

Shipman & Goodwin LLP 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 – “Form of Legal Opinion of Bond Counsel and Tax Exemption” and they make no representation that they have independently verified the same.

**TOWN OF MADISON, CONNECTICUT**

By: \_\_\_\_\_  
**PEGGY LYONS**  
*First Selectman*

By: \_\_\_\_\_  
**STACY S. NOBITZ, CPA**  
*Director of Finance*

Dated: December \_\_, 2022

**APPENDIX A – AUDITED FINANCIAL STATEMENTS**

**TOWN OF MADISON, CONNECTICUT**

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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, 2021, 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.

## INDEPENDENT AUDITOR'S REPORT

To the Board of Finance  
Town of Madison, Connecticut

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Town of Madison, Connecticut (the "Town") as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

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

### ***Auditor's Responsibility***

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

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

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

### ***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Town of Madison, Connecticut, as of June 30, 2021, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.



## **Other Matters**

### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 15 and the information on pages 66 through 80 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### ***Other Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town's basic financial statements. The introductory section on pages i through x, the combining and individual fund statements and schedules on pages 81 through 102, and the statistical section on pages 103 through 118 are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual fund financial statements and schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual fund financial statements and schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The introductory section and the statistical section have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

### ***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated December 30, 2021, 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, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town's internal control over financial reporting and compliance.



Certified Public Accountants  
Glastonbury, Connecticut  
December 30, 2021

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**MANAGEMENT'S DISCUSSION AND ANALYSIS**

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**TOWN OF MADISON, CONNECTICUT**  
MANAGEMENT DISCUSSION AND ANALYSIS  
AS OF AND FOR THE YEAR ENDED JUNE 30, 2021

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The management of the Town of Madison, Connecticut (the “Town”), offers the readers of its financial statements this narrative overview and analysis of the financial activities of the Town for the fiscal year ended June 30, 2021. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal, which can be found on pages i - vii of this Comprehensive Annual Financial Report (“Report”).

**FINANCIAL HIGHLIGHTS**

- The assets and deferred outflows of resources of the Town exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by \$88,526,349 (net position). Included in this amount is a deficit in unrestricted net position of \$603,227. The Town’s total net position increased by \$3,813,411.
- The Town’s total long-term bonded debt decreased by \$3,565,000 and obligations under capital leases decreased by \$589,649 during the current fiscal year.
- As of the close of the current fiscal year, the Town’s governmental funds reported combined ending fund balances of \$34,125,432, an increase of \$4,429,965 in comparison with the prior year. Of this amount, \$18,395,984 constitutes unassigned fund balance and is available for new spending.
- At the end of the current fiscal year, unassigned fund balance of the General Fund was \$18,399,761. Unassigned fund balance is sufficient to cover 2.5 months of and represents approximately 20.8% of the Town’s fiscal year 2022 budgetary expenditure appropriations.

**OVERVIEW OF THE FINANCIAL STATEMENTS**

This discussion and analysis is intended to serve as an introduction to the Town’s basic financial statements. The Town’s basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

**Government-wide Financial Statements**

The government-wide financial statements are designed to provide readers with a broad overview of the Town’s finances, in a manner similar to a private-sector business.

The statement of net position presents information on all of the Town’s assets, deferred outflows and inflows of resources, and liabilities, with the difference between these elements reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Town is improving or deteriorating.

The statement of activities presents information showing how the Town’s net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will result in cash flows in future fiscal periods.

**TOWN OF MADISON, CONNECTICUT**  
MANAGEMENT DISCUSSION AND ANALYSIS  
AS OF AND FOR THE YEAR ENDED JUNE 30, 2021

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**OVERVIEW OF THE FINANCIAL STATEMENTS *(Continued)***

**Government-wide Financial Statements *(Continued)***

Both of the government-wide financial statements are intended to distinguish functions of the Town that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the Town include: general government, public safety, public works, land and building administration, health and welfare, beach and recreation, library, and education. The Town does not have any business-type activities.

The government-wide financial statements include only the Town itself because there are no legally separate organizations for which the Town is financially accountable.

The government-wide financial statements can be found on pages 16 and 17 of this report.

**Fund Financial Statements**

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Town uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Town can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

***Governmental Funds***

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental funds financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating the Town's near-term financing requirements.

Because the focus of governmental funds financial statements is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the Town's near-term financing decisions. Both the governmental funds balance sheet and the governmental funds statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The Town maintains a number of individual governmental funds. Information is presented separately in the governmental funds balance sheet and in the governmental funds statement of revenues, expenditures, and changes in fund balances for the General Fund, the Capital Projects Fund, the Special Education Grants Fund, and the American Rescue Plan Fund, which are considered to be major funds. Data from the other remaining governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided as supplementary information in the form of combining statements.

The basic governmental fund financial statements can be found on pages 18 through 21 of this report.

**TOWN OF MADISON, CONNECTICUT**  
MANAGEMENT DISCUSSION AND ANALYSIS  
AS OF AND FOR THE YEAR ENDED JUNE 30, 2021

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**OVERVIEW OF THE FINANCIAL STATEMENTS *(Continued)***

**Fund Financial Statements *(Continued)***

***Proprietary Funds***

The Town maintains one type of proprietary fund. Internal service funds are an accounting device used to accumulate and allocate costs internally among the Town's various functions. The Town uses internal service funds 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. Because these services benefit governmental functions, they have been included within governmental activities in the government-wide financial statements.

The basic proprietary fund financial statements can be found on pages 22 through 24 of this report.

***Fiduciary Funds***

Fiduciary funds are used to account for resources held for the benefit of parties outside the Town government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to the Town's own programs. The accounting used for fiduciary funds is much like that used for the government-wide financial statements.

The basic fiduciary fund financial statements can be found on pages 25 and 26 of this report.

**Notes to the Financial Statements**

The notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the government-wide and governmental funds financial statements.

**Other Information**

In addition to the basic financial statements and accompanying notes, this report also contains required supplementary information, combining and individual fund statements and schedules, and a statistical section.

**GOVERNMENT-WIDE FINANCIAL ANALYSIS**

**Net Position**

Over time, net position may serve as one measure of a government's financial position. The Town's net position as of June 30, 2020 has been restated for the implementation of GASB Statement No. 84, *Fiduciary Activities*. The effect of implementing GASB Statement No. 84 resulted in an increase to the Town's net position of \$408,339. The Town's total net position totaled \$88,526,349 as of June 30, 2021 and \$84,712,938, as restated, as of June 30, 2020.

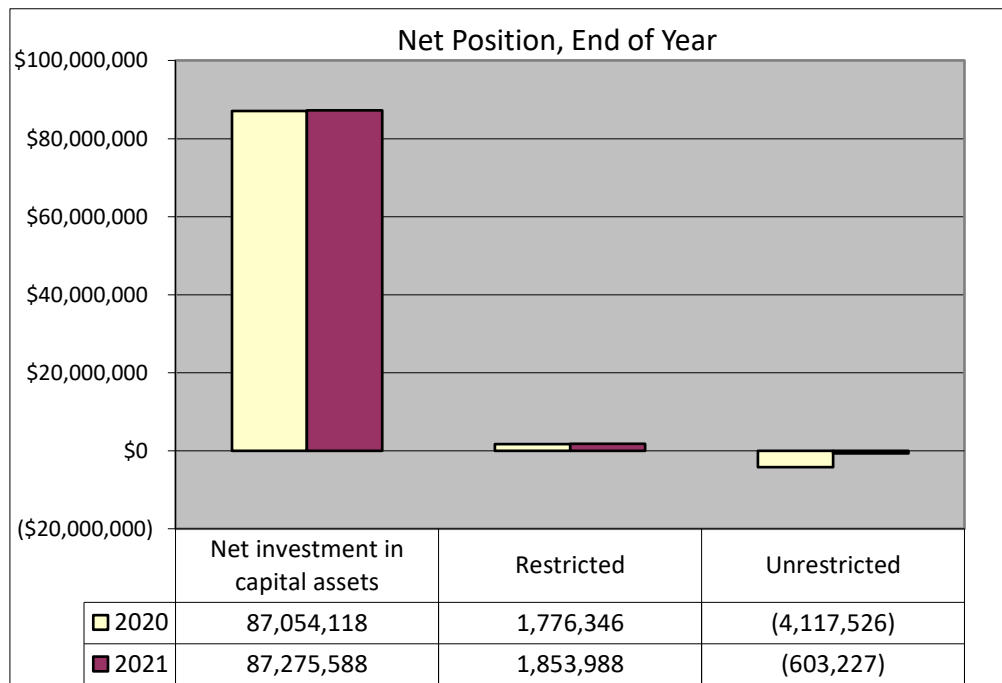
**TOWN OF MADISON, CONNECTICUT**  
**MANAGEMENT DISCUSSION AND ANALYSIS**  
**AS OF AND FOR THE YEAR ENDED JUNE 30, 2021**

**GOVERNMENT-WIDE FINANCIAL ANALYSIS (Continued)**

**Net Position (Continued)**

The net position of the Town as of June 30, 2021 and 2020 is summarized as follows:

	<b>2021</b>	<b>2020</b> <i>(As Restated)</i>	<b>\$ Variance</b>	<b>% Variance</b>
Current and other assets	\$ 50,098,500	\$ 44,330,414	\$ 5,768,086	13.0%
Capital assets, net	109,624,038	113,038,519	(3,414,481)	-3.0%
Total assets	<u>159,722,538</u>	<u>157,368,933</u>	<u>2,353,605</u>	1.5%
Deferred outflows of resources	<u>9,779,557</u>	<u>11,543,203</u>	<u>(1,763,646)</u>	-15.3%
Long-term liabilities	64,373,671	75,430,827	(11,057,156)	-14.7%
Other liabilities	5,773,847	2,428,112	3,345,735	137.8%
Total liabilities	<u>70,147,518</u>	<u>77,858,939</u>	<u>(7,711,421)</u>	-9.9%
Deferred inflows of resources	<u>10,828,228</u>	<u>6,340,259</u>	<u>4,487,969</u>	70.8%
Net position:				
Net investment in capital assets	87,275,588	87,054,118	221,470	0.3%
Restricted	1,853,988	1,776,346	77,642	4.4%
Unrestricted	(603,227)	(4,117,526)	3,514,299	-85.3%
Total net position	<u>\$ 88,526,349</u>	<u>\$ 84,712,938</u>	<u>\$ 3,813,411</u>	4.5%



**TOWN OF MADISON, CONNECTICUT**  
MANAGEMENT DISCUSSION AND ANALYSIS  
AS OF AND FOR THE YEAR ENDED JUNE 30, 2021

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**GOVERNMENT-WIDE FINANCIAL ANALYSIS *(Continued)***

**Net Position *(Continued)***

98.6% of the Town's net position as of June 30, 2021 reflects its investment in capital assets, less any related debt used to acquire those assets that is still outstanding. The Town uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Town's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources since the capital assets themselves cannot be used to liquidate these liabilities.

2.1% of the Town's net position as of June 30, 2021 is subject to external restrictions on how they may be used and are, therefore, presented as restricted.

The remainder of the Town's net position is a deficit in unrestricted net position of \$603,227.

Significant changes in the Town's financial position consisted of a decrease in long-term liabilities. The decrease in long-term liabilities includes a \$5,464,424 decrease in the Town's net pension liabilities. This decrease is primarily due to changes in actuarial assumptions, which resulted in an increase in deferred outflows of resources.

**TOWN OF MADISON, CONNECTICUT**  
**MANAGEMENT DISCUSSION AND ANALYSIS**  
**AS OF AND FOR THE YEAR ENDED JUNE 30, 2021**

**GOVERNMENT-WIDE FINANCIAL ANALYSIS (Continued)**

**Changes in Net Position**

Changes in net position for the years ended June 30, 2021 and 2020 are as follows. Certain reclassifications of been made to the amounts reported for the year ended June 30, 2020 in order to conform with the current year presentation. The amounts reported for the year ended June 30, 2020 have not been restated for the implementation of GASB Statement No. 84.

	<u>2021</u>	<u>2020</u>	<u>\$ Variance</u>	<u>% Variance</u>
Program revenues:				
Charges for services	\$ 4,115,770	\$ 3,326,383	\$ 789,387	23.7%
Operating grants and contributions	21,181,447	15,482,783	5,698,664	36.8%
Capital grants and contributions	-	854,010	(854,010)	-100.0%
General revenues:				
Property taxes	83,624,189	83,270,313	353,876	0.4%
Grants and contracts not restricted to specific programs	625,916	639,371	(13,455)	-2.1%
Rental income	340,512	585,000	(244,488)	-41.8%
Unrestricted investment earnings	701,891	869,730	(167,839)	-19.3%
Total revenues	<u>110,589,725</u>	<u>105,027,590</u>	<u>5,562,135</u>	5.3%
Program expenses:				
General government	4,136,921	4,480,006	(343,085)	-7.7%
Public safety	9,167,955	9,047,994	119,961	1.3%
Public works	6,419,776	6,265,955	153,821	2.5%
Land and building administration	1,022,265	839,817	182,448	21.7%
Health and welfare	2,707,650	3,434,780	(727,130)	-21.2%
Beach and recreation	2,905,243	3,274,352	(369,109)	-11.3%
Library	1,184,468	7,406,888	(6,222,420)	-84.0%
Education	62,329,201	59,056,405	3,272,796	5.5%
Education - State Teachers' Retirement	16,173,703	11,429,516	4,744,187	41.5%
Interest expense	729,132	778,165	(49,033)	-6.3%
Total expenses	<u>106,776,314</u>	<u>106,013,878</u>	<u>762,436</u>	0.7%
Change in net position	3,813,411	(986,288)	<u>\$ 4,799,699</u>	-486.6%
Net position - beginning, as originally reported	84,304,599	85,290,887		
Cumulative effect of implementing new accounting standard	408,339	-		
Net position - beginning, as adjusted	<u>84,712,938</u>	<u>85,290,887</u>		
Net position - ending	<u>\$ 88,526,349</u>	<u>\$ 84,304,599</u>		

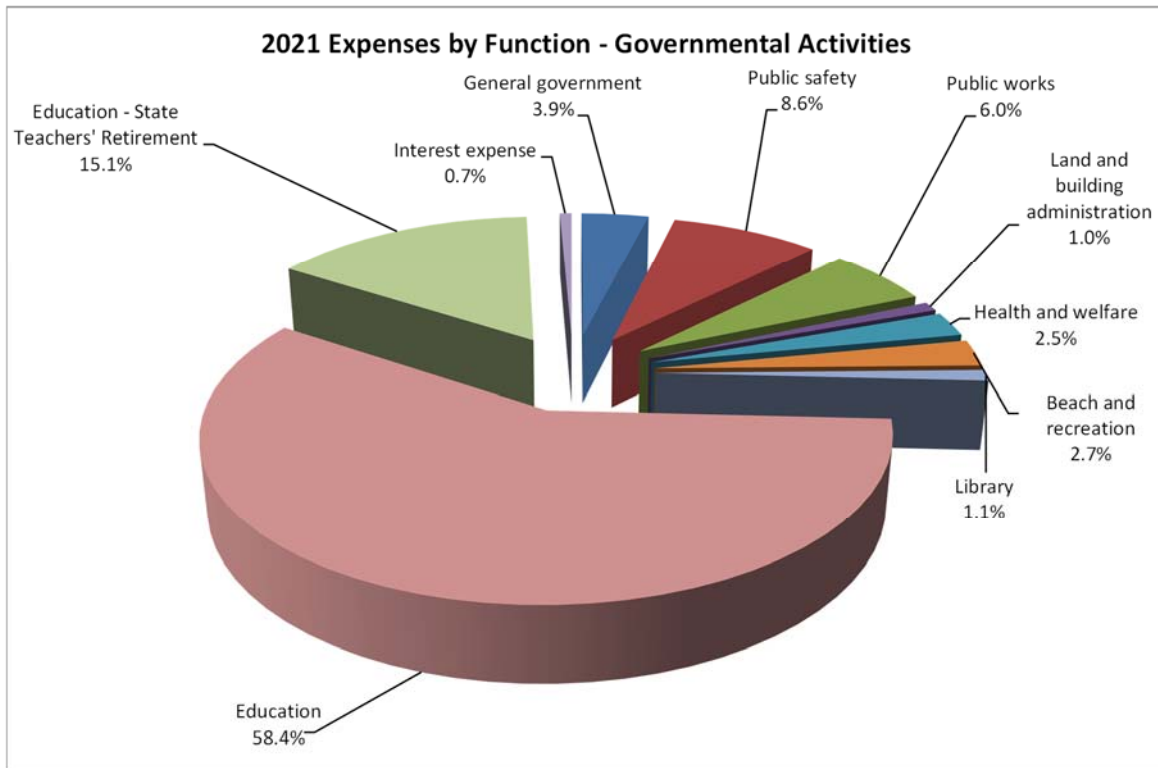
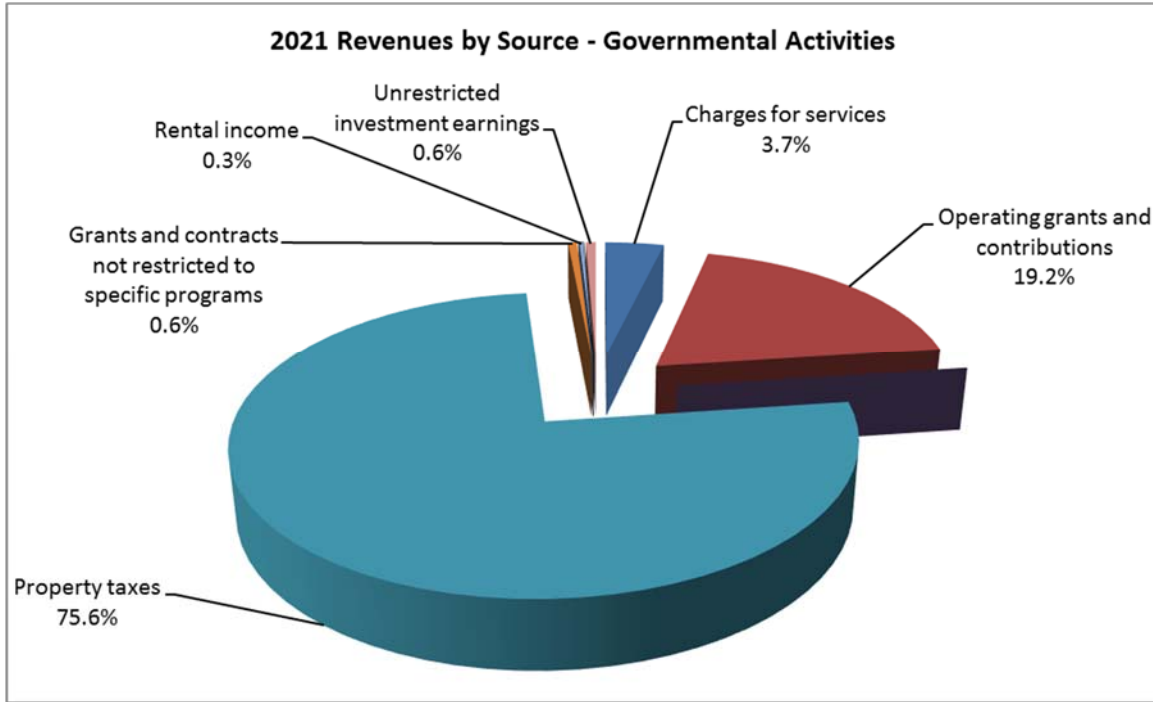


**TOWN OF MADISON, CONNECTICUT**  
**MANAGEMENT DISCUSSION AND ANALYSIS**  
**AS OF AND FOR THE YEAR ENDED JUNE 30, 2021**

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**GOVERNMENT-WIDE FINANCIAL ANALYSIS (Continued)**

**Changes in Net Position (Continued)**



**TOWN OF MADISON, CONNECTICUT**  
MANAGEMENT DISCUSSION AND ANALYSIS  
AS OF AND FOR THE YEAR ENDED JUNE 30, 2021

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**GOVERNMENT-WIDE FINANCIAL ANALYSIS (Continued)**

**Governmental Activities**

Governmental activities increased the Town's net position by \$3,813,411. Revenues reported by the Town increased by \$5,562,135 or 5.3% and expenses increased by \$762,436 or 0.7% when compared to the prior year.

The increase in revenues was impacted by the following:

- an increase in operating grants and contributions in the amount of \$5.7 million, which was driven by an increase of \$4.6 million in the amount of pension and OPEB contributions recognized by the Town for its participation in the Connecticut Teachers' Retirement System;
- a \$354 thousand or 0.4% increase in property tax revenues, driven by an increase in the Town's taxable grand list;
- an increase of \$789 thousand in charges for services revenue driven by an increase in conveyance fees of \$338 thousand and an increase in building permits of \$283 thousand.

The increase in expenses was impacted by the following:

- an increase in education expenses in the amount of \$4.6 million relating to changes in the amount of pension and OPEB expense recognized by the Town for its participation in the Connecticut Teachers' Retirement System;
- a decrease in library expenses in the amount of \$6.2 million relating to renovations made to the E.C. Scranton Memorial Library recognized in the prior year.

**FINANCIAL ANALYSIS OF THE TOWN'S FUNDS**

As noted earlier, the Town uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

**Governmental Funds**

The focus of the Town's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the Town's financing requirements. In particular, unassigned fund balance may serve as a useful measure of the Town's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the Town's governmental funds reported a combined ending fund balance of \$35,125,432, an increase of \$4,429,965 from the prior year.

**General Fund**

The General Fund is the chief operating fund of the Town. As a measure of the General Fund's liquidity, it may be useful to compare unassigned fund balance to total fund expenditures. At the end of the current fiscal year, unassigned fund balance of the General Fund was \$18,399,761. Unassigned fund balance is sufficient to cover 2.5 months of and represents approximately 20.8% of the Town's fiscal year 2022 budgetary expenditure appropriations.

The fund balance of the Town's General Fund increased by \$1,661,689 during the current fiscal year. This increase was due to a \$3.6 million budgetary revenue surplus combined with a \$757 thousand budgetary expenditure surplus, offset by a planned use of fund balance. Refer budgetary highlights discussed on the next page.

**TOWN OF MADISON, CONNECTICUT**  
MANAGEMENT DISCUSSION AND ANALYSIS  
AS OF AND FOR THE YEAR ENDED JUNE 30, 2021

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**GOVERNMENT-WIDE FINANCIAL ANALYSIS (Continued)**

**FINANCIAL ANALYSIS OF THE TOWN'S FUNDS (Continued)**

**General Fund (Continued)**

***Budgetary Highlights***

The original budget for the year ended June 30, 2021 planned for the utilization of fund balance in the amount of \$673,000. During the year, additional appropriations were approved in the amount of \$1,925,122. The increase in fund balance of the General Fund on a budgetary basis was \$1,799,484, resulting in a favorable budgetary variance of \$4,397,606. Revenues and other financing sources were \$3,640,737 higher than expected and expenditures and other financing uses were \$756,869 lower than estimated.

Special appropriations during the year totaled \$1,925,122 for the following purposes:

- \$24,482 Public Works Vehicle
- \$35,000 Brushy Waste Site
- \$42,000 Emergency Message Boards
- \$20,000 Beach and Recreation Garbage Contract
- \$32,000 Library Reopening Costs
- \$22,225 Snow Removal
- \$38,220 Police Department Overtime-COVID
- \$36,106 Police Department Overtime-Special Duty
- \$19,000 Police Department Overtime-Special Duty
- \$103,972 Emergency Services-COVID
- \$1,335 Emergency Services Overtime-COVID
- \$41,501 Beach and Recreation Beach Rake
- \$19,000 Beach and Recreation Big Bellies
- \$19,100 Health Department Hazard Waste Removal
- \$600,000 Major Roads Maintenance
- \$500,000 Public Works - Highway Equipment
- \$161,181 Construction in Progress Funding
- \$150,000 Planning Reserve
- \$60,000 Revaluation Reserve

Budgetary Highlights are as follows:

Property tax revenue was \$1,260,403 higher than budgeted due to tax payments and a tax collection rate in excess of 99.8%.

Various fees and charges for services were also higher than budgeted. The Board of Selectmen revenue includes rental income from leasing Island Avenue School, an unbudgeted insurance rebate and other miscellaneous revenue. The Town Clerk, Building and Fire Marshal Departments received fees in excess of their approved budget. The Police Department's revenue was \$74,741 more than anticipated due to special outside duty reimbursements. Intergovernmental Revenue was \$699,839 higher than budgeted.

Investment income exceeded the budget by \$116,891. The Town's General Fund investment portfolio includes government fixed income securities, which are required to be accounted for at fair value. The fair value of the portfolio is sensitive to changes in interest rates.

