

Town of Putnam, Connecticut

**Communication of Internal Control
Related Matters**

June 30, 2013

To management and the Board of Finance of the
Town of Putnam, Connecticut

In connection with our audit of the financial statements of the Town of Putnam, Connecticut (the "Town"), as of June 30, 2013 and for the year then ended, auditing standards generally accepted in the United States of America ("US GAAS") require that we advise management and the Board of Finance (hereinafter referred to as "those charged with governance") of internal control matters identified during our audit.

Our responsibilities

Our responsibility, as prescribed by US GAAS, is to plan and perform our audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether caused by error or fraud. An audit includes consideration of internal control over financial reporting (hereinafter referred to as "internal control") as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of identifying deficiencies in internal control or expressing an opinion on the effectiveness of the Town's internal control. Accordingly, we express no such opinion on internal control effectiveness.

Identified deficiencies in internal control

During our audit, we became aware of the following deficiencies in internal control, other than significant deficiencies or material weaknesses, and other matters that are opportunities for strengthening internal controls and operating efficiencies.

I. Small Cities Rehabilitation Loan Program

During our audit, we noted that the Town does not include the balance of deferred residential rehabilitation loans issued prior to 2005 under the Small Cities Community Development Block Program on its general ledger. Although the Town's Department of Economic and Community Development currently maintains a schedule of the loans that have been issued, the listing has not been updated recently to provide an accurate balance of the amount of loans outstanding. A portion of these loans were subject to forgiveness and the remaining portion is required to be repaid upon transfer of the property. The Town filed liens on the properties at the time of issuance in order to secure its interest in these loans.

We recommend that a detailed review of the schedule be performed to accurately determine the balance of deferred residential rehabilitation loans outstanding. In addition, we recommend that the Town implement policies and procedures to ensure that loan activity is captured and updated in a timely manner.

II. Capital Assets

The Town is required to account for capital assets in its government-wide financial statements. During our audit, we noted that the Finance Department was unable to provide a current listing of capital assets and related activity as of and for the year ended June 30, 2013.

We recommend that the Finance Department maintain a capital asset ledger in a centralized location and implement a process for tracking capital asset activity