**TOWN OF MADISON, CONNECTICUT**  
**MANAGEMENT DISCUSSION AND ANALYSIS**  
**AS OF AND FOR THE YEAR ENDED JUNE 30, 2021**

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**GOVERNMENT-WIDE FINANCIAL ANALYSIS (Continued)**

**FINANCIAL ANALYSIS OF THE TOWN'S FUNDS (Continued)**

**General Fund (Continued)**

**Budgetary Highlights (Continued)**

As short-term interest rates moved higher, the fair value of the Town's portfolio decreases. However, the Town established this portfolio with the intention of holding the securities to maturity and, therefore, any market fluctuations are considered temporary since the market value associated with these investments will revert to cost at maturity. As such, the Town has excluded unrealized gains and losses from its budgetary results.

Town departments made rigorous efforts to curtail expenditures, which contributed to a \$756,869 positive variance compared to the budget. This included a positive variance \$344,685 related to Board of Education operating expenditures.

**Propriety Funds**

The net position of the Town's internal service funds decreased by \$112,720 during the current year. The Town maintains a net position of \$5,808,430, which represents 5.8 months of operating expenses.

**Capital Projects Fund**

The Capital Projects Fund has a fund balance of \$11,306,186 as of June 30, 2021, an increase of \$2,645,300 from the prior year fund balance of \$8,660,886. This increase is attributable to advance funding of ongoing projects.

**Special Education Grants Fund**

The Special Education Grants Fund has a fund balance of \$23,551 as of June 30, 2021, an increase of \$5,582 from the prior year fund balance. This fund is utilized to account for activities relating to expenditure reimbursement grants from federal and State agencies. As such, revenues generally equal expenditures.

**CAPITAL ASSET AND DEBT ADMINISTRATION**

**Capital Assets**

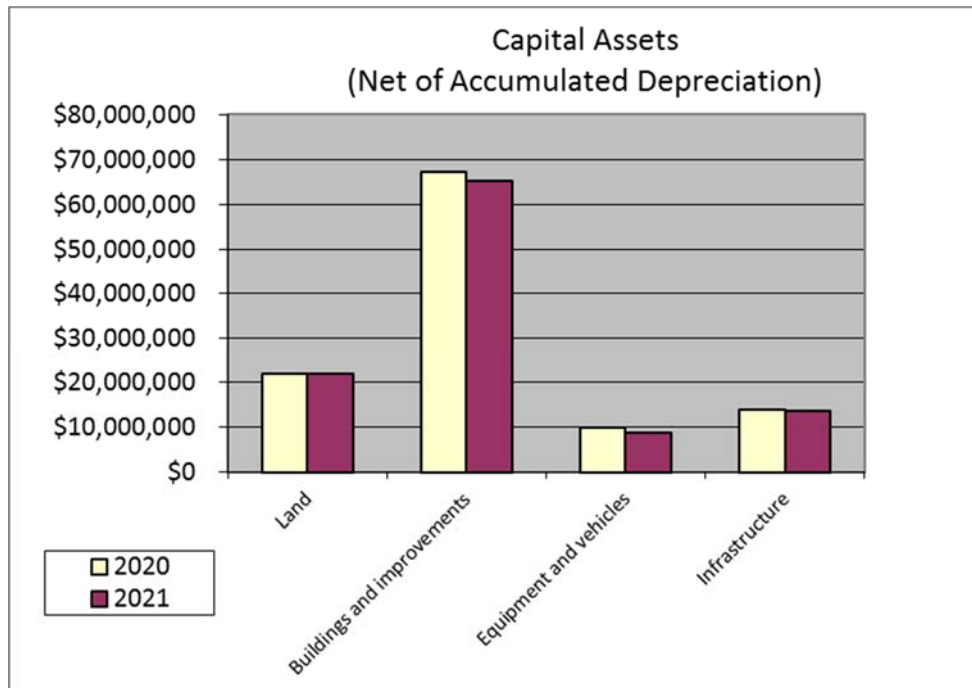
The Town's investment in capital assets for its governmental activities (net of accumulated depreciation) as of June 30, 2021 and 2020 totaled \$109,624,038 and \$113,038,519, respectively. This investment in capital assets includes land, construction in progress, buildings and improvements, equipment and vehicles, and infrastructure, including park facilities, roads, bridges, and water and storm sewers. The net decrease in the Town's investment in capital assets for the current fiscal year was \$3,414,481 or -3.0%.

	<u>2021</u>	<u>2020</u>	<u>\$ Variance</u>	<u>% Variance</u>
Land	\$ 21,919,276	\$ 21,919,276	\$ -	0.0%
Buildings and improvements	65,213,746	67,236,838	(2,023,092)	-3.0%
Equipment and vehicles	8,842,905	9,829,884	(986,979)	-10.0%
Infrastructure	13,648,111	14,052,521	(404,410)	-2.9%
Totals	<u>\$ 109,624,038</u>	<u>\$ 113,038,519</u>	<u>\$ (3,414,481)</u>	-3.0%

**TOWN OF MADISON, CONNECTICUT**  
MANAGEMENT DISCUSSION AND ANALYSIS  
AS OF AND FOR THE YEAR ENDED JUNE 30, 2021

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**CAPITAL ASSET AND DEBT ADMINISTRATION (Continued)**



Major capital asset events during the current fiscal year included the purchase of police and fire vehicles.

Additional information on the Town's capital assets can be found in Note 4 of this report starting on page 38.

**Long-Term Debt**

At the end of the current fiscal year, the Town had total principal outstanding on long-term debt, consisting of bonds and capital lease obligations, of \$20,883,733. This entire amount is comprised of debt backed by the full faith and credit of the Town.

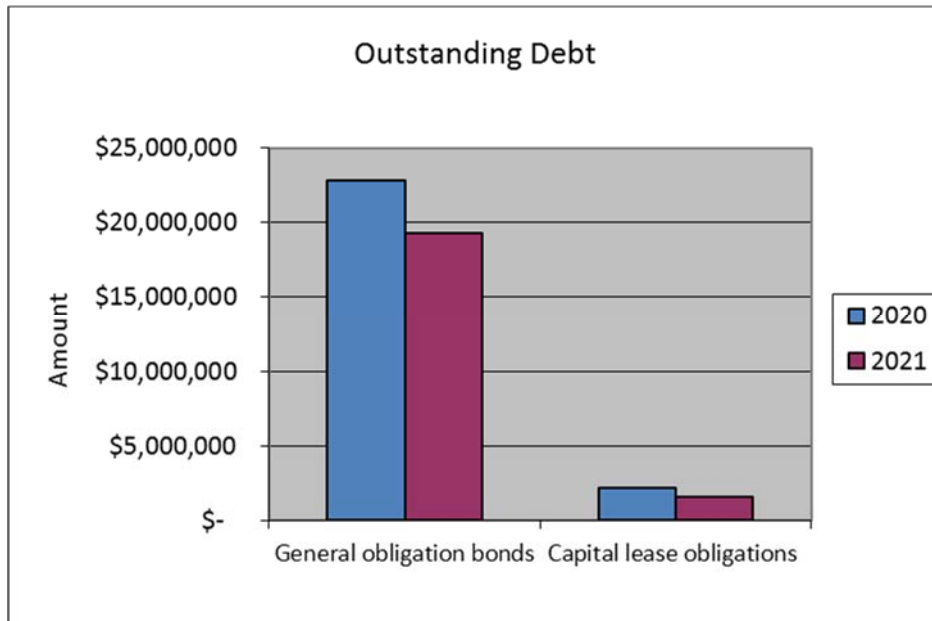
The Town's total long-term debt decreased by \$4,154,649 during the current fiscal year due to new capital lease financing in the amount of \$186,299, offset by scheduled principal repayments.

**TOWN OF MADISON, CONNECTICUT**  
**MANAGEMENT DISCUSSION AND ANALYSIS**  
**AS OF AND FOR THE YEAR ENDED JUNE 30, 2021**

**CAPITAL ASSET AND DEBT ADMINISTRATION (Continued)**

The following table is a two-year comparison of long-term debt:

	<u>2021</u>	<u>2020</u>	<u>\$ Variance</u>	<u>% Variance</u>
General obligation bonds	\$ 19,255,000	\$ 22,820,000	\$ (3,565,000)	-15.6%
Capital lease obligations	1,628,733	2,218,382	(589,649)	-26.6%
Totals	<u>\$ 20,883,733</u>	<u>\$ 25,038,382</u>	<u>\$ (4,154,649)</u>	-16.6%



The Town’s capital plan is established to control the level of capital expenditures and debt service expenditures in order to maintain a level amount of debt service expenditures and to avoid any sharp increase in property tax rates. Debt levels are managed to ensure that debt service requirements of new debt reasonably coincide with the normal amortization of existing debt service expenditures.

State statutes limit the amount of general obligation debt the Town may issue to seven times its annual receipts from taxation, as defined by the statutes. The current capacity of borrowing for the Town is significantly in excess of the Town’s outstanding general obligation debt.

Additional information on the Town’s long-term debt can be found in Note 7 of this report starting on page 40.

**TOWN OF MADISON, CONNECTICUT**  
MANAGEMENT DISCUSSION AND ANALYSIS  
AS OF AND FOR THE YEAR ENDED JUNE 30, 2021

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

A summary of key economic factors affecting the Town are as follows:

- Inflationary trends in the region approximate the national indices.
- Significant estimates affecting next year's budget that are subject to change in the near term consist of the following:
  - For purposes of calculating property tax revenues for fiscal year 2022, the assessor's grand list was used along with an estimated tax rate, and an estimated rate of collection, with deductions for taxes to be paid by the State on behalf of certain taxpayers.
  - Intergovernmental grants were based on estimates from the Governor's proposed biennial budget, modified for certain Town assumptions, which included significant reductions in municipal aid.

All of these factors were considered in preparing the Town's budget for fiscal year 2022.

The fiscal year 2022 budget was adopted by the Town in May 2021 in accordance with the Governor's executive orders. The budget provides for \$88,404,867 in expenditures. The budget appropriation allows the Town to continue maintaining the same level of programs and services to its residents. The budget includes a planned use of fund balance in the amount of \$750,000 and resulted in a 1.76 percent increase in the Town's mill rate of 28.85.

**REQUESTS FOR INFORMATION**

This financial report is designed to provide a general overview of the Town's finances for all those with an interest in the Town's finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to the Finance Department, Town of Madison, at 8 Campus Drive, Madison, Connecticut 06443.

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**BASIC FINANCIAL STATEMENTS**

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**TOWN OF MADISON, CONNECTICUT**  
**STATEMENT OF NET POSITION**  
**AS OF JUNE 30, 2021**

	<b>Governmental Activities</b>
<b>ASSETS</b>	
Cash and cash equivalents	\$ 48,049,237
Receivables:	
Property taxes and interest	1,296,688
Grants and contracts	605,386
Other	112,521
Other	34,668
Capital assets:	
Non-depreciable	21,919,276
Depreciable, net	87,704,762
Total assets	159,722,538
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	
Deferred charges on refundings	383,586
Pension related	3,243,514
OPEB related	6,152,457
Total deferred outflows of resources	9,779,557
<b>LIABILITIES</b>	
Accounts payable	2,118,616
Accrued liabilities	459,893
Accrued interest	52,931
Unearned revenue	2,705,061
Deposits payable	437,346
Noncurrent liabilities:	
Due within one year	3,920,744
Due in more than one year	60,452,927
Total liabilities	70,147,518
<b>DEFERRED INFLOWS OF RESOURCES</b>	
Pension related	5,027,354
OPEB related	2,469,163
Advance tax collections	3,331,711
Total deferred inflows of resources	10,828,228
<b>NET POSITION</b>	
Net investment in capital assets	87,275,588
Restricted for:	
Trust purposes - expendable	496,242
Grant programs	1,357,746
Unrestricted	(603,227)
Total net position	\$ 88,526,349

*The accompanying notes are an integral part of these financial statements .*

**TOWN OF MADISON, CONNECTICUT**  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2021

<b>Functions/Programs</b>	<b>Expenses</b>	<b>Program Revenues</b>			<b>Net (Expense)</b>
		<b>Charges for Services</b>	<b>Operating Grants and Contributions</b>	<b>Capital Grants and Contributions</b>	<b>Revenue and Changes in Net Position</b>
					<b>Governmental Activities</b>
<b>Primary Government:</b>					
Governmental activities:					
General government	\$ 4,136,921	\$ 1,435,385	\$ 187,270	\$ -	\$ (2,514,266)
Public safety	9,167,955	145,650	599,875	-	(8,422,430)
Public works	6,419,776	28,605	716,617	-	(5,674,554)
Land and building administration	1,022,265	793,145	-	-	(229,120)
Health and welfare	2,707,650	226,680	358,654	-	(2,122,316)
Beach and recreation	2,905,243	606,948	2,230	-	(2,296,065)
Library	1,184,468	-	-	-	(1,184,468)
Education	62,329,201	879,357	3,143,098	-	(58,306,746)
Education - State Teachers' Retirement	16,173,703	-	16,173,703	-	-
Interest expense	729,132	-	-	-	(729,132)
Total governmental activities	<u>\$ 106,776,314</u>	<u>\$ 4,115,770</u>	<u>\$ 21,181,447</u>	<u>\$ -</u>	<u>(81,479,097)</u>
General revenues:					
					83,624,189
					625,916
					340,512
					701,891
					<u>85,292,508</u>
					3,813,411
					84,304,599
					408,339
					<u>84,712,938</u>
					<u>\$ 88,526,349</u>

*The accompanying notes are an integral part of these financial statements .*

**TOWN OF MADISON, CONNECTICUT**  
**BALANCE SHEET -**  
**GOVERNMENTAL FUNDS**  
**AS OF JUNE 30, 2021**

	<b>General Fund</b>	<b>Capital Projects Fund</b>	<b>Special Education Grants Fund</b>	<b>American Rescue Plan Fund</b>	<b>Nonmajor Governmental Funds</b>	<b>Total Governmental Funds</b>
<b>ASSETS</b>						
Cash and cash equivalents	\$ 37,449,089	\$ 1,049,189	\$ 3,563,633	\$ -	\$ 4,206,311	\$ 46,268,222
Receivables:						
Property taxes	1,186,554	-	-	-	-	1,186,554
Interest on property taxes	110,134	-	-	-	-	110,134
Grants and contracts	99,191	277,718	215,844	-	12,633	605,386
Other	111,209	-	-	-	1,312	112,521
Due from other funds	5,414,362	10,573,943	-	2,667,881	371,678	19,027,864
Prepaid items and inventories	8,675	-	-	-	25,993	34,668
Total assets	<u>\$ 44,379,214</u>	<u>\$ 11,900,850</u>	<u>\$ 3,779,477</u>	<u>\$ 2,667,881</u>	<u>\$ 4,617,927</u>	<u>\$ 67,345,349</u>
<b>LIABILITIES</b>						
Accounts payable	\$ 802,289	\$ 594,664	\$ 38,327	\$ -	\$ 102,436	\$ 1,537,716
Accrued expense	459,893	-	-	-	-	459,893
Due to other funds	18,221,817	-	3,706,472	-	1,707,890	23,636,179
Unearned revenue	-	-	11,127	2,667,881	26,053	2,705,061
Deposits payable	437,346	-	-	-	-	437,346
Total liabilities	<u>19,921,345</u>	<u>594,664</u>	<u>3,755,926</u>	<u>2,667,881</u>	<u>1,836,379</u>	<u>28,776,195</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>						
Unavailable revenue - property taxes and interest	1,112,011	-	-	-	-	1,112,011
Advance property tax collections	3,331,711	-	-	-	-	3,331,711
Total deferred inflows of resources	<u>4,443,722</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,443,722</u>
<b>FUND BALANCES</b>						
Nonspendable	8,675	-	-	-	25,993	34,668
Restricted	-	21,636	23,551	-	1,830,437	1,875,624
Committed	-	11,284,550	-	-	928,895	12,213,445
Assigned	1,605,711	-	-	-	-	1,605,711
Unassigned	18,399,761	-	-	-	(3,777)	18,395,984
Total fund balances	<u>20,014,147</u>	<u>11,306,186</u>	<u>23,551</u>	<u>-</u>	<u>2,781,548</u>	<u>34,125,432</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 44,379,214</u>	<u>\$ 11,900,850</u>	<u>\$ 3,779,477</u>	<u>\$ 2,667,881</u>	<u>\$ 4,617,927</u>	<u>\$ 67,345,349</u>

*The accompanying notes are an integral part of these financial statements.*

**TOWN OF MADISON, CONNECTICUT**  
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS TO THE STATEMENT OF NET POSITION  
AS OF JUNE 30, 2021

Total fund balance for governmental funds \$ 34,125,432

Total net position reported for governmental activities in the statement of net position is different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds. Those assets consist of:

Land	\$	21,919,276	
Buildings and improvements		109,370,190	
Equipment and vehicles		21,091,170	
Infrastructure		31,190,578	
Less accumulated depreciation and amortization		<u>(73,947,176)</u>	
Total capital assets, net			109,624,038

Some of the Town's taxes, assessments and interest receivables will be collected after year end, but are not available soon enough to pay for the current period's expenditures, and therefore are reported as deferred inflows of resources in the funds. 1,112,011

Deferred outflows and inflows of resources resulting from changes in the components of the Town's net pension and total OPEB liabilities are reported in the statement of net position. 1,899,454

Long-term liabilities applicable to the Town's governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities. All liabilities - both current and long-term - are reported in the statement of net position.

Accrued interest		(52,931)	
Long-term debt:			
Bonds		(19,255,000)	
Unamortized bond premiums		(1,948,305)	
Deferred charges on refunding		383,586	
Capital lease obligations		(1,628,733)	
Other long-term liabilities:			
Heart and Hypertension obligations		(1,504,998)	
Compensated absences		(1,264,858)	
Early retirement incentives		(113,367)	
Net pension liabilities		(11,647,935)	
Total OPEB liability		<u>(27,010,475)</u>	
Total long-term liabilities			(64,043,016)

An internal service fund is used by the Town to charge the cost of risk management activities to individual funds. The assets and liabilities of the internal service fund are included in governmental activities in the statement of net position. 5,808,430

Net position of governmental activities \$ 88,526,349

**TOWN OF MADISON, CONNECTICUT**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -**  
**GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2021**

	<b>General Fund</b>	<b>Capital Projects Fund</b>	<b>Special Education Grants Fund</b>	<b>American Rescue Plan Fund</b>	<b>Nonmajor Governmental Funds</b>	<b>Total Governmental Funds</b>
<b>REVENUES</b>						
Property taxes	\$ 83,864,517	\$ -	\$ -	\$ -	\$ -	\$ 83,864,517
Intergovernmental	9,777,578	489,987	1,770,986	114	429,712	12,468,377
Charges for services	3,188,418	-	-	-	1,267,764	4,456,182
Investment earnings	701,891	-	-	-	-	701,891
Contributions	-	-	-	-	240,642	240,642
Other	-	805	-	-	529	1,334
Total revenues	<u>97,532,404</u>	<u>490,792</u>	<u>1,770,986</u>	<u>114</u>	<u>1,938,647</u>	<u>101,732,943</u>
<b>EXPENDITURES</b>						
Current:						
General government	2,548,105	-	-	-	105,858	2,653,963
Public safety	6,061,009	-	-	-	5,249	6,066,258
Public works	3,741,585	-	-	-	232,851	3,974,436
Land and building administration	492,465	-	-	-	-	492,465
Health and welfare	1,543,855	-	-	114	344,774	1,888,743
Beach and recreation	1,671,760	-	-	-	304,523	1,976,283
Library	1,181,247	-	-	-	-	1,181,247
Education	63,378,730	-	1,765,404	-	1,264,050	66,408,184
Insurance, employee benefits and other	5,332,178	-	-	-	55,644	5,387,822
Capital outlays	31,481	2,871,523	-	-	-	2,903,004
Debt service:						
Principal payments	2,641,491	1,164,457	-	-	-	3,805,948
Interest and fiscal charges	759,642	55,477	-	-	-	815,119
Total expenditures	<u>89,383,548</u>	<u>4,091,457</u>	<u>1,765,404</u>	<u>114</u>	<u>2,312,949</u>	<u>97,553,472</u>
Excess (deficiency) of revenues over expenditures	8,148,856	(3,600,665)	5,582	-	(374,302)	4,179,471
<b>OTHER FINANCING SOURCES (USES)</b>						
Refunding bonds issued	3,230,000	-	-	-	-	3,230,000
Premium on refunding bonds issued	710,878	-	-	-	-	710,878
Payment to refunding escrow agent	(3,876,683)	-	-	-	-	(3,876,683)
Capital lease financing	-	186,299	-	-	-	186,299
Transfers in	107,181	6,059,666	-	-	624,612	6,791,459
Transfers out	(6,658,543)	-	-	-	(132,916)	(6,791,459)
Total other financing sources (uses)	<u>(6,487,167)</u>	<u>6,245,965</u>	<u>-</u>	<u>-</u>	<u>491,696</u>	<u>250,494</u>
Net change in fund balances	1,661,689	2,645,300	5,582	-	117,394	4,429,965
Fund balances - beginning, as originally reported	18,352,458	8,660,886	17,969	-	2,255,815	29,287,128
Adjustments (see Note 1)	-	-	-	-	408,339	408,339
Fund balances - beginning, as adjusted	<u>18,352,458</u>	<u>8,660,886</u>	<u>17,969</u>	<u>-</u>	<u>2,664,154</u>	<u>29,695,467</u>
Fund balances - ending	<u>\$ 20,014,147</u>	<u>\$ 11,306,186</u>	<u>\$ 23,551</u>	<u>\$ -</u>	<u>\$ 2,781,548</u>	<u>\$ 34,125,432</u>

*The accompanying notes are an integral part of these financial statements.*

**TOWN OF MADISON, CONNECTICUT**  
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2021

Net change in fund balances - total governmental funds	\$	4,429,965
Total change in net position reported for governmental activities in the statement of activities is different because:		
<p>Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. The amount by which depreciation and amortization exceeded capital outlays expense in the current period is as follows:</p>		
Expenditures for capital assets	\$ 389,484	
Depreciation and amortization expense	<u>(3,803,965)</u>	
Net adjustment		(3,414,481)
<p>Deferred outflows and inflows of resources resulting from changes in the components of the net pension and total OPEB liabilities are amortized as a component of pension and OPEB expenses in the statement of activities.</p>		
		(7,681,880)
<p>The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of principal on long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. The net effect of these differences in the treatment of long-term obligations is as follows:</p>		
Debt issued or incurred:		
Refunding bonds	(3,230,000)	
Premium on bonds	(646,683)	
Capital lease financing	(186,299)	
Principal repayments:		
Bonds	6,795,000	
Capital leases	<u>775,948</u>	
Net adjustment		3,507,966
<p>Certain revenues reported in the statement of activities do not provide current financial resources and therefore are reported as unavailable revenues in the governmental funds. This amount represents the change in unavailable revenues.</p>		
		(240,328)
<p>Under the modified accrual basis of accounting used in the governmental funds, expenditures are not recognized for transactions that are not normally paid with expendable available financial resources. In the statement of activities, however, which is presented on the accrual basis, expenses and liabilities are reported regardless of when financial resources are available. In addition, interest on long-term debt is not recognized under the modified accrual basis of accounting until due, rather than as it accrues. The net effect of such items is as follows:</p>		
Accrued interest	5,490	
Amortization of deferred charges on refunding	(229,791)	
Amortization of bond premiums	357,776	
Heart and Hypertension obligations	43,601	
Compensated absences	68,066	
Early retirement incentives	478,164	
Net pension liabilities	5,464,424	
Total OPEB liability	<u>1,137,159</u>	
		7,324,889
<p>Internal service funds are used by management to charge the costs of certain activities to individual funds. The net revenue (expense) of the internal service fund is reported within governmental activities.</p>		
		<u>(112,720)</u>
Change in net position of governmental activities	\$	<u><u>3,813,411</u></u>

*The accompanying notes are an integral part of these financial statements.*

**TOWN OF MADISON, CONNECTICUT**  
STATEMENT OF PROPRIETARY NET POSITION -  
PROPRIETARY FUNDS  
AS OF JUNE 30, 2021

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	<b>Governmental Activities</b>
	<b>Internal Service Funds</b>
<b>ASSETS</b>	
Cash and cash equivalents	\$ 1,781,015
Due from other funds	4,608,315
Total assets	6,389,330
<b>LIABILITIES</b>	
Claims payable	580,900
Total liabilities	580,900
<b>NET POSITION</b>	
Restricted for medical benefits	42,524
Unrestricted	5,765,906
Total net position	\$ 5,808,430

*The accompanying notes are an integral part of these financial statements .*

**TOWN OF MADISON, CONNECTICUT**  
 STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION -  
 PROPRIETARY FUNDS  
 FOR THE YEAR ENDED JUNE 30, 2021

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	<b>Governmental Activities</b>
	<b>Internal Service Funds</b>
<b>OPERATING REVENUES</b>	
Charges for services	\$ 11,882,332
<b>OPERATING EXPENSES</b>	
Claims incurred	11,134,925
Administrative expenses	860,127
Total operating expense	11,995,052
Operating loss/Change in net position	(112,720)
Total net position - beginning of year	5,921,150
Total net position - end of year	\$ 5,808,430

*The accompanying notes are an integral part of these financial statements .*



**TOWN OF MADISON, CONNECTICUT**  
**STATEMENT OF CASH FLOWS -**  
**PROPRIETARY FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2021**

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	<b>Governmental Activities</b>
	<b>Internal Service Funds</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Cash received from charges for services	\$ 12,308,936
Cash payments for claims incurred	(11,081,711)
Cash payments to providers of benefits	(860,127)
Net provided by operating activities	367,098
Net increase in cash and cash equivalents	367,098
Cash and cash equivalents - beginning of year	1,413,917
Cash and cash equivalents - end of year	\$ 1,781,015
<b>RECONCILIATION OF OPERATING LOSS TO NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	
Operating loss	\$ (112,720)
Adjustments to reconcile operating loss to net cash provided by operating activities	
Increase in claims payable	53,214
Change in due to (from) other funds	426,604
Net cash provided by operating activities	\$ 367,098

*The accompanying notes are an integral part of these financial statements .*

**TOWN OF MADISON, CONNECTICUT**  
**STATEMENT OF FIDUCIARY NET POSITION -**  
**FIDUCIARY FUNDS**  
**AS OF JUNE 30, 2021**

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	<b>Pension Trust Funds</b>
<b>ASSETS</b>	
Cash and cash equivalents	\$ 1,852,722
Investments:	
U.S. Agency securities	5,199,038
Corporate bonds	6,014,052
Equity securities	2,376,954
Mutual funds	22,677,204
Exchange traded funds	5,040,152
Real estate investment trusts	1,272,570
Total assets	44,432,692
 <b>LIABILITIES</b>	
Payables	17,318
 <b>NET POSITION</b>	
Restricted for pensions	\$ 44,415,374

*The accompanying notes are an integral part of these financial statements .*

**TOWN OF MADISON, CONNECTICUT**  
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION -  
FIDUCIARY FUNDS  
FOR THE YEAR ENDED JUNE 30, 2021

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	<b>Pension Trust Funds</b>
<b>ADDITIONS</b>	
Contributions:	
Employer	\$ 2,351,101
Plan members	150,027
Total contributions	2,501,128
Investment earnings:	
Net change in the fair value of investment	9,355,875
Interest and dividends	270,138
Total investment earnings	9,626,013
Less investment expense	127,099
Net investment earnings	9,498,914
Total additions	12,000,042
<b>DEDUCTIONS</b>	
Benefit payments	3,009,802
Administrative expenses	58,666
Total deductions	3,068,468
Change in net position	8,931,574
Net position - beginning	35,483,800
Net position - ending	\$ 44,415,374

*The accompanying notes are an integral part of these financial statements .*

**TOWN OF MADISON, CONNECTICUT**  
NOTES TO FINANCIAL STATEMENTS  
AS OF AND FOR THE YEAR ENDED JUNE 30, 2021

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The accounting policies of the Town of Madison, Connecticut (the "Town"), conform to accounting principles generally accepted in the United States of America, as applicable to governmental organizations. The following is a summary of significant accounting policies:

**Financial 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 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 Town's public school system.

**Government-wide Financial Statements**

The statement of net position and the statement of activities display information about the Town and include the financial activities of the overall government, except for fiduciary activities. Eliminations have been made to minimize the double-counting of internal activities, however interfund services provided and used are not eliminated in the process of consolidation. The statements are intended to distinguish between governmental and business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties. The Town has no business-type activities.

The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. 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 and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other items not properly included among program revenues are reported as general revenues.

**Fund Financial Statements**

The fund financial statements provide information about the Town's funds, including its fiduciary funds. Separate statements for each fund category – governmental, proprietary and fiduciary - are presented. The emphasis of fund financial statements is on major governmental funds, each displayed in a separate column. All remaining governmental funds are aggregated and reported as non-major funds.

The Town reports the following major governmental funds:

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

**Capital Projects Fund** - This fund is used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by Proprietary Funds or Trust Funds). The major sources of revenue for this fund are annual transfers from the General Fund, bond proceeds and grant revenues.

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)***

**Fund Financial Statements *(Continued)***

***Special Education Grants Fund*** - This fund is used to account for education related grants from the State of Connecticut and federal government.

***American Rescue Plan Fund*** - This fund is used to account for the receipt of Local Fiscal Recovery Funds established by the American Rescue Plan Act

In addition, the Town reports the following fund types:

***Internal Service Funds*** - These funds account for certain risk management activities of the Town.

***Pension Trust Funds*** - These funds are used to account for resources held in trust for the members and beneficiaries of the Town's retirement pension plans.

**Measurement Focus and Basis of Accounting**

The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured such as current financial resources or economic resources. The basis of accounting indicates the timing of transactions or events for recognition in the financial statements.

The government-wide and proprietary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. 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.

The 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. 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. General capital asset acquisitions are reported as expenditures in governmental funds. Issuance of long-term debt and acquisitions under capital lease are reported as other financing sources.

Property taxes and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues in the current fiscal period. Entitlements are recorded as revenues when all eligibility requirements are met, including any time requirements, and the amount is received during the period or within the availability period for this revenue source (within 60 days of year end). Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other eligibility requirements have been met, and the amount is available to be received during the period or within the availability period for this revenue source (within 60 days of year end). All other revenue items are considered to be measurable and available only when the cash is received.

**TOWN OF MADISON, CONNECTICUT**  
 NOTES TO FINANCIAL STATEMENTS *(Continued)*  
 AS OF AND FOR THE YEAR ENDED JUNE 30, 2021

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)***

**Measurement Focus and Basis of Accounting *(Continued)***

Proprietary funds distinguish operating revenues and expenses from non-operating 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 funds include the cost of services and administrative expenses. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

The pension trust funds are reported using the economic resources measurement focus and the accrual basis of accounting. The agency funds have no measurement focus but utilizes the accrual basis of accounting for reporting its assets and liabilities.

**Implementation of Accounting Standards**

Effective July 1, 2020, the Town implemented the provisions of GASB Statement No. 84, *Fiduciary Activities* ("Statement No. 84). The objective of this statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. Based on the application of Statement No. 84, the Town has recharacterized certain activities previously reported as fiduciary activities. The Town has reported the cumulative effect of applying Statement No. 84 as a restatement of its beginning net position and fund balances as follows:

	<b>Governmental Activities</b>	<b>Governmental Funds</b>
Net Position/Fund balance - beginning, as originally reported	\$ 84,304,599	\$ 29,287,128
Recharacterization of certain activities previously reported as fiduciary activities	408,339	408,339
Net Position/Fund balance - beginning, as adjusted	\$ 84,712,938	\$ 29,695,467

**Assets, Liabilities, Deferred Outflows and Inflows of Resources and Net Position/Fund Balance**

**Cash and Cash Equivalents**

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

**Investments**

Investments are measured by the Town at fair value (generally based on quoted market prices), except for investments in certain external investment pools as described below.

Investments in certain external investment pools consist of money market mutual funds and the Short-Term Investment Fund (STIF), which is managed by the State of Connecticut Treasurer's Office. Investments in these types of funds, which are permitted to measure their investment holdings at amortized costs, are measured by the Town at net asset value per share.

**TOWN OF MADISON, CONNECTICUT**  
NOTES TO FINANCIAL STATEMENTS *(Continued)*  
AS OF AND FOR THE YEAR ENDED JUNE 30, 2021

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)***

**Assets, Liabilities, Deferred Outflows and Inflows of Resources and Net Position/Fund Balance *(Continued)***

**Donor-restricted Endowments**

The Town has received certain endowments for education scholarships. The amounts are reflected in net position as restricted for trust purposes. Investment income (including appreciation) is approved for expenditure by the Board of Education. The amount of appreciation (depreciation) included in restricted fund balance was \$496,242.

The Town allocates investment income of donor-restricted endowments in accordance with donor restrictions and Connecticut law, which has adopted the provisions of the Uniform Prudent Management of Institutional Funds Act ("UPMIFA"). Under UPMIFA, investment income earned on donor-restricted endowment funds is considered to be unrestricted in the absence of explicit donor restrictions. Further, in the absence of explicit donor restrictions regarding investment appreciation, such appreciation is treated the same as the related investment income. Investment losses that reduce the value of endowment investments below the original principal amount serve to reduce restricted net position or unrestricted net position, depending on the applicable donor's stipulations regarding the treatment of investment income and appreciation.

**Property Taxes and Assessments**

Property taxes are assessed as of October 1 and are levied on the following July 1. Real estate and personal property taxes are due in two installments, July 1 and the following January 1. Motor vehicle taxes are payable on July 1 and supplemental motor vehicle taxes are payable on January 1. Taxes become delinquent thirty days after the installment is due and liens are filed on delinquent real estate taxes on May 1<sup>st</sup> following the due date. Based on historical collection experience and other factors, the Town has established an allowance for uncollectible taxes and interest as of June 30, 2021 of \$52,000 and \$34,000, respectively.

**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 acquisition 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.

Capital assets of the primary government are depreciated using the straight-line method over the following estimated useful lives:

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

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)***

**Assets, Liabilities, Deferred Outflows and Inflows of Resources and Net Position/Fund Balance *(Continued)***

**Deferred Outflows and Inflows of Resources**

Deferred outflows and inflows of resources represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an outflow or inflow of resources until that time.

Deferred outflows of resources consists of deferred charges on refundings and deferred charges on pension and OPEB expenses that are reported in the government-wide statement of net position. Deferred charges on refundings are amortized to interest expense using the effective-interest method over the life of the related bonds. Deferred charges on pension and OPEB expenses are amortized as a component of pension and OPEB expenses on a systematic and rational basis.

Deferred inflows of resources consist of revenue that is considered unavailable under the modified accrual basis of accounting and deferred charges on pension and OPEB expenses. Unavailable revenue is reported in the governmental funds balance sheet and is recognized as an inflow of resources in the period that the amounts become available. Deferred charges on pension and OPEB expenses are reported in the government-wide statement of net position and are amortized as a component of pension and OPEB expenses on a systematic and rational basis.

**Unearned Revenue**

Unearned revenue represents resources that have been received but not yet earned.

**Compensated Absences and Employee Retirement Obligations**

It is the Town's policy to permit employees to accumulate unused sick and vacation pay benefits. Benefits are determined by union contracts. Certain Board of Education personnel are also eligible for certain retirement incentives that are paid out over time. In addition, certain police employees are eligible for heart and hypertension benefits.

All compensated absences and employee retirement obligations are accrued when incurred in the government-wide and fiduciary fund financial statements. A liability for these amounts is reported in the governmental fund financial statements in the current year to the extent they have matured, or the vested amount is expected to be paid with available resources.

**Long-term Obligations**

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are expensed when incurred.

In the fund financial statements, governmental funds recognize bond premiums and discounts in the year the debt is issued. 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. Bond issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.



**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)***

**Assets, Liabilities, Deferred Outflows and Inflows of Resources and Net Position/Fund Balance *(Continued)***

**Net Position and Fund Balances**

The government-wide statement of net position presents the Town's non-fiduciary assets, deferred outflows and inflows of resources, and liabilities, with the difference reported as net position. Net position is reported in three categories:

***Net investment in capital assets*** - This category consists of capital assets, net of accumulated depreciation and amortization and reduced by outstanding balances for bonds, notes and other debt that are attributed to the acquisition, construction or improvement of capital assets.

***Restricted*** - This category of net position consists of amounts whose use is restricted either through external restrictions imposed by creditors, grantors, contributors, and the like, or through restrictions imposed by law through constitutional provisions or enabling legislation.

***Unrestricted*** - This category of net position consists of amounts that do not meet the definition of the two preceding categories.

The Town's governmental funds report the following fund balance categories:

***Nonspendable*** - Amounts that cannot be spent because they are not in spendable form or they are legally or contractually required to be maintained intact.

***Restricted*** - Constraints placed on the use of resources that are either externally imposed by creditors, grantors, contributors or laws and regulations of other governments, or imposed by law through enabling legislation.

***Committed*** - Amounts can only be used for specific purposes pursuant to constraints imposed by formal action of the citizens of the Town (the highest level of decision making authority) specified by charter or ordinance and cannot be used for any other purpose unless the Town removes or changes the specified use by taking the same formal action. The formal action required to be taken to commit fund balance includes formal voting procedures regulated by the Town Charter.

***Assigned*** - Amounts are constrained by the government's intent to be used for specific purposes, but are not restricted or committed. Amounts may be constrained to be used for a specific purpose by a governing board or body or official that has been delegated authority to assign amounts by Town Charter. The Board of Finance has delegated the responsibility to assign funds to the Town's Director of Finance, with the exception of those amounts assigned by the Board of Finance during the Town's annual budgeting process. Funds are assigned through the approval of a valid purchase order resulting in an encumbering of the funds as of year end.

***Unassigned*** - Residual classification for the General Fund or amounts necessary in other governmental funds to eliminate otherwise negative fund balance amounts in the other four categories.

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)***

**Assets, Liabilities, Deferred Outflows and Inflows of Resources and Net Position/Fund Balance *(Continued)***

**Net Position and Fund Balances *(Continued)***

***Net Position Flow Assumption***

Sometimes the Town will fund outlays for a particular purpose from both restricted and unrestricted resources. In order to calculate the amounts to report as restricted net position and unrestricted net position in the government-wide and proprietary fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied.

The Town does not have a formal policy over net position. In practice, the Town considers restricted net position to have been depleted before unrestricted net position is applied.

***Fund Balance Flow Assumption***

It is the Town's policy to use restricted resources first, then unrestricted resources as needed. Unrestricted resources are used in the following order: committed; assigned; then unassigned. It is the Town's policy to maintain an unassigned fund balance in the General Fund of a minimum of 10% of the ensuing fiscal year's operating expenditures.

**Interfund 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 non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds".

Advances between funds, as reported in the fund financial statements, are offset by a restricted fund balance designation (non-spendable) in the General Fund and by a restricted, committed, or assigned fund balance designation of other governmental funds to indicate that they are not available for appropriation and are not expendable available financial resources.

**Interfund Services Provided and Used**

Sales and purchases of goods and services between funds for a price approximating their external exchange value are reported as revenues and expenditures, or expenses, in the applicable funds.

**Interfund Transfers**

Interfund transfers represent flows of assets without equivalent flows of assets in return and without a requirement for repayment. In governmental funds, transfers are reported as other financing uses in the funds making transfers and other financing sources in the funds receiving transfers.

**Interfund Reimbursements**

Interfund reimbursements represent repayments from the funds responsible for particular expenditures or expenses to the funds that initially paid for them.

**TOWN OF MADISON, CONNECTICUT**  
NOTES TO FINANCIAL STATEMENTS *(Continued)*  
AS OF AND FOR THE YEAR ENDED JUNE 30, 2021

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)***

**Use of Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts and disclosures in the financial statements. Actual results could differ from those estimates.

**NOTE 2 - CASH DEPOSITS AND INVESTMENTS**

**Cash Deposits**

A reconciliation of the Town's cash deposits as of June 30, 2021 is as follows:

Government-wide statement of net position:	
Cash and cash equivalents	\$ 48,049,237
Statement of fiduciary net position:	
Cash and cash equivalents	<u>1,852,722</u>
	49,901,959
Less: cash equivalents considered investments for disclosure purposes	<u>(9,242,360)</u>
	<u><u>\$ 40,659,599</u></u>

**Custodial Credit Risk**

Custodial credit risk is the risk that, in the event of a bank failure, the Town will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The Town's policy provides for uninsured demand and time deposits with banks and savings and loan institutions to be collateralized as prescribed in the Connecticut General Statutes. In addition, in order to anticipate market changes and provide for a level of security for all funds, all public deposits shall be held in qualified public depositories. As of June 30, 2021, \$39,388,097 of the Town's bank balance of \$40,510,890 was exposed to custodial credit risk as follows:

Uninsured and uncollateralized	\$ 35,449,287
Uninsured and collateralized with securities held by the pledging bank's trust department or agent but not in the Town's name	<u>3,938,810</u>
	<u><u>\$ 39,388,097</u></u>

All of the Town's deposits were in qualified public institutions as defined by Connecticut General Statutes. Under this statute, any bank holding public deposits must at all times maintain, segregated from its other assets, eligible collateral in an amount equal to a certain percentage of its public deposits. The applicable percentage is determined based on the bank's risk-based capital ratio. The amount of public deposits is determined based on either the public deposits reported on the most recent quarterly call report, or the average of the public deposits reported on the four most recent quarterly call reports, whichever is greater. The collateral is kept in the custody of the trust department of either the pledging bank or another bank in the name of the pledging bank.

**TOWN OF MADISON, CONNECTICUT**  
NOTES TO FINANCIAL STATEMENTS *(Continued)*  
AS OF AND FOR THE YEAR ENDED JUNE 30, 2021

**NOTE 2 - CASH DEPOSITS AND INVESTMENTS *(Continued)***

**Investments**

A reconciliation of the Town's investments as of June 30, 2021 is as follows:

Government-wide statement of net position:		
Investments	\$	-
Statement of fiduciary net position:		
Investments		42,579,970
		<u>42,579,970</u>
Add: cash equivalents considered investments for disclosure purposes		9,242,360
		<u>9,242,360</u>
	<b>\$</b>	<b><u>51,822,330</u></b>

As of June 30, 2021, the Town's investments consisted of the following:

Investment type	Valuation Basis	Value	Investment Maturities (In Years)		
			Less Than 1	1 to 5	6 to 10
<b>DEBT SECURITIES:</b>					
<b><i>Governmental Activities:</i></b>					
Short-Term Investment Fund	Net asset value	\$ 7,731,265	\$ 7,731,265	\$ -	\$ -
<b><i>Fiduciary Activities:</i></b>					
Money market mutual funds	Net asset value	1,511,095	1,511,095	-	-
U.S. Agency securities	Fair value	5,199,038	-	2,949,899	2,249,139
Corporate bonds	Fair value	6,014,052	450,147	4,130,737	1,433,168
		<u>20,455,450</u>	<u>\$ 9,692,507</u>	<u>\$ 7,080,636</u>	<u>\$ 3,682,307</u>
<b>OTHER INVESTMENTS:</b>					
<b><i>Fiduciary Activities:</i></b>					
Mutual funds	Fair value	22,677,204			
Equity securities	Fair value	2,376,954			
Exchange traded funds	Fair value	5,040,152			
Real estate investment trusts	Fair value	1,272,570			
Total Investments		<u>\$ 51,822,330</u>			

**TOWN OF MADISON, CONNECTICUT**  
NOTES TO FINANCIAL STATEMENTS *(Continued)*  
AS OF AND FOR THE YEAR ENDED JUNE 30, 2021

**NOTE 2 - CASH DEPOSITS AND INVESTMENTS *(Continued)***

**Investments *(Continued)***

**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**

The Town has no investment policy that would further limit its investment choices beyond those already limited by Connecticut state statutes. Connecticut state statutes permit the Town to invest in: (1) obligations of the United States, including its instrumentalities and agencies; (2) in obligations of any state or of any political subdivision, authority or agency thereof, provided such obligations are rated within one of the top two rating categories of any recognized rating service; (3) in 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; (4) or in obligations of the State of Connecticut or of any political subdivision thereof, provided such obligations are rated within one of the top three rating categories of any recognized rating service. 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 does not specify permitted investments. Therefore, the investment of such funds is generally controlled by the laws applicable to fiduciaries and the provisions of the applicable pension plan.

The Town's investments in debt securities, excluding U.S. Treasury securities, were rated as follows at June 30, 2021:

<u>Investment type</u>	<u>AAA</u>	<u>AA</u>	<u>A</u>	<u>BBB</u>	<u>Unrated</u>	<u>Total</u>
<b>DEBT SECURITIES:</b>						
Short-Term Investment Fund	\$ 7,731,265	\$ -	\$ -	\$ -	\$ -	\$ 7,731,265
<b>Fiduciary Activities:</b>						
Money market mutual funds	-	-	-	-	1,511,095	1,511,095
U.S. Agency securities	5,098,164	-	100,874	-	-	5,199,038
Corporate bonds	-	1,180,351	2,302,410	2,531,291	-	6,014,052
	<u>\$ 12,829,429</u>	<u>\$ 1,180,351</u>	<u>\$ 2,403,284</u>	<u>\$ 2,531,291</u>	<u>\$ 1,511,095</u>	<u>\$ 20,455,450</u>

**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, 2020, the Town did not have any uninsured and unregistered securities held by the counterparty or by its trust department or agent that were not in the Town's name.

**TOWN OF MADISON, CONNECTICUT**  
NOTES TO FINANCIAL STATEMENTS *(Continued)*  
AS OF AND FOR THE YEAR ENDED JUNE 30, 2021

**NOTE 2 - CASH DEPOSITS AND INVESTMENTS *(Continued)***

**Investments *(Continued)***

**Concentration of Credit Risk**

The Town places no limit on the amount of investment in any one issuer. As of June 30, 2021, 100% of the Town's governmental activities investments were invested in the State of Connecticut's Short-Term Investment Fund. Additional disclosures regarding concentration of credit risks related to the Town's fiduciary activities have been disclosed in Note 10.

**NOTE 3 - FAIR VALUE DISCLOSURES**

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants, as of the measurement date. Authoritative guidance establishes a hierarchy of valuation techniques based upon whether the inputs to those valuation techniques reflect assumptions other market participants would use based upon market data obtained from independent sources (also referred to as observable inputs). The Town classifies its assets and liabilities measured at fair value into Level 1 (securities valued using quoted prices from active markets for identical assets), Level 2 (securities not traded on an active market for which market inputs are observable, either directly or indirectly, and Level 3 (securities valued based on unobservable inputs).

The Town's financial assets that are accounted for at fair value on a recurring basis as of June 30, 2021, by level within the fair value hierarchy consists of investments and are presented in the table below.

<b>Financial Assets Measured at Fair Value</b>	<b>Prices in Active Market (Level 1)</b>	<b>Significant Other Observable Inputs (Level 2)</b>	<b>Significant Unobservable Inputs (Level 3)</b>	<b>Total</b>
<b><i>Fiduciary Activities:</i></b>				
U.S. Agency Securities	\$ 5,199,038	\$ -	\$ -	\$ 5,199,038
Corporate bonds	-	6,014,052	-	6,014,052
Mutual funds	22,677,204	-	-	22,677,204
Equity securities	2,376,954	-	-	2,376,954
Exchange traded funds	5,040,152	-	-	5,040,152
Real estate investment trusts	1,272,570	-	-	1,272,570
	<u>\$ 36,565,918</u>	<u>\$ 6,014,052</u>	<u>\$ -</u>	<u>42,579,970</u>
		Investments measured at net asset value		9,242,360
				<u>\$ 51,822,330</u>

U.S. Treasury securities are normally valued using a model that incorporates market observable data such as reported sales of similar securities, broker quotes, yields, bids, offers, and reference data. U.S. Treasury securities are categorized in level 1 or level 2 of the fair value hierarchy depending on the inputs and market activity levels for specific securities.

**TOWN OF MADISON, CONNECTICUT**  
NOTES TO FINANCIAL STATEMENTS *(Continued)*  
AS OF AND FOR THE YEAR ENDED JUNE 30, 2021

**NOTE 3 - FAIR VALUE DISCLOSURES *(Continued)***

Corporate bonds are estimated using various techniques, which may consider the recently executed transactions in securities of the issuer or comparable issuers, market price quotations (where observable), bond spreads, and fundamental data relating to the issuer. To the extent the inputs are observable and timely, the values have been categorized in level 2 of the valuation hierarchy.

Mutual funds, equity securities, exchange traded funds and real estate investment trusts that are traded on a national securities exchange are valued at the last reported sales price on the day of valuation. To the extent these securities are actively trade and valuation adjustments are not applied, they are categorized in level 1 of the fair value hierarchy.

**NOTE 4 - CAPITAL ASSETS**

Capital asset activity for the year ended June 30, 2021 was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
<b>Governmental Activities</b>				
Capital assets, not being depreciated:				
Land	\$ 21,919,276	\$ -	\$ -	\$ 21,919,276
Total capital assets, not being depreciated	<u>21,919,276</u>	<u>-</u>	<u>-</u>	<u>21,919,276</u>
Capital assets, being depreciated:				
Buildings and improvements	109,370,190	-	-	109,370,190
Equipment and vehicles	20,736,094	389,484	(34,408)	21,091,170
Infrastructure	31,190,578	-	-	31,190,578
Total capital assets, being depreciated	<u>161,296,862</u>	<u>389,484</u>	<u>(34,408)</u>	<u>161,651,938</u>
Less accumulated depreciation and amortization for:				
Buildings and improvements	(42,133,352)	(2,023,092)	-	(44,156,444)
Equipment and vehicles	(10,906,210)	(1,376,463)	34,408	(12,248,265)
Infrastructure	(17,138,057)	(404,410)	-	(17,542,467)
Total accumulated depreciation and amortization	<u>(70,177,619)</u>	<u>(3,803,965)</u>	<u>34,408</u>	<u>(73,947,176)</u>
Total capital assets, being depreciated, net	<u>91,119,243</u>	<u>(3,414,481)</u>	<u>-</u>	<u>87,704,762</u>
Governmental activities capital assets, net	<u>\$ 113,038,519</u>	<u>\$ (3,414,481)</u>	<u>\$ -</u>	<u>\$ 109,624,038</u>

Depreciation expense was charged to functions/programs as follows:

<b>Governmental Activities:</b>	
General government	\$ 202,714
Public safety	1,116,254
Public works	648,812
Land and building administration	729
Health and Welfare	65,896
Beach and recreation	162,225
Education	<u>1,607,335</u>
Total depreciation and amortization expense - governmental activities	<u>\$ 3,803,965</u>

**TOWN OF MADISON, CONNECTICUT**  
 NOTES TO FINANCIAL STATEMENTS *(Continued)*  
 AS OF AND FOR THE YEAR ENDED JUNE 30, 2021

**NOTE 5 - INTERFUND RECEIVABLES AND PAYABLES**

Interfund receivable and payable balances at June 30, 2021 are as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
<b>Governmental Funds:</b>		
General Fund	Special Education Grants Fund	\$ 3,706,472
	Other Governmental Funds	<u>1,707,890</u>
		<u>5,414,362</u>
American Rescue Plan Fund	General Fund	<u>2,667,881</u>
Capital Projects Fund	General Fund	<u>10,573,943</u>
Other Governmental Funds	General Fund	<u>371,678</u>
		<u>19,027,864</u>
<b>Proprietary Funds:</b>		
Internal Service Fund	General Fund	<u>4,608,315</u>
		<u>\$ 23,636,179</u>

The above balances resulted from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, or (3) payments between funds are made.

**NOTE 6 - INTERFUND TRANSFERS**

Interfund transfers for the year ended June 30, 2021 consisted of the following:

<u>Transfers In</u>	<u>Transfers Out</u>	<u>Amount</u>
<b>Governmental Funds</b>		
General Fund	Other Governmental Funds	<u>\$ 107,181</u>
Capital Projects Fund	General Fund	<u>6,059,666</u>
Other Governmental Funds	General Fund	598,877
	Other Governmental Funds	<u>25,735</u>
		<u>624,612</u>
Total transfers		<u>\$ 6,791,459</u>

Transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, and (2) account for unrestricted revenues collected in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.



**TOWN OF MADISON, CONNECTICUT**  
 NOTES TO FINANCIAL STATEMENTS (Continued)  
 AS OF AND FOR THE YEAR ENDED JUNE 30, 2021

**NOTE 7 - LONG-TERM DEBT**

The applicable accounting standards define debt as a liability that arises from a contractual obligation to pay cash, or other assets that may be used in lieu of cash, in one or more payments to settle an amount that is fixed at the date the contractual obligation is established. For disclosure purposes, debt does not include accounts payable or leases, except for contracts reported as financed purchase of the underlying asset.

The following is a summary of changes in long-term debt for the year ended June 30, 2021:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
<b>Governmental Activities</b>					
<b>Direct placements:</b>					
General obligation bonds	\$ 22,820,000	\$ 3,230,000	\$ (6,795,000)	\$ 19,255,000	\$ 2,955,000
Unamortized premium	1,659,398	646,683	(357,776)	1,948,305	-
Total bonds payable	24,479,398	3,876,683	(7,152,776)	21,203,305	2,955,000
<b>Direct borrowings:</b>					
Capital leases	2,218,382	186,299	(775,948)	1,628,733	649,157
	<u>\$ 26,697,780</u>	<u>\$ 4,062,982</u>	<u>\$ (7,928,724)</u>	<u>\$ 22,832,038</u>	<u>\$ 3,604,157</u>

Long-term debt has typically been liquidated in the General Fund.

**Direct Placements - General Obligation Bonds**

The Town issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities. General obligation bonds are direct obligations of the Town for which full faith and credit are pledged and payable from taxes levied on all taxable properties located within the Town. General obligation bonds currently outstanding are as follows:

<u>Purpose of Bonds</u>	<u>Date of Issue</u>	<u>Original Issue</u>	<u>Interest Rates</u>	<u>Maturity Date</u>	<u>Amount Outstanding</u>
<b>Governmental Activities</b>					
Bonds Payable					
General Obligation Refunding Bonds	12/15/2010	\$ 6,480,000	2.0 - 4.0%	3/15/2022	\$ 375,000
General Obligation Refunding Bonds	5/25/2016	8,555,000	1.5 - 4.0%	12/15/2030	7,030,000
General Obligation Bonds	6/27/2019	9,100,000	2.25 - 5.0%	5/15/2039	8,620,000
General Obligation Refunding Bonds	5/19/2021	3,230,000	5.0%	3/15/2030	3,230,000
					<u>\$ 19,255,000</u>

**TOWN OF MADISON, CONNECTICUT**  
NOTES TO FINANCIAL STATEMENTS *(Continued)*  
AS OF AND FOR THE YEAR ENDED JUNE 30, 2021

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**NOTE 7 - LONG-TERM DEBT *(Continued)***

**Direct Placements - General Obligation Bonds *(Continued)***

Annual debt service requirements to maturity on general obligation bonds are as follows as of June 30, 2021:

Year ending <u>June 30:</u>	<u>Governmental Activities</u>		
	<u>Bonds Payable</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2022	\$ 2,955,000	\$ 645,601	\$ 3,600,601
2023	2,540,000	559,375	3,099,375
2024	2,050,000	461,925	2,511,925
2025	1,495,000	382,825	1,877,825
2026	1,140,000	324,875	1,464,875
2027-2031	5,255,000	1,001,849	6,256,849
2032-2036	2,395,000	419,400	2,814,400
2037-2039	1,425,000	85,500	1,510,500
	<u>\$ 19,255,000</u>	<u>\$ 3,881,350</u>	<u>\$ 23,136,350</u>

**Refunded Bonds**

On May 19, 2021, the Town issued \$3,230,000 in general obligation refunding bonds. The bonds have an interest rate of 5.00% and were issued to fully refund \$3,765,000 of outstanding 2012 general obligation refunding bonds, with an interest rate ranging from 2.0% to 3.0%. The transaction generated a cash flow savings of \$153,145 and an economic gain (difference between the present values of the debt service payments of the old and the new bonds) of \$147,532.

The Town has advanced refunded general obligation bonds. At June 30, 2021, \$18,710,000 of defeased bonds remain outstanding. The difference between the reacquisition price (the amount placed in escrow) and the net carrying amount of the refunded bonds resulted in deferred charges on refundings. This amount, net of accumulated amortization, has been presented as a deferred outflow of resources in the government-wide financial statements and is being amortized to interest expense using the effective-interest method over the life of the new bonds. Amortization of deferred charges on refundings totaled \$229,791 for the year ended June 30, 2021.

The general obligation bonds refunded are considered defeased and the liability for those bonds has been removed from the statement of net position. Proceeds from the issuance of the refunding bonds are being held by an escrow agent in an irrevocable trust fund to provide all future debt service payments on the refunded bonds.

**Legal Debt Limit**

Connecticut General Statutes Section 7-374(b) provides that authorized debt of the Town shall not exceed seven times base receipts, as defined in the Statute. Further, the Statute limits the amount of debt that may be authorized by the Town for general purposes, schools, sewers, urban renewal and pension deficit. The Town did not exceed any of the statutory debt limitations at June 30, 2021.

**TOWN OF MADISON, CONNECTICUT**  
NOTES TO FINANCIAL STATEMENTS *(Continued)*  
AS OF AND FOR THE YEAR ENDED JUNE 30, 2021

**NOTE 7 - LONG-TERM DEBT *(Continued)***

**Direct Borrowings - Capital Leases**

Capital leases include non-appropriation clauses and provide the obligator with a security interest in the underlying equipment in the event of default.

A summary of assets under capital leases is as follows as of June 30, 2021:

	<b>Governmental Activities</b>
Communication equipment	\$ 3,098,449
Public Works vehicles and equipment	785,567
Beach and Recreation equipment	127,910
Police vehicles and equipment	494,639
Ambulance equipment	77,628
BOE equipment	60,202
Less: accumulated amortization	(2,021,982)
	\$ 2,622,413

Amortization expense related to leased property under capital leases totaled \$611,195 for the year ended June 30, 2021 and is included in depreciation and amortization expense disclosed in Note 4.

Future annual payments on capital leases are as follows as of June 30, 2021:

<b>Year ending June 30:</b>	<b>Governmental Activities</b>		
	<b>Capital Leases</b>		
	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2022	\$ 649,157	\$ 42,761	\$ 691,918
2023	614,826	26,563	641,389
2024	212,640	11,908	224,548
2025	152,110	4,746	156,856
	\$ 1,628,733	\$ 85,978	\$ 1,714,711

**NOTE 8 - OTHER LONG-TERM LIABILITIES**

Changes in other long-term liabilities for the year ended June 30, 2021 are as follows:

	<b>Beginning Balance</b>	<b>Increases</b>	<b>Decreases</b>	<b>Ending Balance</b>	<b>Due Within One Year</b>
<b>Governmental Activities</b>					
Compensated absences	\$ 1,332,924	\$ 34,095	\$ (102,161)	\$ 1,264,858	\$ 126,000
Early retirement incentives	591,531	30,520	(508,684)	113,367	40,088
Heart and hypertension <i>(See Note 12)</i>	1,548,599	76,634	(120,235)	1,504,998	150,499
Net pension liability <i>(See Note 10)</i>	17,112,359	-	(5,464,424)	11,647,935	-
Total OPEB liability <i>(See Note 11)</i>	28,147,634	-	(1,137,159)	27,010,475	-
	\$ 48,733,047	\$ 141,249	\$ (7,332,663)	\$ 41,541,633	\$ 316,587

Other long-term liabilities have typically been liquidated in the General Fund.

**TOWN OF MADISON, CONNECTICUT**  
NOTES TO FINANCIAL STATEMENTS *(Continued)*  
AS OF AND FOR THE YEAR ENDED JUNE 30, 2021

**NOTE 8 - OTHER LONG-TERM LIABILITIES *(Continued)***

**Early Retirement Incentive**

The Town provides special termination benefits to former employees in the form of early retirement incentives. During the year ended June 30, 2021, the Town agreed to provide additional early retirement incentives in the amount of \$30,520. Payments made by the Town on existing arrangements totaled \$508,684. As of June 30, 2021, the Town's liability for early retirement incentives totaled \$113,367.

Future annual payments on early retirement incentives as of June 30, 2021 are as follows:

Year ending June 30:	Governmental Activities
2022	\$ 40,088
2023	28,314
2024	22,208
2025	16,653
2026	6,104
	\$ 113,367

**NOTE 9 - FUND BALANCE**

The components of fund balance for the governmental funds at June 30, 2021 are as follows:

	General Fund	Capital Projects Fund	Special Education Grants Fund	Nonmajor Governmental Funds	Total
Nonspendable:					
Prepaid items and inventories	\$ 8,675	\$ -	\$ -	\$ 25,993	\$ 34,668
Restricted for:					
Grant programs	-	-	23,551	1,334,195	1,357,746
Endowments	-	-	-	496,242	496,242
Capital purposes, unspent bond proceeds	-	21,636	-	-	21,636
Committed to:					
Capital purposes	-	11,284,550	-	-	11,284,550
General government	-	-	-	11,705	11,705
Public safety	-	-	-	6,863	6,863
Health and welfare	-	-	-	238,358	238,358
Beach and recreation	-	-	-	70,870	70,870
Education	-	-	-	601,099	601,099
Assigned to:					
Encumbrances:					
Public works	105,502	-	-	-	105,502
Education	668,230	-	-	-	668,230
Other	81,979	-	-	-	81,979
Use in subsequent year's budget	750,000	-	-	-	750,000
Unassigned	18,399,761	-	-	(3,777)	18,395,984
	\$ 20,014,147	\$ 11,306,186	\$ 23,551	\$ 2,781,548	\$ 34,125,432

**Deficit Fund Balance**

The Senior Lunch Program Fund has an unassigned fund balance deficit of \$3,777 as of June 30, 2021. The deficit is expected to be eliminated through future program revenues and or a transfer in from the General Fund.

**NOTE 10 - EMPLOYEE RETIREMENT SYSTEMS AND PENSION PLANS**

**Defined Benefit Pension Plans**

**Plan Descriptions**

The Town maintains 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's financial reporting entity and are accounted for in the fiduciary fund financial statements as Pension Trust Funds. The Town does not issue stand-alone financial statements for the Pension Trust Funds. The plans are established under authority of a Town Meeting and any changes to the plans must also be approved at a Town Meeting.

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

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

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

**Summary of Significant Accounting Policies**

The PERS are accounted for using the accrual basis of accounting. Plan member contributions are recognized in the period in which the contributions are due. Employer contributions to the plans are recognized when due and the employer has made a formal commitment to provide contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of the Plans.

*Investments* - Investments are generally measured at fair value. Securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates. Investments in money market mutual funds are measured at net asset value per share as determined by the fund. Investment income is recognized when earned and gains and losses on sales or exchanges are recognized on the transaction date.

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

*Concentrations* - As of June 30, 2021, there were no investments in any one issuer that represented 5.0% or more of the Town Plan's total investments.

*Rate of return* - For the year ended June 30, 2021, the annual money-weighted rate of return on the Town Plan's, the Police Plan's and the Fire Plan's investments, net of pension plan investment expense, was 26.95%, 26.03% and 24.82%, respectively. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

**TOWN OF MADISON, CONNECTICUT**  
 NOTES TO FINANCIAL STATEMENTS *(Continued)*  
 AS OF AND FOR THE YEAR ENDED JUNE 30, 2021

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**NOTE 10 - EMPLOYEE RETIREMENT SYSTEMS AND PENSION PLANS *(Continued)***

**Defined Benefit Pension Plans *(Continued)***

**Summary of Significant Accounting Policies *(Continued)***

*Administrative costs* - A portion of the administrative costs of the Plans are funded through the Town's General Fund with the remaining portion funded from investment earnings of the Plans.

**Plan Membership**

Membership of the PERS consisted of the following as of at the date of the latest actuarial valuations:

	<b>Town Plan</b>	<b>Police Plan</b>	<b>Fire Plan</b>
Retirees and beneficiaries currently receiving benefits	131	42	27
Terminated employees entitled to benefit but not yet receiving them	63	1	1
Active employees	195	19	76
	389	62	104

**Benefit Provisions**

*Town Plan* - The retirement plan for Town employees is a noncontributory plan that provides retirement benefits only. However, Town NAGE employees are required to pay 2.0% of pre-tax salary through payroll deduction to the plan. 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.

*Police Plan* - The Police 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).

*Fire Plan* - The Fire Plan provides benefits to 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 50% after 12 years, 75% after 16 years and 100% after 20 years of active service for the Madison Hose Fire department. Benefits vest 50% after 15 years, 75% after 18 years and 100% after 20 years of active service for the North Madison Fire department. 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 to the member.

**TOWN OF MADISON, CONNECTICUT**  
NOTES TO FINANCIAL STATEMENTS *(Continued)*  
AS OF AND FOR THE YEAR ENDED JUNE 30, 2021

**NOTE 10 - EMPLOYEE RETIREMENT SYSTEMS AND PENSION PLANS *(Continued)***

**Defined Benefit Pension Plans *(Continued)***

**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 are required to pay 2.0% of pre-tax salary through payroll deduction to the plan. 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 for the year ended June 30, 2021 were \$1,511,805, \$755,497 and \$83,799, respectively.

**Net Pension Liabilities**

The components of the Town's net pension liabilities for each PERS as of June 30, 2021 were as follows:

	<b>Town Plan</b>	<b>Police Plan</b>	<b>Fire Plan</b>	<b>Total</b>
Total pension liability	\$ 33,263,700	\$ 20,842,966	\$ 1,956,643	\$ 56,063,309
Plan fiduciary net position	25,778,252	16,834,453	1,802,669	44,415,374
Town's net pension liability	\$ 7,485,448	\$ 4,008,513	\$ 153,974	\$ 11,647,935

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

77.5%	80.8%	92.1%
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The components of the changes in the net pension liability for each of the PERS for the year ended June 30, 2021, were as follows:

	<b>Increase (Decrease)</b>		
	<b>Total Pension Liability (a)</b>	<b>Plan Fiduciary Net Position (b)</b>	<b>Net Pension Liability (a) - (b)</b>
<b>Town Plan</b>			
Balance as of June 30, 2020	\$ 30,564,415	\$ 20,286,759	\$ 10,277,656
<b>Changes for the year:</b>			
Service cost	668,410	-	668,410
Interest	2,132,864	-	2,132,864
Effect of plan changes	111,529	-	111,529
Effect of economic/demographic gains or losses	490,786	-	490,786
Effect of assumptions changes	851,421	-	851,421
Contributions - employer	-	1,511,805	(1,511,805)
Contributions - employee	-	7,473	(7,473)
Net investment income	-	5,569,986	(5,569,986)
Benefit payments, including refunds	(1,555,725)	(1,555,725)	-
Administrative expense	-	(42,046)	42,046
<b>Net changes</b>	2,699,285	5,491,493	(2,792,208)
Balance as of June 30, 2021	\$ 33,263,700	\$ 25,778,252	\$ 7,485,448

**TOWN OF MADISON, CONNECTICUT**  
NOTES TO FINANCIAL STATEMENTS *(Continued)*  
AS OF AND FOR THE YEAR ENDED JUNE 30, 2021

**NOTE 10 - EMPLOYEE RETIREMENT SYSTEMS AND PENSION PLANS *(Continued)***

**Defined Benefit Pension Plans *(Continued)***

**Net Pension Liabilities *(Continued)***

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
<b>Police Plan</b>			
Balance as of June 30, 2020	\$ 20,116,352	\$ 13,726,322	\$ 6,390,030
<b>Changes for the year:</b>			
Service cost	270,311	-	270,311
Interest	1,381,314	-	1,381,314
Effect of economic/demographic gains or losses	(118,184)	-	(118,184)
Effect of assumptions changes	530,166	-	530,166
Contributions - employer	-	755,497	(755,497)
Contributions - employee	-	142,554	(142,554)
Net investment income	-	3,562,693	(3,562,693)
Benefit payments, including refunds	(1,336,993)	(1,336,993)	-
Administrative expense	-	(15,620)	15,620
<b>Net changes</b>	<u>726,614</u>	<u>3,108,131</u>	<u>(2,381,517)</u>
Balance as of June 30, 2021	<u>\$ 20,842,966</u>	<u>\$ 16,834,453</u>	<u>\$ 4,008,513</u>
<b>Fire Plan</b>			
Balance as of June 30, 2020	\$ 1,915,392	\$ 1,470,719	\$ 444,673
<b>Changes for the year:</b>			
Service cost	31,854	-	31,854
Interest	127,565	-	127,565
Effect of economic/demographic gains or losses	(49,268)	-	(49,268)
Effect of assumptions changes	48,184	-	48,184
Contributions - employer	-	83,799	(83,799)
Net investment income	-	366,235	(366,235)
Benefit payments, including refunds	(117,084)	(117,084)	-
Administrative expense	-	(1,000)	1,000
<b>Net changes</b>	<u>41,251</u>	<u>331,950</u>	<u>(290,699)</u>
Balance as of June 30, 2021	<u>\$ 1,956,643</u>	<u>\$ 1,802,669</u>	<u>\$ 153,974</u>



**TOWN OF MADISON, CONNECTICUT**  
 NOTES TO FINANCIAL STATEMENTS *(Continued)*  
 AS OF AND FOR THE YEAR ENDED JUNE 30, 2021

**NOTE 10 - EMPLOYEE RETIREMENT SYSTEMS AND PENSION PLANS *(Continued)***

**Defined Benefit Pension Plans *(Continued)***

**Net Pension Liabilities *(Continued)***

*Actuarial Assumptions* - The Town's net pension liabilities were measured as of June 30, 2021. The total pension liabilities were determined by actuarial valuations as of July 1, 2020 for each plan, using the following actuarial assumptions, applied to all periods included in the measurement:

	<b>Town Plan</b>	<b>Police Plan</b>	<b>Fire Plan</b>
Inflation	2.75%	2.75%	2.75%
Salary increases, including inflation	Age related	Graded by age	Not applicable
Investment rate of return, net	6.75%	6.75%	6.50%

Mortality rates were based on the PubG-2010 Mortality with generational projection per MP Ultimate Scale for the Town Plan, and PubS-2010 Mortality with generational projection per MP Ultimate Scale for the Police and Fire Plans.

The long-term expected rates of return on investments were determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the plan's target asset allocation as of June 30, 2021 are summarized in the following table:

<b>Asset Class</b>	<b>Target Allocation</b>			<b>Long-term Expected Real Rate of Return</b>		
	<b>Town Plan</b>	<b>Police Plan</b>	<b>Fire Plan</b>	<b>Town Plan</b>	<b>Police Plan</b>	<b>Fire Plan</b>
Cash	3.0%	4.0%	3.0%	2.7%	2.7%	2.7%
Fixed income	32.0%	31.0%	37.0%	4.1%	4.1%	4.0%
Equity	57.5%	57.5%	53.0%	7.0%	8.1%	6.9%
Other	7.5%	7.5%	7.0%	6.4%	6.4%	6.4%

*Discount Rate* - The discount rate used to measure the total pension liabilities were 6.75% for both the Town and Police plans and 6.50% for the Fire plan. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rates and that Town contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rates. Based on those assumptions, each plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on each plan's investments were applied to all periods of projected benefit payments to determine the total pension liabilities.

**TOWN OF MADISON, CONNECTICUT**  
 NOTES TO FINANCIAL STATEMENTS (Continued)  
 AS OF AND FOR THE YEAR ENDED JUNE 30, 2021

**NOTE 10 - EMPLOYEE RETIREMENT SYSTEMS AND PENSION PLANS (Continued)**

**Defined Benefit Pension Plans (Continued)**

**Net Pension Liabilities (Continued)**

*Sensitivity of the Net Pension Liabilities to Changes in the Discount Rate* - The following presents the net pension liabilities of the Town, calculated using the current discount rate for each plan as well as what the Town's net pension liabilities would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage point higher than the current rate:

	<b>1% Decrease</b>	<b>Current Discount Rate</b>	<b>1% Increase</b>
Town Plan - Net pension liability	\$ 11,267,994	\$ 7,485,448	\$ 4,287,166
Police Plan - Net pension liability	6,395,047	4,008,513	2,030,734
Fire Plan - Net pension liability	376,284	153,974	(18,888)
	<u>\$ 18,039,325</u>	<u>\$ 11,647,935</u>	<u>\$ 6,299,012</u>

**Pension Expense and Deferred Outflows and Inflows of Resources**

For the year ended June 30, 2021, the Town recognized pension expense of \$1,706,822 for the Town Plan, \$463,817 for the Police Plan and \$12,321 for the Fire Plan. At June 30, 2021, the Town reported deferred outflows and inflows of resources related to each plan from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>	<b>Net Amounts</b>
<b>Town Plan:</b>			
Differences between expected and actual experience	\$ 676,244	\$ -	\$ 676,244
Change of assumptions	1,850,119	-	1,850,119
Net difference between projected and actual earnings on pension plan investments	-	(2,868,993)	(2,868,993)
	<u>2,526,363</u>	<u>(2,868,993)</u>	<u>(342,630)</u>
<b>Police Plan:</b>			
Differences between expected and actual experience	33,658	(78,789)	(45,131)
Change of assumptions	560,634	-	560,634
Net difference between projected and actual earnings on pension plan investments	-	(1,651,865)	(1,651,865)
	<u>594,292</u>	<u>(1,730,654)</u>	<u>(1,136,362)</u>
<b>Fire Plan:</b>			
Differences between expected and actual experience	28,431	(228,853)	(200,422)
Change of assumptions	94,428	(33,358)	61,070
Net difference between projected and actual earnings on pension plan investments	-	(165,496)	(165,496)
	<u>122,859</u>	<u>(427,707)</u>	<u>(304,848)</u>
<b>Total Deferred Outflows (Inflows) of Resources</b>	<u>\$ 3,243,514</u>	<u>\$ (5,027,354)</u>	<u>\$ (1,783,840)</u>

**TOWN OF MADISON, CONNECTICUT**  
NOTES TO FINANCIAL STATEMENTS *(Continued)*  
AS OF AND FOR THE YEAR ENDED JUNE 30, 2021

**NOTE 10 - EMPLOYEE RETIREMENT SYSTEMS AND PENSION PLANS *(Continued)***

**Defined Benefit Pension Plans *(Continued)***

**Pension Expense and Deferred Outflows and Inflows of Resources *(Continued)***

Amounts reported as deferred outflows and inflows of resources related to each of the Town's plans will be recognized as a component of pension expense in future years as follows:

Year ended June 30,	<u>Town Plan</u>	<u>Police Plan</u>	<u>Fire Plan</u>	<u>Total</u>
2022	\$ 172,932	\$ (27,249)	\$ (47,460)	\$ 98,223
2023	127,355	(185,021)	(52,571)	(110,237)
2024	12,589	(400,644)	(56,385)	(444,440)
2025	(655,506)	(523,448)	(68,464)	(1,247,418)
2026	-	-	(14,846)	(14,846)
Thereafter	-	-	(65,122)	(65,122)
	<u>\$ (342,630)</u>	<u>\$ (1,136,362)</u>	<u>\$ (304,848)</u>	<u>\$ (1,783,840)</u>

**Plan Financial Statements**

The following presents the statement of fiduciary net position and the statement of changes in fiduciary net position for each of the Town's defined benefit plans as of and for the year ended June 30, 2021.

	<u>Town Plan</u>	<u>Police Plan</u>	<u>Fire Plan</u>	<u>Total Pension Trust Funds</u>
<b>ASSETS</b>				
Cash and cash equivalents	\$ 1,009,087	\$ 760,800	\$ 82,835	\$ 1,852,722
Investments	24,769,165	16,073,653	1,737,152	42,579,970
Total assets	<u>25,778,252</u>	<u>16,834,453</u>	<u>1,819,987</u>	<u>44,432,692</u>
<b>LIABILITIES</b>				
Payables	-	-	17,318	17,318
	<u>-</u>	<u>-</u>	<u>17,318</u>	<u>17,318</u>
<b>NET POSITION</b>				
Restricted for pension benefits	<u>\$ 25,778,252</u>	<u>\$ 16,834,453</u>	<u>\$ 1,802,669</u>	<u>\$ 44,415,374</u>

**TOWN OF MADISON, CONNECTICUT**  
 NOTES TO FINANCIAL STATEMENTS *(Continued)*  
 AS OF AND FOR THE YEAR ENDED JUNE 30, 2021

**NOTE 10 - EMPLOYEE RETIREMENT SYSTEMS AND PENSION PLANS *(Continued)***

**Defined Benefit Pension Plans *(Continued)***

**Plan Financial Statements *(Continued)***

	<u>Town Plan</u>	<u>Police Plan</u>	<u>Fire Plan</u>	<u>Total Pension Trust Funds</u>
<b>ADDITIONS</b>				
Contributions:				
Employer	\$ 1,511,805	\$ 755,497	\$ 83,799	\$ 2,351,101
Plan members	7,473	142,554	-	150,027
Total contributions	<u>1,519,278</u>	<u>898,051</u>	<u>83,799</u>	<u>2,501,128</u>
Investment earnings:				
Interest and dividends	118,480	141,573	10,085	270,138
Net change in the fair value of investments	5,513,239	3,477,440	365,196	9,355,875
Total investment earnings	5,631,719	3,619,013	375,281	9,626,013
Less investment expense	61,733	56,320	9,046	127,099
Net investment earnings	5,569,986	3,562,693	366,235	9,498,914
Total additions	<u>7,089,264</u>	<u>4,460,744</u>	<u>450,034</u>	<u>12,000,042</u>
<b>DEDUCTIONS</b>				
Benefit payments	1,555,725	1,336,993	117,084	3,009,802
Administration	42,046	15,620	1,000	58,666
Total deductions	<u>1,597,771</u>	<u>1,352,613</u>	<u>118,084</u>	<u>3,068,468</u>
Change in net position	5,491,493	3,108,131	331,950	8,931,574
Net pension held in trust for pension benefits:				
Beginning of year	20,286,759	13,726,322	1,470,719	35,483,800
End of year	<u>\$ 25,778,252</u>	<u>\$ 16,834,453</u>	<u>\$ 1,802,669</u>	<u>\$ 44,415,374</u>

**Connecticut Teachers' Retirement System**

**Plan Description**

The Connecticut Teachers' Retirement System ("TRS" or the "Plan") is the public pension plan offered by the State of Connecticut (the "State") to provide retirement, disability, survivorship and health insurance benefits for Connecticut public school teachers and their beneficiaries. The Plan is governed by Connecticut Statute Title 10, Chapter 167a of the Connecticut General Statutes. TRS is a multiemployer pension plan administered by the Connecticut State Teachers' Retirement Board ("TRB"). The State Treasurer is responsible for investing TRS funds for the exclusive benefit of TRS members.

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

**NOTE 10 - EMPLOYEE RETIREMENT SYSTEMS AND PENSION PLANS *(Continued)***

**Connecticut Teachers' Retirement System *(Continued)***

**Benefit Provisions**

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

*Normal Retirement:* Retirement benefits for the employees are calculated as 2.0% of the average annual salary times the years of credited service (maximum benefit is 75.0% of average annual salary during the 3 years of highest salary). In addition, amounts derived from the accumulation of the 6.0% contributions made prior to July 1, 1989 and voluntary contributions are payable.

*Early Retirement:* Employees are eligible after 25 years of credited service with a minimum of 20 years of Connecticut service, or age 55 with 20 years of credited service with a minimum of 15 years of Connecticut service. Benefit amounts are reduced by 6.0% per year for the first 5 years preceding normal retirement age and 4.0% per year for the next 5 years preceding normal retirement age. Effective July 1, 1999, the reduction for individuals with 30 or more years of service is 3% per year by which retirement precedes normal retirement date.

*Minimum Benefit:* Effective January 1, 1999, Public Act 98-251 provides a minimum monthly benefit of \$1,200 to teachers who retire under the normal retirement provisions and who have completed at least 25 years of full time Connecticut service at retirement.

*Disability Retirement:* Employees are eligible for service-related disability benefits regardless of length of service. Five years of credited service is required to be eligible for non-service related disability. Disability benefits are calculated as 2.0% per year of service times the average of the highest three years of pensionable salary, but not less than 15.0%, nor more than 50.0%. In addition, disability benefits under this Plan (without regard to cost-of-living adjustments) plus any initial award of Social Security benefits and workers' compensation cannot exceed 75.0% of average annual salary. A plan member who leaves service and has attained 10 years of service will be entitled to 100.0% of the accrued benefit as of the date of termination of covered employment. Benefits are payable at age 60, and early retirement reductions are based on the number of years of service the member would have had if they had continued work until age 60.

*Pre-Retirement Death Benefit:* The plan also offers a lump-sum return of contributions with interest or surviving spouse benefit depending on length of service.

**Contributions**

*State of Connecticut* - Per Connecticut General Statutes Section 10-183z (which reflects Public Act 79-436 as amended), contribution requirements of active employees and the State are amended and certified by the TRB and appropriated by the General Assembly. The contributions are actuarially determined as an amount that, when combined with employee contributions and investment earnings, is expected to finance the costs of the benefits earned by employees during the year, with any additional amounts to finance any unfunded accrued liability.

*Employers* - School District employers are not required to make contributions to the Plan, as contributions are required only from employees and the State.

*Employees* - Effective July 1, 1992, each teacher was required to contribute 6.0% of pensionable salary for the pension benefit. Effective January 1, 2018, the required contribution increased to 7.0% of pensionable salary.

**TOWN OF MADISON, CONNECTICUT**  
 NOTES TO FINANCIAL STATEMENTS *(Continued)*  
 AS OF AND FOR THE YEAR ENDED JUNE 30, 2021

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**NOTE 10 - EMPLOYEE RETIREMENT SYSTEMS AND PENSION PLANS *(Continued)***

**Connecticut Teachers' Retirement System *(Continued)***

**Administrative Expenses**

Administrative costs of the plan are to be paid by the General Assembly per Section 10-183r of the Connecticut General Statutes.

**Basis of Presentation**

The components associated with pension expense and deferred outflows and inflows of resources have been determined based on fiduciary net position as audited by the State of Connecticut Auditors of Public Accounts as part of the State of Connecticut Comprehensive Annual Financial Report as of and for the year ended June 30, 2020. The net pension liability at June 30, 2020 has been calculated using the audited amounts. TRS is included in the State of Connecticut audit as a pension trust fund. The State of Connecticut's Comprehensive Annual Financial Report can be obtained at [www.ct.gov](http://www.ct.gov).

The accounting standards require participating employers to recognize their proportional share of the collective net pension liability, deferred outflows and inflows of resources and pension expense. Contributions remitted by the State are recognized when legally due, based upon statutory requirements.

**Allocation Methodology**

The allocations for participating employers are based on the expected contribution effort as measured June 30, 2020, the date of the latest biennial valuation. The liabilities of the June 30, 2020 actuarial valuation were rolled forward to the measurement date of June 30, 2020. The employer allocations were then applied to the net pension liability and pension expense to determine the amount applicable to each employer. Based upon the employee contributions made by the employees of each employer, as compared to the total employee contributions, an employer allocation percentage is calculated to six decimal places and is used to allocate the elements noted above. The employer allocation applied to Town totaled 0.572% as of the most recent measurement date.

**Collective Net Pension Liability**

The following summarizes the collective net pension liability of the State for the TRS as of June 30, 2020, the measurement date, in addition to the Town's and State's proportionate shares of the collective net pension liability that is attributed to the Town:

Collective Net Pension Liability of the State for the TRS		<u>\$ 18,846,090,000</u>
	<b><u>Proportion</u></b>	<b><u>Proportionate Share</u></b>
Town's proportionate share of the Collective Net Pension Liability	0.000%	<u>\$ -</u>
State's proportionate share of the Collective Net Pension Liability attributed to the Town	0.572%	<u>\$ 107,728,000</u>

**NOTE 10 - EMPLOYEE RETIREMENT SYSTEMS AND PENSION PLANS *(Continued)***

**Connecticut Teachers' Retirement System *(Continued)***

**Collective Pension Expense**

The Town's expected contribution effort for allocation purposes totaled \$6,909,835 or 0.572% of the total expected contribution effort. The Town has recognized this amount as an on-behalf payment into the TRS as intergovernmental revenues and related education expenditures in the General Fund for the year ended June 30, 2021.

The collective pension expense includes certain current period changes in the collective net pension liability, projected earnings on pension plan investments and the amortization of deferred outflows of resources and deferred inflows of resources for the current period. The portion of the collective pension expense attributed to the Town totaled \$15,431,501 or 0.572% of the total collective pension expense and has been recognized as an operating contribution and related education expenses in the statement of activities for the year ended June 30, 2021.

**Actuarial Assumptions**

The total pension liability was determined by an actuarial valuation as of June 30, 2020, using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.50%
Salary increases	3.00% - 6.50%, including inflation
Investment rate of return	6.90%, net of pension plan investment expense, including inflation
Administrative expenses	\$0 assumption as expenses are paid for by the General Assembly

Mortality rates were based on the PubT-2010 Healthy Retiree Table, adjusted 105% for males and 103% for females as ages 82 and above, projected generationally with MP-2019 for the period after service retirement.

Future cost-of-living increases for teachers who retired prior to September 1, 1992, are made in accordance with increases in the Consumer Price Index, with a minimum of 3% and a maximum of 5.0% per annum. For teachers who were members of the Teachers' Retirement System before July 1, 2007, and retire on or after September 1, 1992, pension benefit adjustments are made that are consistent with those provided for Social Security benefits on January 1 of the year granted, with a maximum of 6.0% per annum. If the return on assets in the previous year was less than 8.5%, the maximum increase is 1.5%. For teachers who were members of the Teachers' Retirement System after July 1, 2007, pension benefit adjustments are made that are consistent with those provided for Social Security benefits on January 1 of the year granted, with a maximum of 5.0% per annum. If the return on assets in the previous year was less than 11.5%, the maximum increase is 3.0%, and if the return on the assets in the previous year was less than 8.5%, the maximum increase is 1.0%.

**Long-Term Rate of Return**

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

**TOWN OF MADISON, CONNECTICUT**  
 NOTES TO FINANCIAL STATEMENTS *(Continued)*  
 AS OF AND FOR THE YEAR ENDED JUNE 30, 2021

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**NOTE 10 - EMPLOYEE RETIREMENT SYSTEMS AND PENSION PLANS *(Continued)***

**Connecticut Teachers' Retirement System *(Continued)***

**Long-Term Rate of Return *(Continued)***

The current capital market assumptions and the target asset allocation as provided by the Treasurer's Office are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Domestic Equity Fund	20.0%	5.6%
Developed Market Intl. Stock Fund	11.0%	6.0%
Emerging Market Intl. Stock Fund	9.0%	7.9%
Core Fixed Income Fund	16.0%	2.1%
Inflation Linked Bond Fund	5.0%	1.1%
Emerging Market Debt Fund	5.0%	2.7%
High Yield Bond Fund	6.0%	4.0%
Real Estate Fund	10.0%	4.5%
Private Equity	10.0%	7.3%
Alternative Investments	7.0%	2.9%
Liquidity Fund	1.0%	0.4%
	<u>100%</u>	

The geometric rates of expected return shown in the table above are nominal returns net of investment expenses.

**Discount Rate**

The discount rate used to measure the total pension liability was 6.90%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that the State contributions will be made at the actuarially determined rates in future years. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

**NOTE 11 - OTHER POST-EMPLOYMENT BENEFITS**

**Town and Board of Education Plan**

**Plan Description**

*Plan administration* - The Town provides a single-employer other post-employment benefits plan to all Town employees retiring under the Town of Madison's Retiree Medical Program. The level of these benefits is determined by contract for all union employees and by a Town ordinance for all non-represented employees. The Town does not issue a stand-alone financial report for the plan.



**TOWN OF MADISON, CONNECTICUT**  
NOTES TO FINANCIAL STATEMENTS *(Continued)*  
AS OF AND FOR THE YEAR ENDED JUNE 30, 2021

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**NOTE 11 - OTHER POST-EMPLOYMENT BENEFITS *(Continued)***

**Town and Board of Education Plan *(Continued)***

**Plan Description *(Continued)***

*Plan membership* - As of July 1, 2019, the date of the most recent actuarial valuation, membership data was as follows:

Current retirees and eligible surviving spouses	71
Current active participants	398
	<hr/>
	469
	<hr/>

**Benefits Provided**

*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.

*NAGE RI-215 Building & Grounds Retired Employees* - Retiree health insurance is 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 pays 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 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 benefits are offered to those retirees hired after January 1, 2006.

*UPSEU Emergency Dispatchers* – No post-retirement benefits are provided for health insurance for retirees.

*Board of Education* - The Board of Education provides certain post-retirement benefits to retirees through negotiated contracts. Eligibility for benefits are 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 and 65. Retirees can purchase Medicare Supplementary plan after age 65.

*Custodians* - Post-retirement insurance can be purchased through Medicare eligibility; if not eligible for Medicare.

*Cafeteria Workers* - No post-retirement benefits are provided for health insurance for retirees.

**Funding Policy**

The Town currently pays for its other post-employment benefits on a pay-as-you-go basis. As of June 30, 2021, the Town has not established a trust fund to irrevocably segregate assets to fund liabilities associated with these other post-employment benefits, which would require the reporting of a trust fund in accordance with GASB guidelines. The contribution requirements of plan members and the Town are also negotiated with the various unions representing the employees.

**TOWN OF MADISON, CONNECTICUT**  
NOTES TO FINANCIAL STATEMENTS *(Continued)*  
AS OF AND FOR THE YEAR ENDED JUNE 30, 2021

**NOTE 11 - OTHER POST-EMPLOYMENT BENEFITS *(Continued)***

**Town and Board of Education Plan *(Continued)***

**Total OPEB Liability**

The Town's total OPEB liability reported as of June 30, 2021 totaled \$27,010,475. The total OPEB liability was measured as of June 30, 2021 and determined by an actuarial valuation as of July 1, 2019.

*Actuarial Assumptions and Other Inputs* - The total OPEB liability as of June 30, 2021 was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Discount rate	2.16%
Inflation	2.70%
Medical trend rates	5.25% - 4.50% over 78 years
Salary increases, including inflation	Graded by service

The discount rate was based on the Bond Buyer 20 (GO 20 Index) as of the measurement date, which represents municipal bond trends based on a portfolio of 20 general obligation bonds that mature in 20 years. Mortality rates were based on generational projection per Scale AA to the Pub-2010 Mortality Table projected with MP ultimate scale.

**Changes in the Total OPEB Liability**

	<u>Total OPEB Liability</u>
Balance as of June 30, 2020	\$ 28,147,634
<b>Changes for the year:</b>	
Service cost	543,473
Interest	625,901
Changes of benefit terms	230,577
Effect of economic/demographic gains or losses	-
Effect of assumptions changes or inputs	(1,793,438)
Benefit payments	(743,672)
<b>Net changes</b>	<u>(1,137,159)</u>
Balance as of June 30, 2021	<u>\$ 27,010,475</u>

Changes of assumptions primarily reflects a change in the discount rate from 2.21% to 2.16% and the use of updated mortality tables.

*Sensitivity of the Total OPEB Liability to Changes in the Discount Rate* - The following presents the total OPEB liability of the Town, as well as what the Town's total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (1.16%) or 1-percentage-point higher (3.16%) than the current discount rate:

	<u>1% Decrease</u>	<u>Current Discount Rate</u>	<u>1% Increase</u>
Total OPEB liability	\$ 32,179,987	\$ 27,010,475	\$ 22,990,016

**TOWN OF MADISON, CONNECTICUT**  
 NOTES TO FINANCIAL STATEMENTS *(Continued)*  
 AS OF AND FOR THE YEAR ENDED JUNE 30, 2021

**NOTE 11 - OTHER POST-EMPLOYMENT BENEFITS *(Continued)***

**Town and Board of Education Plan *(Continued)***

**Changes in the Total OPEB Liability *(Continued)***

*Sensitivity of the Total OPEB liability to Changes in the Healthcare Cost Trend Rates* - The following presents the total OPEB liability of the Town, as well as what the Town's total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower or 1-percentage-point higher than the current healthcare cost trend rates:

	<u>1% Decrease</u>	<u>Current Trend Rate</u>	<u>1% Increase</u>
Total OPEB liability	\$ 22,412,199	\$ 27,010,475	\$ 32,958,032

**OPEB Expense and Deferred Outflows and Inflows of Resources**

For the year ended June 30, 2021, the Town recognized OPEB expense of \$1,992,110. As of June 30, 2021, the Town reported deferred outflows and inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>	<u>Net Amounts</u>
Differences between expected and actual experience	\$ -	\$ (400,413)	\$ (400,413)
Change of assumptions	6,152,457	(2,068,750)	4,083,707
<b>Total Deferred Outflows (Inflows) of Resources</b>	<u>\$ 6,152,457</u>	<u>\$ (2,469,163)</u>	<u>\$ 3,683,294</u>

Amounts reported as deferred outflows and inflows of resources related to OPEB will be recognized as a component of OPEB expense as follows:

Year ended June 30,	
2022	\$ 592,159
2023	592,159
2024	592,159
2025	592,159
2026	592,159
Thereafter	722,499
	<u>\$ 3,683,294</u>

**Connecticut Teachers' Retirement System**

**Plan Description**

The Connecticut Teachers' Retirement System ("TRS" or the "Plan") is the public pension plan offered by the State of Connecticut (the State) to provide retirement, disability, survivorship and health insurance benefits for Connecticut public school teachers and their beneficiaries. The Plan is governed by Connecticut Statute Title 10, Chapter 167a of the Connecticut General Statutes. TRS is a multiemployer pension plan administered by the Connecticut State Teachers' Retirement Board ("TRB"). The State Treasurer is responsible for investing TRS funds for the exclusive benefit of TRS members.

**NOTE 11 - OTHER POST-EMPLOYMENT BENEFITS *(Continued)***

**Connecticut Teachers' Retirement System *(Continued)***

**Plan Description *(Continued)***

Teachers, principals, superintendents or supervisors engaged in service of public schools are provided with benefits, including retiree health insurance, through the Connecticut Teachers' Retirement System - a cost sharing multi employer defined benefit pension plan administered by the TRB. Chapter 167a of the State Statutes grants authority to establish and amend the benefit terms to the TRB. TRS issues a publicly available financial report that can be obtained at [www.ct.gov](http://www.ct.gov).

**Benefit Provisions**

The Plan covers retired teachers and administrators of public schools in the State who are receiving benefits from the Plan. The Plan provides healthcare insurance benefits to eligible retirees and their spouses. Any member that is currently receiving a retirement or disability benefit through the Plan is eligible to participate in the healthcare portion of the Plan. Subsidized Local School District Coverage provides a subsidy paid to members still receiving coverage through their former employer and the TRB Sponsored Medicare Supplemental Plans provide coverage for those participating in Medicare, but not receiving Subsidized Local School District Coverage.

Any member that is not currently participating in Medicare Parts A & B is eligible to continue health care coverage with their former employer. A subsidy of up to \$110 per month for a retired member plus an additional \$110 per month for a spouse enrolled in a local school district plan is provided to the school district to first offset the retiree's share of the cost of coverage, any remaining portion is used to offset the district's cost. The subsidy amount is set by statute, and has not increased since July of 1996. A subsidy amount of \$220 per month may be paid for a retired member, spouse or the surviving spouse of a member who has attained the normal retirement age to participate in Medicare, is not eligible for Part A of Medicare without cost, and contributes at least \$220 per month towards coverage under a local school district plan.

Any member that is currently participating in Medicare Parts A & B is eligible to either continue health care coverage with their former employer, if offered, or enroll in the plan sponsored by the System. If they elect to remain in the Plan with their former employer, the same subsidies as above will be paid to offset the cost of coverage. If a member participating in Medicare Parts A & B so elects, they may enroll in one of the CTRB Sponsored Medicare Supplemental Plans. Active members, retirees, and the State pay equally toward the cost of the basic coverage (medical and prescription drug benefits).

Employees are eligible to retire at age 60 with 20 years of credited service in Connecticut, or 35 years of credited service including at least 25 years of service in Connecticut.

**Contributions**

*State of Connecticut* - Per Connecticut General Statutes Section 10-183z (which reflects Public Act 79-436 as amended), contribution requirements of active employees and the State of Connecticut are amended and certified by the TRB and appropriated by the General Assembly. The State pays for one third of plan costs through an annual appropriation in the General Fund.

*Employers* - School District employers are not required to make contributions to the Plan.

**NOTE 11 - OTHER POST-EMPLOYMENT BENEFITS *(Continued)***

**Connecticut Teachers' Retirement System *(Continued)***

**Contributions *(Continued)***

*Employees/Retirees* - The cost of providing plan benefits is financed on a pay-as-you-go basis as follows: active teachers' pay for one third of the Plan costs through a contribution of 1.25% of their pensionable salaries, and retired teachers pay for one third of the Plan costs through monthly premiums, which helps reduce the cost of health insurance for eligible retired members and dependents.

**Administrative Expenses**

Administrative costs of the Plan are to be paid by the General Assembly per Section 10-183r of the Connecticut General Statutes.

**Basis of Presentation**

The components associated with the other postemployment benefits (OPEB) expense and deferred inflows and outflows of resources have been determined using the unrecognized portions of each year's experience and assumption changes as audited by the State of Connecticut Auditors of Public Accounts as part of the State of Connecticut Comprehensive Annual Financial Report as of and for the year ended June 30, 2020. The net OPEB liability at June 30, 2020 has been calculated using the audited amounts. The OPEB trust fund is included in the TRS, and the TRS is included in the State of Connecticut audit as a pension trust fund. The State of Connecticut's Comprehensive Annual Financial Report can be obtained at [www.ct.gov](http://www.ct.gov).

The accounting standards require participating employers to recognize their proportional share of the collective net OPEB liability, deferred outflows and inflows of resources and OPEB expense. Contributions remitted by the State are recognized when legally due, based upon statutory requirements.

**Allocation Methodology**

The allocations for participating employers are based on the expected contribution effort as measured June 30, 2019, the date of the latest biennial valuation. The allocations for participating employers are based on the expected contribution effort as measured June 30, 2019, the date of the latest biennial valuation. The liabilities of the June 30, 2019 actuarial valuation were rolled forward to the measurement date of June 30, 2020. The employer allocations were then applied to the net OPEB liability and OPEB expense to determine the amount applicable to each employer. Based upon the employee contributions made by the employees of each employer, as compared to the total employee contributions, an employer allocation percentage is calculated to six decimal places and is used to allocate the elements noted above. The employer allocation applied to Town totaled 0.572% as of the most recent measurement date.

**TOWN OF MADISON, CONNECTICUT**  
NOTES TO FINANCIAL STATEMENTS *(Continued)*  
AS OF AND FOR THE YEAR ENDED JUNE 30, 2021

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**NOTE 11 - OTHER POST-EMPLOYMENT BENEFITS *(Continued)***

**Connecticut Teachers' Retirement System *(Continued)***

**Collective Net OPEB Liability**

The following summarizes the collective net OPEB liability of the State for the TRS as of June 30, 2020, the measurement date, in addition to the Town's and State's proportionate shares of the collective net OPEB liability that is attributed to the Town:

Collective Net OPEB Liability of the State for the TRS		<u>\$ 2,810,895,000</u>
	<u>Proportion</u>	<u>Proportionate Share</u>
Town's proportionate share of the Collective Net OPEB Liability	0.000%	<u>\$ -</u>
State's proportionate share of the Collective Net OPEB Liability attributed to the Town	0.572%	<u>\$ 16,068,000</u>

**Collective OPEB Expense**

The Town's expected contribution effort for allocation purposes totaled \$166,758 or 0.572% of the total expected contribution effort. The Town has recognized this amount as an on-behalf payment into the TRS as intergovernmental revenues and related education expenditures in the General Fund for the year ended June 30, 2021.

The collective OPEB expense includes certain current period changes in the collective net OPEB liability, projected earnings on OPEB plan investments and the amortization of deferred outflows of resources and deferred inflows of resources for the current period. The portion of the collective OPEB expense attributed to the Town totaled \$742,202 or 0.572% of the total collective OPEB expense and has been recognized as a reduction in operating contributions and related education expenses in the statement of activities for the year ended June 30, 2021.

**Actuarial Assumptions**

The total OPEB liability was determined by an actuarial valuation as of June 30, 2019 using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.50%
Real Wage Growth	0.50%
Wage Inflation	3.00%
Salary increases	3.00% - 6.50%, including inflation
Investment rate of return	3.00%, net of OPEB plan investment expense, including inflation
Healthcare cost trend rates:	
Medicare	5.125% for 2020 decreasing to an ultimate rate of 4.50% by 2023

**TOWN OF MADISON, CONNECTICUT**  
 NOTES TO FINANCIAL STATEMENTS *(Continued)*  
 AS OF AND FOR THE YEAR ENDED JUNE 30, 2021

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**NOTE 11 - OTHER POST-EMPLOYMENT BENEFITS *(Continued)***

**Connecticut Teachers' Retirement System *(Continued)***

**Actuarial Assumptions *(Continued)***

Mortality rates were based on the PubT-2010 Healthy Retiree Table, adjusted 105% for males and 103% for females as ages 82 and above, projected generationally with MP-2019 for the period after service retirement.

**Long-Term Rate of Return**

The long-term expected rate of return on plan assets is reviewed as part of the actuarial valuation process. Several factors are considered in evaluation the long-term rate of return assumption, including the Plan's current asset allocations and a log-normal distribution analysis using the best-estimate ranges of expected future real rates of return (expected return, net of investment expense and inflation) for each major asset class.

The long-term expected rate of return was determined by weighing the expected future real rates of return by the target asset allocation percentage and then adding expected inflation. The assumption is not expected to change absent a significant change in the asset allocation, a change in the inflation assumption, or a fundamental change in the market that alters expected returns in future years.

The target asset allocation and best estimates of geometric real rates of return for each major asset class are summarized in the following table:

<b>Asset Class</b>	<b>Target Allocation</b>	<b>Expected 10-Year Geometric Real Rate of Return</b>	<b>Standard Deviation</b>
U.S. Treasuries (Cash Equivalents)	100.0%	-0.42%	1.78%

**Discount Rate**

The discount rate used to measure the total OPEB liability was 2.21%. The projection of cash flows used to determine the discount rate was performed in accordance with the applicable standards. The projection's basis was an actuarial valuation performed as of June 30, 2020.

In addition to the actuarial methods and assumptions of the June 30, 2020 actuarial valuation, the following actuarial methods and assumptions were used in the projection of cash flows:

- Total payroll for the initial projection year consists of the payroll of the active membership present on the valuation date. In subsequent projection years, total payroll was assumed to increase annual at a rate of 3.00%.
- Employee contributions were assumed to be made at the current member contribution rate. Employee contributions for future plan members were used to reduce the estimated amount of total service costs for future plan members.
- Annual State contributions were assumed to be equal to the most recent five-year average of state contributions toward the fund.

Based on those assumptions, the Plan's fiduciary net position was projected to be depleted in 2021 and, as a result, the Municipal Bond Index Rate was used in the determination of the single equivalent rate.

**TOWN OF MADISON, CONNECTICUT**  
 NOTES TO FINANCIAL STATEMENTS *(Continued)*  
 AS OF AND FOR THE YEAR ENDED JUNE 30, 2021

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**NOTE 12 - RISK MANAGEMENT AND UNCERTAINTIES**

**Risk Management - Insurance**

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 management of these risks. Neither the Town nor its insurers have settled claims, which exceeded the Town's insurance coverage in any of the last three fiscal years. In addition, there have been no significant reductions in any insurance coverage from amounts maintained in the prior year.

The Town provides medical and dental coverage to employees through a self-insured plan. The Town retains the risk of loss under the plan and claims are processed by a third party administrator. The Town utilizes a Health Insurance Internal Service Fund to report the activities of the plan. The Town contributes 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 this limit. The Town has also purchased an aggregate stop-loss policy that would cover claims exceeding 125% of the total estimated claims for the plan year. The Town establishes claims liabilities based on estimates of claims that have been incurred but not reported as of year end. This estimate is based on the ultimate costs of settling the claims, which include past experience data, inflation and other future economic and societal factors and incremental claim adjustment expenses, net of estimated subrogation recoveries.

Changes in the claims liability for the previous two fiscal years were as follows:

<u>Year Ended June 30</u>	<u>Claims Payable Beginning of Year</u>	<u>Claims and Changes in Estimates</u>	<u>Claim Payment</u>	<u>Claims Payable End of Year</u>
2020	\$ 753,541	\$ 8,038,029	\$ 8,263,884	\$ 527,686
2021	527,686	11,172,634	11,119,420	580,900

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 through General Fund appropriations. The estimated liability at June 30, 2021 is \$1,504,998. This liability is reported in the government-wide financial statements.

**NOTE 13 - CONTINGENCIES**

The Town has contingent liabilities with respect to pending litigation, claims and disputes that existed as of June 30, 2021. The liability with respect to such matters, if any, is not presently determinable; however, it is the opinion of Town management that any liabilities will not have a material effect on the financial position of the Town.

The Town receives state and federal grants for specific purposes that are subject to review and audit by the grantor agencies. Such audits could lead to requests for reimbursements to the grantor agency for any expenditure disallowed under terms of the grant. Based on prior experience, Town management believes such disallowances, if any, will not have a material effect on the financial position of the Town.



**TOWN OF MADISON, CONNECTICUT**  
NOTES TO FINANCIAL STATEMENTS *(Continued)*  
AS OF AND FOR THE YEAR ENDED JUNE 30, 2021

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**NOTE 14 - IMPACT OF ACCOUNTING STANDARDS NOT YET EFFECTIVE**

In June 2017, the GASB issued Statement No. 87, *Leases*. The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. The requirements of this statement are effective for the Town's reporting period beginning July 1, 2021. The Town is currently evaluating the potential impact of adopting this Statement on its financial statements.

In June 2018, the GASB issued Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*. The objective of this Statement are (a) to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and (b) to simplify accounting for interest cost incurred before the end of a construction period. The requirements of this Statement should be applied prospectively and are effective for the Town's reporting period beginning July 1, 2021. The Town does not expect this statement to have a material effect on its financial statements.

In May 2019, the GASB issued Statement No. 91, *Conduit Debt Obligations*. The objectives of this statement are to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. The requirements of this statement are effective for the Town's reporting period beginning July 1, 2022. The Town does not expect this statement to have a material effect on its financial statements.

In January 2020, the GASB issued Statement No. 92, *Omnibus 2020*. The objectives of this Statement are to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing practice issues that have been identified during implementation and application of certain GASB Statements. This Statement addresses a variety of topics and the requirements of this statement are effective for the Town's reporting period beginning July 1, 2021. The Town does not expect this statement to have a material effect on its financial statements.

In March 2020, the GASB issued Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*. The primary objective of this Statement is to improve financial reporting by addressing issues related to public-private and public-public partnership arrangements (PPPs). The requirements of this statement are effective for the Town's reporting period beginning July 1, 2022. The Town is currently evaluating the potential impact of adopting this Statement on its financial statements.

In May 2020, the GASB issued Statement 96, *Subscription-Based Information Technology Arrangements*. This Statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). The requirements of this statement are effective for the Town's reporting period beginning July 1, 2022. The Town does not expect this statement to have a material effect on its financial statements.

**TOWN OF MADISON, CONNECTICUT**  
NOTES TO FINANCIAL STATEMENTS *(Continued)*  
AS OF AND FOR THE YEAR ENDED JUNE 30, 2021

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**NOTE 14 - IMPACT OF ACCOUNTING STANDARDS NOT YET EFFECTIVE *(Continued)***

In June 2020, the GASB issued Statement 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans - An Amendment of GASB Statement No. 14 and No. 84, and a Supersession of GASB Statement No. 32*. The primary objectives of this Statement are to (1) increase consistency and comparability related to the reporting of fiduciary component units in circumstances in which a potential component unit does not have a governing board and the primary government performs the duties that a governing board typically would perform; (2) mitigate costs associated with the reporting of certain defined contribution pension plans, defined contribution other postemployment benefit (OPEB) plans, and employee benefit plans other than pension plans or OPEB plans (other employee benefit plans) as fiduciary component units in fiduciary fund financial statements; and (3) enhance the relevance, consistency, and comparability of the accounting and financial reporting for Internal Revenue Code (IRC) Section 457 deferred compensation plans (Section 457 plans) that meet the definition of a pension plan and for benefits provided through those plans. The requirements of this statement that relate to the accounting and reporting of Section 457 plans are effective for the Town's reporting period beginning July 1, 2021. The Town does not expect this statement to have a material effect on its financial statements.

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**REQUIRED SUPPLEMENTARY INFORMATION**

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**TOWN OF MADISON, CONNECTICUT**  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -**  
**BUDGET AND ACTUAL - BUDGETARY BASIS - GENERAL FUND (UNAUDITED)**  
**FOR THE YEAR ENDED JUNE 30, 2021**

	<b>Budgeted Amounts</b>		<b>Actual</b>	<b>Variance With Final Budget Over (Under)</b>
	<b>Original</b>	<b>Final</b>		
<b>REVENUES</b>				
Property taxes	\$ 82,604,114	\$ 82,604,114	\$ 83,864,517	\$ 1,260,403
Intergovernmental	543,125	543,125	1,242,964	699,839
Charges for services	2,120,694	2,226,694	3,757,548	1,530,854
Investment income	585,000	585,000	701,891	116,891
Total revenues	<u>85,852,933</u>	<u>85,958,933</u>	<u>89,566,920</u>	<u>3,607,987</u>
<b>EXPENDITURES</b>				
Current:				
General government	2,770,398	2,617,349	2,582,314	(35,035)
Public safety	5,668,342	5,999,704	5,977,942	(21,762)
Public works	3,698,799	3,768,231	3,664,459	(103,772)
Land and building administration	530,265	536,477	505,208	(31,269)
Health and welfare	1,706,428	1,743,210	1,684,364	(58,846)
Beach and recreation	1,701,747	1,764,608	1,764,608	-
Library	1,304,841	1,336,841	1,181,247	(155,594)
Education	56,710,753	56,816,750	56,472,065	(344,685)
Insurance, employee benefits and other	5,385,409	5,334,043	5,331,140	(2,903)
Capital outlays	39,400	42,352	39,349	(3,003)
Debt service	3,338,047	3,338,047	3,338,047	-
Total expenditures	<u>82,854,429</u>	<u>83,297,612</u>	<u>82,540,743</u>	<u>(756,869)</u>
Excess of revenues over expenditures	2,998,504	2,661,321	7,026,177	4,364,856
<b>OTHER FINANCING SOURCES (USES)</b>				
Appropriation of fund balance	673,000	2,598,122	-	(2,598,122)
Cancellation of prior year encumbrances	-	-	134,799	134,799
Transfers in	107,600	107,600	5,551	(102,049)
Transfers out	(3,779,104)	(5,367,043)	(5,367,043)	-
Total other financing sources (uses)	<u>(2,998,504)</u>	<u>(2,661,321)</u>	<u>(5,226,693)</u>	<u>(2,565,372)</u>
Net change in fund balances	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,799,484</u>	<u>\$ 1,799,484</u>

*See accompanying notes to required supplementary information.*

**TOWN OF MADISON, CONNECTICUT**  
**SCHEDULE OF CHANGES IN NET PENSION LIABILITY -**  
**TOWN PLAN (UNAUDITED)**  
**LAST EIGHT FISCAL YEARS\***

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
<b>Total pension liability</b>								
Service cost	\$ 668,410	\$ 626,981	\$ 620,164	\$ 608,909	\$ 544,440	\$ 520,219	\$ 533,079	\$ 520,276
Interest	2,132,864	1,890,397	1,815,981	1,728,187	1,674,964	1,591,804	1,486,730	1,432,090
Effect of plan changes	111,529	-	-	301,441	-	-	-	-
Effect of economic/demographic gains and losses	490,786	460,386	27,280	4,188	158,138	286,267	-	-
Effect of assumption changes or inputs	851,421	1,952,277	-	-	606,991	298,115	(303,962)	(168,054)
Benefit payments, including refunds	(1,555,725)	(1,456,614)	(1,365,315)	(1,429,470)	(1,208,988)	(1,068,587)	(930,911)	(836,712)
Net change in total pension liability	2,699,285	3,473,427	1,098,110	1,213,255	1,775,545	1,627,818	784,936	947,600
Total pension liability - beginning	30,564,415	27,090,988	25,992,878	24,779,623	23,004,078	21,376,260	20,591,324	19,643,724
Total pension liability - ending	33,263,700	30,564,415	27,090,988	25,992,878	24,779,623	23,004,078	21,376,260	20,591,324
<b>Plan fiduciary net position</b>								
Contributions - employer	1,511,805	1,249,336	1,142,688	1,030,611	905,263	890,486	951,003	1,611,970
Contributions - members	7,473	7,901	7,703	10,196	10,489	10,516	9,732	9,802
Net investment income	5,569,986	635,916	1,268,887	1,304,145	1,740,211	(50,651)	120,972	2,131,674
Benefit payments, including refunds	(1,555,725)	(1,456,614)	(1,365,315)	(1,429,470)	(1,208,988)	(1,068,587)	(930,911)	(836,712)
Administrative expense	(42,046)	(24,717)	(44,321)	(64,719)	(20,082)	(24,581)	(23,636)	(18,833)
Net change in plan fiduciary net position	5,491,493	411,822	1,009,642	850,763	1,426,893	(242,817)	127,160	2,897,901
Plan fiduciary net position - beginning	20,286,759	19,874,937	18,865,295	18,014,532	16,587,639	16,830,456	16,703,296	13,805,395
Plan fiduciary net position - ending	25,778,252	20,286,759	19,874,937	18,865,295	18,014,532	16,587,639	16,830,456	16,703,296
<b>Town's net pension liability</b>	<u>\$ 7,485,448</u>	<u>\$ 10,277,656</u>	<u>\$ 7,216,051</u>	<u>\$ 7,127,583</u>	<u>\$ 6,765,091</u>	<u>\$ 6,416,439</u>	<u>\$ 4,545,804</u>	<u>\$ 3,888,028</u>
Plan fiduciary net position as a percentage of total pension liability	77.50%	66.37%	73.36%	72.58%	72.70%	72.11%	78.73%	81.12%
Covered payroll	\$ 8,431,963	\$ 8,301,642	\$ 8,446,424	\$ 7,593,574	\$ 7,511,806	\$ 7,969,860	\$ 7,681,806	\$ 7,111,945
Town's net pension liability as a percentage of covered payroll	88.77%	123.80%	85.43%	93.86%	90.06%	80.51%	59.18%	54.67%

\* This schedule is intended to show information for ten years and additional years' information will be displayed as it becomes available.

**TOWN OF MADISON, CONNECTICUT**  
**SCHEDULE OF CONTRIBUTIONS AND INVESTMENT RETURNS -**  
**TOWN PLAN (UNAUDITED)**  
**LAST TEN FISCAL YEARS**

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
Actuarially determined contribution	\$ 1,511,805	\$ 1,249,336	\$ 1,142,688	\$ 1,030,611	\$ 905,263	\$ 890,486	\$ 951,003	\$ 861,970	\$ 801,343	\$ 728,213
Contributions in relation to the actuarially determined contribution	<u>1,511,805</u>	<u>1,249,336</u>	<u>1,142,688</u>	<u>1,030,611</u>	<u>905,263</u>	<u>890,486</u>	<u>951,003</u>	<u>1,611,970</u>	<u>799,519</u>	<u>728,342</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (750,000)</u>	<u>\$ 1,824</u>	<u>\$ (129)</u>
Covered payroll	\$ 8,431,963	\$ 8,301,642	\$ 8,446,424	\$ 7,593,574	\$ 7,511,806	\$ 7,969,860	\$ 7,681,806	\$ 7,111,945	\$ 7,478,915	\$ 7,118,814
Contributions as a percentage of covered payroll	17.93%	15.05%	13.53%	13.57%	12.05%	11.17%	12.38%	22.67%	10.69%	10.23%
Annual money-weighted rate of return, net of investment expense	26.95%	3.29%	6.83%	7.45%	10.62%	-0.30%	0.73%	15.47%	Not available	Not available

*See accompanying notes to required supplementary information.*

**TOWN OF MADISON, CONNECTICUT**  
**SCHEDULE OF CHANGES IN NET PENSION LIABILITY -**  
**POLICE PLAN (UNAUDITED)**  
**LAST EIGHT FISCAL YEARS\***

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
<b>Total pension liability</b>								
Service cost	\$ 270,311	\$ 302,692	\$ 295,578	\$ 291,187	\$ 280,532	\$ 280,866	\$ 316,801	\$ 298,820
Interest	1,381,314	1,316,309	1,293,845	1,277,727	1,256,838	1,278,794	1,225,819	1,199,805
Effect of economic/demographic gains and losses	(118,184)	34,539	144,944	(67,435)	(410,348)	(33,634)	71,303	(16,348)
Effect of assumption changes or inputs	530,166	552,508	-	-	468,903	526,516	-	-
Benefit payments, including refunds	(1,336,993)	(1,349,550)	(1,302,609)	(1,254,673)	(1,241,807)	(1,356,577)	(1,228,517)	(1,153,223)
Net change in total pension liability	726,614	856,498	431,758	246,806	354,118	695,965	385,406	329,054
Total pension liability - beginning	20,116,352	19,259,854	18,828,096	18,581,290	18,227,172	17,531,207	17,145,801	16,816,747
Total pension liability - ending	<u>20,842,966</u>	<u>20,116,352</u>	<u>19,259,854</u>	<u>18,828,096</u>	<u>18,581,290</u>	<u>18,227,172</u>	<u>17,531,207</u>	<u>17,145,801</u>
<b>Plan fiduciary net position</b>								
Contributions - employer	755,497	645,044	598,363	586,962	543,323	526,000	521,830	465,297
Contributions - members	142,554	151,039	155,311	158,336	155,007	168,570	187,108	183,100
Net investment income	3,562,693	340,045	739,145	965,464	1,363,252	(33,225)	134,475	1,868,074
Benefit payments, including refunds	(1,336,993)	(1,349,550)	(1,302,609)	(1,254,673)	(1,241,807)	(1,356,577)	(1,228,517)	(1,153,223)
Administrative expense	(15,620)	(18,995)	(24,323)	(20,703)	(10,472)	(25,540)	(26,857)	(24,358)
Net change in plan fiduciary net position	3,108,131	(232,417)	165,887	435,386	809,303	(720,772)	(411,961)	1,338,890
Plan fiduciary net position - beginning	13,726,322	13,958,739	13,792,852	13,357,466	12,548,163	13,268,935	13,680,896	12,342,006
Plan fiduciary net position - ending	<u>16,834,453</u>	<u>13,726,322</u>	<u>13,958,739</u>	<u>13,792,852</u>	<u>13,357,466</u>	<u>12,548,163</u>	<u>13,268,935</u>	<u>13,680,896</u>
<b>Town's net pension liability</b>	<u>\$ 4,008,513</u>	<u>\$ 6,390,030</u>	<u>\$ 5,301,115</u>	<u>\$ 5,035,244</u>	<u>\$ 5,223,824</u>	<u>\$ 5,679,009</u>	<u>\$ 4,262,272</u>	<u>\$ 3,464,905</u>
Plan fiduciary net position as a percentage of total pension liability	80.77%	68.23%	72.48%	73.26%	71.89%	68.84%	75.69%	79.79%
Covered payroll	\$ 1,777,185	\$ 1,734,081	\$ 1,678,549	\$ 1,634,080	\$ 1,701,371	\$ 1,996,009	\$ 1,881,292	\$ 1,684,653
Town's net pension liability as a percentage of covered payroll	225.55%	368.50%	315.82%	308.14%	307.04%	284.52%	226.56%	205.67%

\* This schedule is intended to show information for ten years and additional years' information will be displayed as it becomes available.

*See accompanying notes to required supplementary information.*

**TOWN OF MADISON, CONNECTICUT**  
**SCHEDULE OF CONTRIBUTIONS AND INVESTMENT RETURNS -**  
**POLICE PLAN (UNAUDITED)**  
**LAST TEN FISCAL YEARS**

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
Actuarially determined contribution	\$ 755,497	\$ 645,044	\$ 598,365	\$ 586,962	\$ 543,323	\$ 514,887	\$ 521,830	\$ 465,297	\$ 363,200	\$ 341,993
Contributions in relation to the actuarially determined contribution	<u>755,497</u>	<u>645,044</u>	<u>598,363</u>	<u>586,962</u>	<u>543,323</u>	<u>526,000</u>	<u>521,830</u>	<u>465,297</u>	<u>360,370</u>	<u>341,767</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (11,113)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,830</u>	<u>\$ 226</u>
Covered payroll	\$ 1,777,185	\$ 1,734,081	\$ 1,678,549	\$ 1,634,080	\$ 1,701,371	\$ 1,996,009	\$ 1,881,292	\$ 1,684,653	\$ 2,053,458	\$ 1,901,249
Contributions as a percentage of covered payroll	42.51%	37.20%	35.65%	35.92%	31.93%	26.35%	27.74%	27.62%	17.55%	17.98%
Annual money-weighted rate of return, net of investment expense	26.03%	2.56%	5.50%	7.46%	11.15%	-0.26%	1.00%	15.42%	Not available	Not available

*See accompanying notes to required supplementary information.*



**TOWN OF MADISON, CONNECTICUT**  
**SCHEDULE OF CHANGES IN NET PENSION LIABILITY -**  
**FIRE PLAN (UNAUDITED)**  
**LAST EIGHT FISCAL YEARS\***

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
<b>Total pension liability</b>								
Service cost	\$ 31,854	\$ 34,788	\$ 31,794	\$ 33,608	\$ 41,044	\$ 38,426	\$ 36,251	\$ 40,464
Interest	127,565	122,862	123,710	128,944	125,384	108,942	106,278	103,909
Effect of plan changes	-	-	-	-	-	-	-	67,388
Effect of economic/demographic gains and losses	(49,268)	(28,892)	(43,727)	(113,522)	41,596	-	(79,518)	-
Effect of assumptions changes or inputs	48,184	56,734	-	-	(48,803)	-	-	-
Benefit payments	(117,084)	(109,251)	(144,793)	(105,083)	(104,151)	(101,501)	(99,167)	(79,334)
Net change in total pension liability	41,251	76,241	(33,016)	(56,053)	55,070	45,867	(36,156)	132,427
Total pension liability - beginning	1,915,392	1,839,151	1,872,167	1,928,220	1,873,150	1,827,283	1,863,439	1,731,012
Total pension liability - ending	<u>1,956,643</u>	<u>1,915,392</u>	<u>1,839,151</u>	<u>1,872,167</u>	<u>1,928,220</u>	<u>1,873,150</u>	<u>1,827,283</u>	<u>1,863,439</u>
<b>Plan fiduciary net position</b>								
Contributions - employer	83,799	58,113	68,247	97,342	102,856	95,956	104,867	115,368
Net investment income	366,235	38,297	79,265	71,077	102,711	3,077	15,178	149,895
Benefit payments, including refunds	(117,084)	(109,251)	(144,793)	(105,083)	(104,151)	(101,501)	(99,167)	(79,334)
Administrative expenses	(1,000)	(7,740)	(13,305)	-	-	-	-	-
Net change in plan fiduciary net position	331,950	(20,581)	(10,586)	63,336	101,416	(2,468)	20,878	185,929
Plan fiduciary net position - beginning	1,470,719	1,491,300	1,501,886	1,438,550	1,337,134	1,339,602	1,318,724	1,132,795
Plan fiduciary net position - ending	<u>1,802,669</u>	<u>1,470,719</u>	<u>1,491,300</u>	<u>1,501,886</u>	<u>1,438,550</u>	<u>1,337,134</u>	<u>1,339,602</u>	<u>1,318,724</u>
<b>Town's net pension liability</b>	<u>\$ 153,974</u>	<u>\$ 444,673</u>	<u>\$ 347,851</u>	<u>\$ 370,281</u>	<u>\$ 489,670</u>	<u>\$ 536,016</u>	<u>\$ 487,681</u>	<u>\$ 544,715</u>
Plan fiduciary net position as a percentage of total pension liability	92.13%	76.78%	81.09%	80.22%	74.61%	71.38%	73.31%	70.77%

\* This schedule is intended to show information for ten years and additional years' information will be displayed as it becomes available.

*See accompanying notes to required supplementary information.*

**TOWN OF MADISON, CONNECTICUT**  
**SCHEDULE OF CONTRIBUTIONS AND INVESTMENT RETURNS -**  
**FIRE PLAN (UNAUDITED)**  
**LAST TEN FISCAL YEARS**

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
Actuarially determined contribution	\$ 83,799	\$ 58,113	\$ 68,247	\$ 85,475	\$ 82,077	\$ 102,856	\$ 102,856	\$ 115,368	\$ 94,466	\$ 100,176
Contributions in relation to the actuarially determined contribution	<u>83,799</u>	<u>58,113</u>	<u>68,247</u>	<u>97,342</u>	<u>102,856</u>	<u>95,956</u>	<u>104,867</u>	<u>115,368</u>	<u>94,466</u>	<u>100,176</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (11,867)</u>	<u>\$ (20,779)</u>	<u>\$ 6,900</u>	<u>\$ (2,011)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Annual money-weighted rate of return, net of investment expense	24.82%	2.67%	5.43%	4.96%	7.69%	0.23%	1.14%	6.00%	Not available	Not available

*See accompanying notes to required supplementary information.*

**TOWN OF MADISON, CONNECTICUT**  
**SCHEDULE OF THE TOWN'S PROPORTIONATE SHARE OF THE COLLECTIVE NET PENSION LIABILITY -**  
**CONNECTICUT TEACHERS' RETIREMENT SYSTEM (UNAUDITED)**  
**LAST SEVEN FISCAL YEARS\***  
(Rounded to nearest thousand)

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Town's proportion of the collective net pension liability	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Town's proportionate share of the collective net pension liability	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
State's proportionate share of the collective net pension liability attributed to the Town	<u>107,728,000</u>	<u>102,595,000</u>	<u>79,106,000</u>	<u>81,772,000</u>	<u>86,270,000</u>	<u>66,390,000</u>	<u>61,365,000</u>
Total	<u>\$ 107,728,000</u>	<u>\$ 102,595,000</u>	<u>\$ 79,106,000</u>	<u>\$ 81,772,000</u>	<u>\$ 86,270,000</u>	<u>\$ 66,390,000</u>	<u>\$ 61,365,000</u>
Town's covered payroll	\$ 24,882,000	\$ 26,379,000	\$ 25,969,000	\$ 25,921,000	\$ 24,984,000	\$ 24,678,000	\$ 23,786,000
Town's proportionate share of the collective net pension liability as a percentage of its covered payroll	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Plan fiduciary net position as a percentage of the total collective pension liability	49.24%	52.00%	57.69%	55.93%	52.26%	59.50%	61.51%

\* This schedule is intended to show information for ten years and additional years' information will be displayed as it becomes available.

*See accompanying notes to required supplementary information.*

**TOWN OF MADISON, CONNECTICUT**  
**SCHEDULE OF CHANGES IN TOTAL OPEB LIABILITY -**  
**OTHER POST-EMPLOYMENT BENEFITS PLAN (UNAUDITED)**  
**LAST FOUR FISCAL YEARS\***

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
<b>Total OPEB liability</b>				
Service cost	\$ 543,473	\$ 339,736	\$ 325,311	\$ 339,036
Interest	625,901	741,250	759,242	720,567
Changes in benefit terms	230,577	-	-	-
Differences between expected and actual experience	-	(527,529)	-	-
Effect of assumptions changes or inputs	(1,793,438)	7,115,179	1,161,839	(901,124)
Benefit payments, including refunds	<u>(743,672)</u>	<u>(713,522)</u>	<u>(687,890)</u>	<u>(620,512)</u>
Net change in total OPEB liability	(1,137,159)	6,955,114	1,558,502	(462,033)
Total OPEB liability - beginning	<u>28,147,634</u>	<u>21,192,520</u>	<u>19,634,018</u>	<u>20,096,051</u>
Total OPEB liability - ending	<u>\$ 27,010,475</u>	<u>\$ 28,147,634</u>	<u>\$ 21,192,520</u>	<u>\$ 19,634,018</u>

\* This schedule is intended to show information for ten years and additional years' information will be displayed as it becomes available.

**TOWN OF MADISON, CONNECTICUT**  
SCHEDULE OF THE TOWN'S PROPORTIONATE SHARE OF THE COLLECTIVE NET OPEB LIABILITY -  
CONNECTICUT TEACHERS' RETIREMENT SYSTEM (UNAUDITED)  
LAST FOUR FISCAL YEARS\*  
(Rounded to Nearest Thousand)

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Town's proportion of the collective net OPEB liability	0.00%	0.00%	0.00%	0.00%
Town's proportionate share of the collective net OPEB liability	\$ -	\$ -	\$ -	\$ -
State's proportionate share of the collective net OPEB liability attributed to the Town	<u>16,068,000</u>	<u>16,000,000</u>	<u>15,814,000</u>	<u>21,047,000</u>
Total	<u>\$ 16,068,000</u>	<u>\$ 16,000,000</u>	<u>\$ 15,814,000</u>	<u>\$ 21,047,000</u>
Town's covered payroll	\$ 25,371,000	\$ 26,379,000	\$ 25,969,000	\$ 25,921,000
Town's proportionate share of the collective net OPEB liability as a percentage of its covered payroll	0.00%	0.00%	0.00%	0.00%
Plan fiduciary net position as a percentage of the total collective OPEB liability	2.50%	2.08%	1.49%	1.79%

\* This schedule is intended to show information for ten years and additional years' information will be displayed as it becomes available.

**TOWN OF MADISON, CONNECTICUT**  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED) *(Continued)*  
AS OF AND FOR THE YEAR ENDED JUNE 30, 2021

**NOTE 1 - STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL - BUDGETARY BASIS - GENERAL FUND**

**Budgetary Information**

The Town adheres to the following procedures in establishing the budgetary data included in the General Fund financial statements in accordance with provisions of Connecticut General Statutes and annually adopted budget policies.

- An annual referendum to vote on the recommended Town budget, including the Board of Education budget, shall be held no later than the 25th of May by use of voting machines. The operating budget includes proposed expenditures and the means of financing them.
- The Board of Finance is authorized to make special appropriations of up to \$50,000 to any single agency or department and transfer budgeted amounts up to \$50,000 within departments. Any special appropriation or transfer over \$50,000 must be approved at a Town Meeting.
- Formal budgetary integration is employed as a management control device during the year for the General Fund. Additional appropriations approved during the year amounted to \$1,925,122. 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 assigned fund balance and do not constitute expenditures or liabilities because the commitments will be re-appropriated and honored during the subsequent year.

As described above, accounting principles applied for purposes of developing data on a budgetary basis may differ from those used to present financial statements in conformity with accounting principles generally accepted in the United States of America ("GAAP basis"). A reconciliation of General Fund amounts presented on the budgetary basis to amounts presented on the GAAP basis is as follows for the year ended June 30, 2021:

	<u>Total Revenues</u>	<u>Total Expenditures</u>	<u>Other Financing Uses, Net</u>	<u>Net Change in Fund Balance</u>
Budgetary basis	\$ 89,566,920	\$ 82,540,743	\$ (5,226,693)	\$ 1,799,484
"On-behalf" payments -				
State Teachers Retirement Fund	7,076,593	7,076,593	-	-
Adjustment for encumbrances	(4,566)	(1,570)	(134,799)	(137,795)
Refunding bond proceeds not recorded for budgetary purposes	-	64,195	64,195	-
Reimbursement for certain grant costs recorded as a reduction to expenditures for budgetary purposes	893,456	893,456	-	-
Certain transfers recorded as expenditures for budgetary purposes	1	(1,189,869)	(1,189,870)	-
GAAP basis	<u>\$ 97,532,404</u>	<u>\$ 89,383,548</u>	<u>\$ (6,487,167)</u>	<u>\$ 1,661,689</u>

**TOWN OF MADISON, CONNECTICUT**  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED) *(Continued)*  
AS OF AND FOR THE YEAR ENDED JUNE 30, 2021

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**NOTE 2 - SCHEDULE OF THE CHANGES IN NET PENSION LIABILITY - TOWN PLAN**

The Town began to report this schedule when it implemented GASB Statement No. 67, *Financial Reporting for Pension Plans—an amendment of GASB Statement No. 25*, in fiscal year 2014. GASB Statement No. 67 requires the information within this schedule to be presented for the ten most recent fiscal years.

Actuarial valuations are prepared every year with the most recent available actuarial valuation performed as of July 1, 2020. The July 1, 2020 was utilized to calculate the total pension liability as of July 1, 2020, which was rolled forward to the most recent measurement date of June 30, 2021.

*Benefit Changes* - There have been no benefit term changes that have had a significant effect on the measurement of the total pension liability.

*Assumption Changes* - The discount rate was decreased from 7.00% to 6.75% and mortality tables were updated in connection with the measurement of the total Pension liability as of June 30, 2021. There were no other significant changes in assumptions that had a significant effect on the measurement of the total Pension liability.

**NOTE 3 - SCHEDULE OF CONTRIBUTIONS AND INVESTMENT RETURNS - TOWN PLAN**

The Town began to report this schedule when it implemented GASB Statement No. 67, *Financial Reporting for Pension Plans—an amendment of GASB Statement No. 25*, in fiscal year 2014. GASB Statement No. 67 requires the information within this schedule to be presented for the ten most recent fiscal years.

Actuarially determined contributions rates are calculated as of July 1, one year prior to the end of the fiscal year in which contributions are reported.

The following methods and assumptions were utilized to determine the contribution rates for the year ended June 30, 2021.

Actuarial cost method:	Entry Age Normal
Amortization method:	Level Percent
Remaining amortization period:	Closed 18 years from July 1, 2019
Asset valuation method:	5 Year Smoothed Market Value
Actuarial assumptions:	
Inflation rate	2.75%
Discount rate	7.00%
Projected salary Increases	Age related table
Amortization growth rate	3.50%

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

**TOWN OF MADISON, CONNECTICUT**  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED) *(Continued)*  
AS OF AND FOR THE YEAR ENDED JUNE 30, 2021

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**NOTE 4 - SCHEDULE OF THE CHANGES IN NET PENSION LIABILITY - POLICE PLAN**

The Town began to report this schedule when it implemented GASB Statement No. 67, *Financial Reporting for Pension Plans—an amendment of GASB Statement No. 25*, in fiscal year 2014. GASB Statement No. 67 requires the information within this schedule to be presented for the ten most recent fiscal years.

Actuarial valuations are prepared every year with the most recent available actuarial valuation performed as of July 1, 2020. The July 1, 2020 was utilized to calculate the total pension liability as of July 1, 2020, which was rolled forward to the most recent measurement date of June 30, 2021.

*Benefit Changes* - There have been no benefit term changes that have had a significant effect on the measurement of the total pension liability.

*Assumption Changes* - The discount rate was decreased from 7.00% to 6.75% and mortality tables were updated in connection with the measurement of the total Pension liability as of June 30, 2021. There were no other significant changes in assumptions that had a significant effect on the measurement of the total Pension liability.

**NOTE 5 - SCHEDULE OF CONTRIBUTIONS AND INVESTMENT RETURNS - POLICE PLAN**

The Town began to report this schedule when it implemented GASB Statement No. 67, *Financial Reporting for Pension Plans—an amendment of GASB Statement No. 25*, in fiscal year 2014. GASB Statement No. 67 requires the information within this schedule to be presented for the ten most recent fiscal years.

Actuarially determined contributions rates are calculated as of July 1, one year prior to the end of the fiscal year in which contributions are reported.

The following methods and assumptions were utilized to determine the contribution rates for the year ended June 30, 2021.

Actuarial cost method:	Entry Age Normal
Amortization method:	Level Percent
Remaining amortization period:	Closed 13 years from July 1, 2019
Asset valuation method:	5 Year Smoothed Market Value
Actuarial assumptions:	
Inflation rate	2.75%
Discount rate	7.00%
Projected salary Increases	Age related table
Amortization growth rate	3.50%

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

**NOTE 6 - SCHEDULE OF THE CHANGES IN NET PENSION LIABILITY - FIRE PLAN**

The Town began to report this schedule when it implemented GASB Statement No. 67, *Financial Reporting for Pension Plans—an amendment of GASB Statement No. 25*, in fiscal year 2014. GASB Statement No. 67 requires the information within this schedule to be presented for the ten most recent fiscal years.

Actuarial valuations are prepared every year with the most recent available actuarial valuation performed as of July 1, 2020. The July 1, 2020 was utilized to calculate the total pension liability as of July 1, 2020, which was rolled forward to the most recent measurement date of June 30, 2021.



**TOWN OF MADISON, CONNECTICUT**  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED) *(Continued)*  
AS OF AND FOR THE YEAR ENDED JUNE 30, 2021

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**NOTE 6 - SCHEDULE OF THE CHANGES IN NET PENSION LIABILITY - FIRE PLAN *(Continued)***

*Benefit Changes* - There have been no benefit term changes that have had a significant effect on the measurement of the total pension liability.

*Assumption Changes* - The discount rate was decreased from 6.75% to 6.50% and mortality tables were updated in connection with the measurement of the total Pension liability as of June 30, 2021. There were no other significant changes in assumptions that had a significant effect on the measurement of the total Pension liability.

**NOTE 7 - SCHEDULE OF CONTRIBUTIONS AND INVESTMENT RETURNS - FIRE PLAN**

The Town began to report this schedule when it implemented GASB Statement No. 67, *Financial Reporting for Pension Plans—an amendment of GASB Statement No. 25*, in fiscal year 2014. GASB Statement No. 67 requires the information within this schedule to be presented for the ten most recent fiscal years.

Actuarially determined contributions rates are calculated as of July 1, one year prior to the end of the fiscal year in which contributions are reported.

The following methods and assumptions were utilized to determine the contribution rates for the year ended June 30, 2021.

Actuarial cost method:	Entry Age Normal
Amortization method:	Level Percent
Remaining amortization period:	Closed 18 years from July 1, 2019
Asset valuation method:	5 Year Smoothed Market Value
Actuarial assumptions:	
Inflation rate	2.75%
Discount rate	6.75%
Projected salary Increases	N/A
Amortization growth rate	0.00%

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

**NOTE 8 - SCHEDULE OF THE TOWN'S PROPORTIONATE SHARE OF THE COLLECTIVE NET PENSION LIABILITY - CONNECTICUT STATE TEACHERS' RETIREMENT SYSTEM**

The Town began to report this schedule when it implemented GASB Statement No. 68, *Accounting and Financial Reporting for Pensions - An Amendment of GASB Statement No. 27*, in fiscal year 2015. GASB Statement No. 68 requires the information within this schedule to be presented for the ten most recent fiscal years.

Actuarial valuations are prepared every two years with the most recent available actuarial valuation performed as of June 30, 2020. The liabilities were estimated based on a measurement date of June 30, 2020. The employer allocations were then applied to the net pension liability and pension expense to determine the amount applicable to each employer. This information is utilized by the Town for reporting as of June 30, 2021.

*Benefit changes* - There were no benefit term changes that have had a significant effect on the measurement of the collective net pension liability reported as of June 30, 2021.

**TOWN OF MADISON, CONNECTICUT**  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED) *(Continued)*  
AS OF AND FOR THE YEAR ENDED JUNE 30, 2021

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**NOTE 8 - SCHEDULE OF THE TOWN'S PROPORTIONATE SHARE OF THE COLLECTIVE NET PENSION LIABILITY - CONNECTICUT STATE TEACHERS' RETIREMENT SYSTEM *(Continued)***

*Assumption changes* - The following significant assumptions had a significant effect on the measurement of the collective pension liability reported as of June 30, 2021.

- a decrease in the annual rate of real wage increase assumption from 0.75% to 0.50%;
- a decrease in the payroll growth assumption from 3.25% to 3.00%; and
- rates of withdrawal, disability, retirement, mortality, and assumed rates of salary increase were adjusted to more closely reflect actual and anticipated experience.

**NOTE 9 - SCHEDULE OF CHANGES IN TOTAL OPEB LIABILITY - OTHER POST-EMPLOYMENT BENEFITS PLAN**

The Town began to report this schedule when it implemented GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pension*, in fiscal year 2019. GASB Statement No. 75 requires the information within this schedule to be presented for the ten most recent fiscal years.

Actuarial valuations are prepared every year with the most recent available actuarial valuation performed as of July 1, 2019. The July 1, 2019 was utilized to calculate the total OPEB liability as of July 1, 2019, which was rolled forward to the most recent measurement date of June 30, 2021.

*Benefit Changes* - There have been no benefit term changes that have had a significant effect on the measurement of the total OPEB liability.

*Assumption Changes* - The discount rate was decreased from 2.21% to 2.16% and mortality tables were updated in connection with the measurement of the total OPEB liability as of June 30, 2021. There were no other significant changes in assumptions that had a significant effect on the measurement of the total OPEB liability.

**NOTE 10 - SCHEDULE OF THE TOWN'S PROPORTIONATE SHARE OF THE COLLECTIVE NET OTHER POST-EMPLOYMENT BENEFITS LIABILITY - CONNECTICUT STATE TEACHERS' RETIREMENT SYSTEM**

The Town began to report this schedule when it implemented GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pension*, in fiscal year 2018. GASB Statement No. 75 requires the information within this schedule to be presented for the ten most recent fiscal years.

Actuarial valuations are prepared every two years with the most recent available actuarial valuation performed as of June 30, 2020. This information is utilized by the Town for reporting as of June 30, 2021.

*Benefit Changes* - There were no benefit term changes that had a significant effect on the measurement of the collective net OPEB liability reported as of June 30, 2021.

*Assumption Changes* - The following assumption changes had a significant effect on the measurement of the collective net OPEB liability reported as of June 30, 2021:

- a decrease in the annual rate of real wage increase assumption from 0.75% to 0.50%;
- a decrease in the payroll growth assumption from 3.25% to 3.00%; and
- rates of withdrawal, disability, retirement, mortality, and assumed rates of salary increase were adjusted to more closely reflect actual and anticipated experience.

## APPENDIX B – FORM OF LEGAL OPINION OF BOND COUNSEL AND TAX EXEMPTION

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

The opinion of Shipman & Goodwin LLP will be in substantially the following form:

Town of Madison, Connecticut  
Town Hall  
8 Campus Drive  
Madison, Connecticut 06443

Ladies and Gentlemen:

We have acted as bond counsel in connection with the issuance by the Town of Madison, Connecticut (the "Town") of its \$8,200,000 General Obligation Bond Anticipation Notes, Issue of 2022, dated December 27, 2022, maturing December 21, 2023 (the "Notes").

In connection with our representation of the Town as bond counsel with respect to the Notes, we have examined the executed Tax Certificate and Tax Compliance Agreement of the Town, each dated as of December 27, 2022, the executed Notes, and certified records of proceedings of the Town authorizing the Notes. In addition, we have examined and relied on originals or copies, identified to us as genuine, of such other documents, instruments or records, and have made such investigations of law as we considered necessary or appropriate for the purposes of this opinion. In making the statements contained in this opinion, we have assumed, without independently verifying, the genuineness of all signatures, the authenticity of all documents submitted to us as originals, the conformity to original documents of documents submitted to us as certified or photostatic copies, and the legal capacity and authority of all persons executing such documents.

On the basis of our review noted above and subject to the qualifications set forth herein:

1. We are of the opinion that the proceedings and above-referenced evidence show lawful authority for the issuance and sale of the Notes under the authority of the constitution and statutes of the State of Connecticut, and that the Notes are valid and binding general obligations of the Town payable, with respect to both principal and interest, unless paid from other sources, from *ad valorem* taxes which may be levied on all property subject to taxation by the Town without limitation as to rate or amount except as to classified property. Classified property includes certified forest land which is taxable at a limited rate. Classified property also includes dwelling houses of qualified elderly persons of low income which are taxable at limited amounts.

2. We are of the opinion that the Tax Compliance Agreement is a valid and binding agreement of the Town and that the Tax Certificate and Tax Compliance Agreement were duly authorized by the Town.

3. The Internal Revenue Code of 1986, as amended (the "Code"), establishes certain requirements that must be met subsequent to the issuance and delivery of the Notes if interest on the Notes is to be excludable from gross income under Section 103 of the Code. The Town has covenanted in the Tax Compliance Agreement that it will at all times perform all acts and things necessary or appropriate under any valid provision of law to ensure that interest paid on the Notes will not be includable in the gross income of the owners thereof for federal income tax purposes under the Code. In our opinion, under existing law:

(i) interest on the Notes is excludable from gross income of the owners thereof for federal income tax purposes pursuant to Section 103 of the Code; and

(ii) such interest is not treated as an item of tax preference for purposes of calculating the federal alternative minimum tax imposed on individuals under the Code; however, such interest is taken into account in determining the annual adjusted financial statement income of certain corporations for the purpose of computing the alternative minimum tax imposed on corporations under the Code for tax years beginning after December 31, 2022.

We express no opinion regarding other federal income tax consequences caused by ownership of, or receipt of interest on, the Notes. In rendering the foregoing opinions regarding the federal income tax treatment of interest on the Notes, we have relied upon and assumed (i) the material accuracy of the representations, statements of intention and reasonable expectations, and certifications of fact contained in the Tax Certificate and the Tax Compliance Agreement, and (ii) full compliance by the Town with the covenants set forth in the Tax Compliance Agreement. The inaccuracy of the representations, statements of intention and reasonable expectations, and certifications of fact, contained in the Tax Certificate or the Tax Compliance Agreement, or the failure of the Town to fully comply with the covenants set forth therein, may cause interest on the Notes to be included in gross income for federal income tax purposes retroactively to the date of issuance of the Notes.

4. We are of the opinion 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 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.

The rights of the holders of the Notes and the enforceability of the Notes and the enforceability of the Tax Compliance Agreement are limited by bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights generally, and by equitable principles, whether considered at law or in equity.

We express no opinion herein as to the accuracy, adequacy or completeness of the Official Statement relating to the Notes.

This opinion is given as of the date hereof and we assume no obligation to revise or supplement this opinion to reflect any facts or circumstances that may hereafter come to our attention or any changes in law, regulation or judicial interpretation that may hereafter occur.

Very truly yours,

Shipman & Goodwin LLP

## **CERTAIN ADDITIONAL FEDERAL TAX CONSEQUENCES.**

The following is a brief discussion of certain federal income tax matters with respect to the Notes under existing statutes. It does not purport to deal with all aspects of federal taxation that may be relevant to a particular owner of the Notes. Prospective owners of the Notes, particularly those that may be subject to special rules, are advised to consult their own tax advisors regarding the federal tax consequences of owning and disposing of the Notes.

*Recent Tax Legislation.* The opinion of Bond Counsel is rendered as of its date and Bond Counsel assumes no obligation to update or supplement its opinion to reflect any facts or circumstances that may come to its attention or any changes in law or the interpretation thereof that may occur after the date of its opinion.

From time to time, there are Presidential proposals, proposals of various federal committees, and legislative proposals in the Congress and in the states that, if enacted, could alter or amend the federal and state tax matters referred to herein or adversely affect the marketability or market value of the Notes or otherwise prevent holders of the Notes from realizing the full benefit of the tax exemption of interest on the Notes.

In addition, regulatory actions are from time to time announced or proposed and litigation is threatened or commenced which, if implemented or concluded in a particular manner, could adversely affect the market value, marketability or tax status of the Notes. It cannot be predicted whether any such regulatory action will be implemented, how any particular litigation or judicial action will be resolved, or whether the Notes would be impacted thereby.

Purchasers of the Notes should consult their tax advisors regarding any pending or proposed legislation, regulatory initiatives or litigation. The opinions expressed by Bond Counsel are based upon existing legislation and regulations as interpreted by relevant judicial and regulatory authorities as of the date of issuance and delivery of the Notes, and Bond Counsel has expressed no opinion as of any date subsequent thereto or with respect to any proposed or pending legislation, regulatory initiatives or litigation.

*Alternative Minimum Tax.* The Code imposes an alternative minimum tax. The alternative minimum tax is imposed on alternative minimum taxable income, which includes items of tax preference. The interest on certain tax-exempt “private activity bonds” is treated as an item of tax preference. The Town’s Tax Compliance Agreement will contain certain representations and covenants to ensure that the Notes are not “private activity bonds” so that interest on the Notes will not be treated as an item of tax preference for purposes of calculating the federal alternative minimum tax. However, such interest is taken into account in determining the annual adjusted financial statement income of certain corporations for the purpose of computing the alternative minimum tax imposed on corporations under the Code for tax years beginning after December 31, 2022.

*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 Notes **shall be** designated by the Town 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.

*Changes in Federal Tax Law.* Legislation affecting municipal bonds is regularly under consideration by the United States Congress. There can be no assurance that legislation proposed or enacted after the date of issuance of the Notes will not have an adverse effect on the tax exempt status or the market price of the Notes.

*Other.* Ownership of the Notes may result in collateral federal income tax consequences to various categories of persons, such as corporations (including S corporations and foreign corporations), financial institutions, property and casualty and life insurance companies, individual recipients of Social Security and railroad retirement benefits, and individuals otherwise eligible for the earned income credit, and to taxpayers deemed to have incurred or continued indebtedness to purchase or carry obligations the interest on which is not included in gross income for federal income tax purposes.

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

The opinion of Bond Counsel will state in substance that, based on the record of proceedings authorizing the Notes, 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 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 Notes is included in gross income for purposes of the Connecticut corporation business tax.

Owners of the Notes should consult their tax advisors with respect to other applicable state and local tax consequences of ownership of the Notes and the disposition thereof, including the extent to which gains and losses from the sale or exchange of 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 the Notes (the “OID Notes”) may be less than the stated principal amount. Under existing law, the difference between the stated principal amount and the initial offering price of the OID Notes to the public (excluding bond houses and brokers) at which a substantial amount of the OID Notes is sold will constitute original issue discount (“OID”). The offering price relating to the yield set forth on the cover page of this Official Statement for the OID Notes is expected to be the initial offering price to the public at which a substantial amount of the OID Notes are sold. Under existing law, OID on the Notes accrued and properly allocable to the owners thereof under the Code is not included in gross income for federal income tax purposes if interest on the Notes is not included in gross income for federal income tax purposes.

Under the Code, for purposes of determining an owner’s adjusted basis in an OID Note, OID treated as having accrued while the owner holds the OID Note will be added to the owner’s basis. OID will accrue on a constant-yield-to-maturity method based on regular compounding. The owner’s adjusted basis will be used to determine taxable gain or loss upon the sale or other disposition (including redemption or payment at maturity) of an OID Note.

Prospective purchasers of OID Notes should consult their own tax advisors as to the calculation of accrued OID, the accrual of OID in the cases of owners of the OID Notes purchasing such Notes after the initial offering and sale, and the state and local tax consequences of owning or disposing of such OID Notes.

**ORIGINAL ISSUE PREMIUM.**

The initial public offering price of the Notes (the “OIP Notes”) may be more than the stated principal amount. An owner who purchases a Note at a premium to its principal amount must amortize bond premium as provided in applicable Treasury Regulations, and amortized premium reduces the owner’s basis in the Note for federal income tax purposes. Prospective purchasers of OIP Notes should consult their tax advisors regarding the amortization of premium and the effect upon basis.

\* \* \* \* \*

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

## APPENDIX C - FORM OF CONTINUING DISCLOSURE AGREEMENT

In accordance with the requirements of Rule 15c2-12 promulgated by the Securities and Exchange Commission, the Town will agree to provide, or cause to be provided, timely, but not in excess of ten (10) business days after the occurrence of the event, notice of the occurrence of certain listed events with respect to the Notes, pursuant to a Continuing Disclosure Agreement for the Notes in substantially the following form:

### CONTINUING DISCLOSURE AGREEMENT

This Continuing Disclosure Agreement (the "Agreement") is made as of the 27<sup>th</sup> day of December, 2022 by the Town of Madison, Connecticut (the "Town") acting by its undersigned officers, duly authorized, in connection with the issuance of \$8,200,000 General Obligation Bond Anticipation Notes, Issue of 2022, of the Town, dated December 27, 2022 (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. As of the date of this Agreement, the MSRB has designated its Electronic Municipal Market Access System ("EMMA") (<http://emma.msrb.org>) to receive submissions of continuing disclosure documents that are described in the Rule.

"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. Listed Events.**

The Town agrees to provide, or cause to be provided, in a timely manner, not in excess of ten (10) business days after the occurrence of the event, to the MSRB in an electronic format as prescribed by the MSRB, notice of the occurrence of any of the following events with respect to the Notes:

- (a) principal and interest payment delinquencies;
- (b) non-payment related defaults, if material;
- (c) unscheduled draws on debt service reserves reflecting financial difficulties;
- (d) unscheduled draws on credit enhancements reflecting financial difficulties;
- (e) substitution of credit or liquidity providers, or their failure to perform;
- (f) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the security, or other material events affecting the tax status of the Notes;
- (g) modifications to rights of holders of the Notes, if material;
- (h) Note calls, if material, and tender offers;
- (i) Note defeasances;
- (j) release, substitution, or sale of property securing repayment of the Notes, if material;
- (k) rating changes;
- (l) bankruptcy, insolvency, receivership or similar event of the Town;

- (m) the consummation of a merger, consolidation, or acquisition involving the Town or the sale of all or substantially all of the assets of the Town, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material;
- (n) appointment of a successor or additional trustee or the change of name of a trustee, if material;
- (o) incurrence of a financial obligation, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation of the Town, any of which affect security holders, if material; and
- (p) default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a financial obligation of the Town, any of which reflect financial difficulties.

For purposes of events (o) and (p) above, the term “financial obligation” is defined as a (i) debt obligation, (ii) derivative instrument entered into in connection with or pledged as security or a source of payment for an existing or planned debt obligation, or (iii) guarantee of (i) or (ii). The term financial obligation does not include municipal securities for which a final official statement has been filed with the MSRB pursuant to the Rule.

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

Any notices to be provided pursuant to this Agreement may be provided by the Town or by any agents which may be employed by the Town for such purposes from time to time.

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

The obligations of the Town 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 Town ceases to be an obligated person with respect to the Notes within the meaning of the Rule.

### **Section 5. Identifying Information.**

All documents provided to the MSRB shall be accompanied by identifying information as prescribed by the MSRB.

### **Section 6. Enforcement.**

The Town 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 Town shall fail to perform its duties hereunder, the Town 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 hereof) from the time the Director of Finance receives written notice from any beneficial owner of the Notes of such failure. The present address of the Director of Finance is Town of Madison, Town Hall, 8 Campus Drive, Madison, Connecticut 06443.

In the event the Town does not cure such failure within the time specified above, the beneficial owner of the Notes shall be entitled only to the remedy of specific performance. The Town expressly acknowledges and the beneficial owners are hereby deemed to expressly 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 7. Miscellaneous.**

(a) The Town 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 Town from providing such additional information, data or notices from time to time as it deems appropriate in connection with the Notes. If the Town elects to provide any such additional information, data or notices, the Town shall have no obligation under this Agreement to update or continue to provide further additional information, data or notices of the type so provided.

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



(c) Notwithstanding any other provision of this Agreement, the Town may amend this Agreement, and any provision of this Agreement may be waived, if (i) 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 Town, (ii) the Agreement as so amended or waived would have complied with the requirements of the Rule as of the date of the Agreement, taking into account any amendments or interpretations of the Rule, as well as any changes in circumstances, and (iii) such amendment or waiver is supported by an opinion of counsel expert in federal securities laws to the effect that such amendment or waiver would not materially adversely affect the beneficial owner of the Notes. A copy of any such amendment or waiver will be filed in a timely manner with the MSRB.

TOWN OF MADISON, CONNECTICUT

By \_\_\_\_\_  
Peggy Lyons  
First Selectman

By \_\_\_\_\_  
Stacy Nobitz  
Director of Finance

**APPENDIX D – NOTICE OF SALE**

**NOTICE OF SALE**

***\$8,200,000***

**TOWN OF MADISON, CONNECTICUT**

**GENERAL OBLIGATION BOND ANTICIPATION NOTES**

TELEPHONE PROPOSALS or ELECTRONIC PROPOSALS via PARITY® (“PARITY”) will be received by the Town of Madison, Connecticut (the "Town") at the Office of the First Selectman, 8 Campus Drive, Madison, Connecticut 06443 until **11:00 A.M. (Eastern Time) on TUESDAY,**

**DECEMBER 13, 2022**

for the purchase, when issued, of the Town's \$8,200,000 General Obligation Bond Anticipation Notes dated December 27, 2022, maturing December 21, 2023 (the "Notes"). The Notes are not subject to redemption prior to maturity. The Notes will be payable with interest at maturity and delivered against payment in Federal funds in New York, New York on or about December 27, 2022. The Notes will be general obligations of the Town payable, as to both principal and interest, unless paid from other sources, from *ad valorem* taxes levied on all property subject to taxation by the Town without limitation as to rate or amount except as to 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.

**Certifying Bank, Transfer and Paying Agent; Registrar.** Unless the successful bidder on the Notes is designated as the certifying agent, registrar, paying and transfer agent for the Notes as provided in “Option For No Book Entry” below, the Notes will be certified by U.S. Bank Trust Company, National Association, Hartford, Connecticut, which will also act as transfer and paying agent and registrar.

**DTC Book-Entry.** The Notes will be issued by means of a book-entry-only system with no physical distribution of note certificates made to the public (except as may be requested, as described below in “Option For No Book Entry”). 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. Ownership of the Notes will be evidenced in principal amounts of \$5,000 or integral multiples 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.

**Option For No Book Entry.** A bidder for the Notes may request that the Notes be issued in the form of a single fully-registered physical certificate in the par amount of the Notes, rather than in book-entry form through the facilities of DTC, provided the bid is for all the Notes at the same interest rate. A bidder for the Notes requesting that the Notes be issued in non-book-entry form may request that it be designated by the Town as the certifying agent, registrar and paying and transfer agent for the Notes if it is a bank or trust company authorized to act in such capacity pursuant to the Connecticut General Statutes. Any bidder seeking to have the Notes issued in the form of a fully-registered physical certificate, rather than in book-entry form, or to be designated as certifying agent, registrar and paying and transfer agent for such Notes, shall indicate this preference to the Town at the time of the submission of the bid. The Town reserves the right to decline any request to issue the Notes in non-book-entry form, or to designate the successful bidder as certifying agent, registrar and paying and transfer agent for the Notes, if it should determine, in its sole discretion, that issuing the Notes in this manner is not in its best interests. The successful bidder seeking the issuance of the Notes in this manner, and any subsequent registered owner of the Notes, shall bear any and all costs, including counsel fees, of any re-registration or transfer of Notes from time to time, including any costs to convert the Notes to book-entry form and shall not impose or charge the Town for any costs or expenses related to the services as certifying agent, registrar and paying and transfer agent for the Notes if the successful bidder is so designated.

**Telephone Proposals Bidding Procedure.** Telephone proposals for the purchase of the Notes must be given by telephone to the Town's municipal advisor, Mr. William Lindsay, Managing Director, Munistat Services, Inc. at (203) 421-2880 by **11:00 A.M. (Eastern Time), on Tuesday, December 13, 2022.**

**Electronic Proposals Bidding Procedure.** Electronic proposals for the purchase of the Notes must be submitted through the facilities of PARITY by **11:00 A.M. (Eastern Time), on Tuesday, December 13, 2022.** Any prospective bidder must be a subscriber of Bidcomp's competitive bidding system. Further information about Bidcomp/ PARITY, including any fee charged, may be obtained from i-Deal LLC, 1359 Broadway, 2<sup>nd</sup> Floor, New York, New York 10018, (telephone (212) 849-5021). The Town will neither confirm any subscription nor be responsible for any failure of a prospective bidder to subscribe.

Once an electronic proposal made through the facilities of PARITY is communicated to the Town, it shall constitute an irrevocable offer, in response to this Notice of Sale, and shall be binding upon the bidder as if made by a signed, sealed proposal delivered to the Town. By submitting a proposal for the Notes via PARITY, the bidder represents and warrants to the Town that such bidder's proposal 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 proposal 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 of Sale. 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 proposal 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 proposal 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 proposal complies with the terms of this Notice of Sale and in particular the proposal requirements set forth herein. All costs and expenses incurred by prospective bidders in connection with their subscription to, arrangements with and submission of proposals 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 proposal 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.

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 proposals the net interest cost to the Town, as described under "Basis of Award" below, represented by the rate or rates of interest and the premium, if any, specified in their respective proposals. All electronic proposals shall be deemed to incorporate the provisions of this Notice of Sale.

**Proposals.** Proposals may be made for all or any part of the Notes, but any proposal for a part must be for \$100,000 or a whole multiple thereof, and a separate proposal will be required for each part of the Notes for which a separate interest rate is bid. No proposal for less than the minimum denomination or for less than par and accrued interest will be accepted. Each proposal must specify the amount bid for the Notes (which shall be the aggregate par value of the Notes, and, at the option of the bidder, a premium), and must specify 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. Interest shall be computed on the basis of a 360-day year consisting of twelve 30-day months.

**Basis of Award.** As between proposals which comply with this Notice of Sale, the Notes will be sold to the responsible bidder or bidders offering to purchase the Notes at the lowest net interest cost to the Town, which will be determined by computing as to each interest rate stated the total interest to be payable at such rate and deducting therefrom any premium. If there is more than one responsible bidder making an offer to purchase all or any portion of the Notes at the same lowest net interest cost, the Notes will be sold to the responsible bidder with the proposal for the largest principal amount of the Notes specified. If more than one responsible bidder makes an offer to purchase all or any portion of the Notes at the same lowest net interest cost and for the same largest principal amount of the Notes specified, the Notes or any portion thereof will be sold to the responsible bidder who is chosen by lot. 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 cost to the Town with respect to the Notes awarded is the same as that contained in the bidder's proposal with respect to the entire amount bid, carried to four decimal places. It is requested that each proposal be accompanied by a statement of the percentage of net interest cost completed to four decimal places. Such statement shall not be considered as part of the proposal.

The Town reserves the right to reject any and all proposals and to waive any irregularity or informality with respect to any proposal.

**Qualified Tax-Exempt Obligations.** The Notes will be designated by the Town 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.

**Bond Counsel Opinion.** The legal opinion of Shipman & Goodwin LLP of Hartford, Connecticut, Bond Counsel, will be furnished without charge and will be placed on file with the certifying bank for the Notes. A copy of the opinion will be delivered to each purchaser of the Notes. The opinion of Bond Counsel will cover the following matters: (1) that the Notes will be valid and binding general obligations of the Town when duly certified, (2) that, assuming the accuracy of and continuing 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”), based on existing law, interest on the Notes is excludable from gross income of the owners thereof for federal income tax purposes and is not treated as an item of tax preference for purposes of calculating the federal alternative minimum tax for individuals, however, such interest is taken into account in determining the annual adjusted financial statement income of certain corporations for the purpose of computing the alternative minimum tax imposed on corporations under the Code for tax years beginning after December 31, 2022, and (3) that interest on the Notes is 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.

**Obligation to Deliver Issue Price Certificate.** Pursuant to the Code and applicable Treasury Regulations, the Town must establish the “issue price” of the Notes. **In order to assist the Town, the winning bidder is obligated to deliver to the Town a certificate (an “Issue Price Certificate”) and such additional information satisfactory to Bond Counsel described below, prior to the delivery of the Notes.** The Town will rely on the Issue Price Certificate and such additional information in determining the issue price of the Notes. The form of Issue Price Certificate is available by contacting Mr. William Lindsay, Managing Director, Munistat Services, Inc., Email: bill.lindsay@munistat.com, Telephone: (203) 421-2880, municipal advisor to the Town (the “Municipal Advisor”).

By submitting a bid, each bidder is certifying that its bid is a firm offer to purchase the Notes, is a good faith offer which the bidder believes reflects current market conditions, and is not a “courtesy bid” being submitted for the purpose of assisting in meeting the competitive sale rule relating to the establishment of the issue price of the Notes pursuant to Section 148 of the Code, including the requirement that bids be received from at least three (3) underwriters of municipal bonds who have established industry reputations for underwriting new issuances of municipal bonds (the “Competitive Sale Rule”).

The Municipal Advisor will advise the winning bidder if the Competitive Sale Rule was met at the same time it notifies the winning bidder of the award of the Notes. **Bids will not be subject to cancellation in the event that the Competitive Sale Rule is not satisfied.**

**Competitive Sale Rule Met.** If the Municipal Advisor advises the winning bidder that the Competitive Sale Rule has been met, the winning bidder shall, within one (1) hour after being notified of the award of the Notes, advise the Municipal Advisor by electronic or facsimile transmission of the reasonably expected initial offering price to the public of each maturity of the Notes as of December 13, 2022 (the “Sale Date”).

**Competitive Sale Rule Not Met.** By submitting a bid, the winning bidder agrees (unless the winning bidder is purchasing the Notes for its own account and not with a view to distribution or resale to the public) that if the Competitive Sale Rule is not met, it will satisfy either the **10% Sale Rule** or the **Hold the Offering Price Rule** described below with respect to each maturity of the Notes prior to the delivery date of the Notes. The rule selected with respect to each maturity of the Notes shall be set forth on an Issue Price Rule Selection Certificate, which shall be sent to the winning bidder promptly after the award of the Notes. The winning bidder shall complete and execute the Issue Price Rule Selection Certificate and email it to Bond Counsel and the Municipal Advisor by 5:00 P.M. Eastern Time on the day after the Sale Date. **If the Issue Price Rule Selection Certificate is not returned by this deadline, or if no selection is made with respect to maturity, the winning bidder agrees that the Hold the Offering Price Rule shall apply to such maturities.**

**10% Sale Rule.** To satisfy the 10% Sale Rule for any maturity, the winning bidder:

(i) will make a bona fide offering to the public of all of the Notes at the initial offering prices and provide the Town with reasonable supporting documentation, such as a copy of the pricing wire or equivalent communication, the form of which is acceptable to Bond Counsel;

(ii) will report to the Town information regarding the actual prices at which at least 10 percent (10%) of the Notes of each maturity have been sold to the public;

(iii) will provide the Town with reasonable supporting documentation or certifications of such sales prices, the form of which is acceptable to Bond Counsel. If the 10% Sale Rule is used with respect to a maturity of the Notes, this reporting requirement will continue, beyond the closing date of the Notes, if necessary, until such date that at least 10 percent (10%) of such maturity of the Notes has been sold to the public; and

(iv) has or will include in any agreement among underwriters, selling group agreement or retail distribution agreement (to which the winning bidder is a party) relating to the initial sale of the Notes to the public, together with the related pricing wires, language obligating each underwriter to comply with the reporting requirement described above.

**Hold the Offering Price Rule.** To satisfy the Hold the Offering Price Rule for any maturity, the winning bidder:

(i) will make a bona fide offering to the public of all of the Notes at the initial offering prices and provide Bond Counsel with reasonable supporting documentation, such as a copy of the pricing wire or equivalent communication, the form of which is acceptable to Bond Counsel;

(ii) will neither offer nor sell to any person any Notes of such maturity at a price that is higher than the initial offering price of each maturity until the earlier of (i) the date on which the winning bidder has sold to the public at least ten percent (10%) of the Notes of such maturity at a price that is no higher than the initial offering price of such maturity or (ii) the close of business on the fifth (5<sup>th</sup>) business day after the Sale Date of the Notes; and

(iii) has or will include within any agreement among underwriters, selling group agreement or retail distribution agreement (to which the winning bidder is a party) relating to the initial sale of the Notes to the public, together with the related pricing wires, language obligating each underwriter to comply with the limitations on the sale of the Notes as set forth above.

For purposes of the 10% Sale Rule or the Hold the Offering Price Rule, a “maturity” refers to Notes that have the same interest rate, credit and payment terms.

If the winning bidder has purchased any maturity of the Notes for its own account and not with a view to distribution or resale to the public, then, whether or not the Competitive Sale Rule was met, the Issue Price Certificate will recite such facts and identify the price or prices at which such maturity of the Notes was purchased.

For purposes of this Notice of Sale, the “public” does not include the winning bidder or any person that agrees pursuant to a written contract with the winning bidder to participate in the initial sale of the Notes to the public (such as a retail distribution agreement between a national lead underwriter and a regional firm under which the regional firm participates in the initial sale of the Notes to the public). In making the representations described above, the winning bidder must reflect the effect on the offering prices of any “derivative products” (e.g., a tender option) used by the bidder in connection with the initial sale of any of the Notes.

**Preliminary Official Statement and Official Statement.** The Town has prepared a Preliminary Official Statement dated December 5, 2022 for this Note issue. The Town deems such Preliminary Official Statement final as of its date for purposes of Securities and Exchange Commission Rule 15c2-12(b)(1), except for omissions permitted thereby, but the Preliminary Official Statement is subject to revision or amendment. The Town will make available to each winning purchaser a reasonable number of copies of the final Official Statement at the Town’s expense by the delivery of the Notes or, if earlier, by the seventh business day after the day proposals on the Notes are received. The purchaser shall arrange with the Municipal Advisor the method of delivery of the copies of the final Official Statement to the purchaser. Additional copies may be obtained by the purchaser at its own expense by arrangement with the printer.

**CUSIP Numbers.** The deposit of the Notes with DTC under a book-entry-only system requires the assignment of CUSIP numbers prior to delivery. It shall be the responsibility of the Town’s Municipal Advisor, Munistat Services, Inc., to apply for CUSIP numbers for the Notes by no later than one business day after dissemination of this Notice of Sale. Munistat Services, Inc. will provide CUSIP Global Services with the final details of the sale of the Notes in accordance with Rule G-34 of the Municipal Securities Rulemaking Board, including the identity of the winning purchaser. The Town will not be responsible for any delay caused by the inability to deposit the Notes with DTC due to the failure of Munistat Services, Inc. to obtain such numbers and provide them to the Town in a timely manner. 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.

**Continuing Disclosure Agreement.** The Town will agree, in a Continuing Disclosure Agreement entered into in accordance with the requirements of Securities and Exchange Commission Rule 15c2-12(b)(5), to provide timely, but not in excess of ten (10) business days after the occurrence of the event, notice of the occurrence of certain listed events with respect to the Notes. The winning purchaser'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 the Notes.

**Additional Information.** For more information regarding this Note issue and the Town, reference is made to the Preliminary Official Statement dated December 5, 2022. The Preliminary Official Statement may be accessed via the Internet at [www.i-dealprospectus.com](http://www.i-dealprospectus.com). Electronic access to the Preliminary Official Statement is being provided as a matter of convenience only. The only official version of the Preliminary Official Statement is the printed version for physical delivery. Copies of the Preliminary Official Statement and the Official Statement may be obtained from Bill Lindsay, Managing Director, Munistat Services, Inc., 129 Samson Rock Drive, Suite A, Madison, Connecticut 06443, telephone (203) 421-2880.

December 5, 2022

Peggy Lyons  
First Selectman

Stacy S. Nobitz  
Director of Finance

**ISSUE PRICE RULE SELECTION CERTIFICATE**

Town of Madison, Connecticut  
 \$8,200,000 General Obligation Bond Anticipation Notes

The undersigned, on behalf of [NAME OF UNDERWRITER/REPRESENTATIVE] (the “Representative”), on behalf of itself and [OTHER UNDERWRITERS] (together, the “Underwriting Group”), hereby certifies that it will use the rule selected below for the respective maturity of the above-captioned notes (the “Notes”), as described in the Notice of Sale for the Notes, dated December 5, 2022 (the “Notice of Sale”). For a description of the requirements of each rule, please refer to the section “Obligation to Deliver Issue Price Certificate” in the Notice of Sale. Capitalized terms used but not defined herein are defined in the Notice of Sale.

<u>Date of Maturity</u>	<u>Principal Amount</u>	<u>Interest Rate</u>	<b>10% Sale Rule</b> (Underwriter has or will comply with 10% Sale Rule for this Maturity)		<b>Hold the Offering Price Rule</b> (Underwriter will comply with Hold the Offering Price Rule for this Maturity)	
			<u>Check Box</u>	<u>Sales Price</u>	<u>Check Box</u>	<u>Initial Offering Price</u>
12/21/2023	\$8,200,000	_____ %	<input type="checkbox"/>	\$ _____	<input type="checkbox"/>	\$ _____

(All Sales Prices or Initial Offering Prices must be filled in prior to the delivery date of the Notes.)

[NAME OF UNDERWRITER/REPRESENTATIVE]

By: \_\_\_\_\_  
 Name:  
 Title:

Email this completed and executed certificate to the following by 5:00 P.M. (Eastern Time) on December 14, 2022:

**Bond Counsel:** [mritter@goodwin.com](mailto:mritter@goodwin.com)      **Municipal Advisor:** [bill.lindsay@munistat.com](mailto:bill.lindsay@munistat.com)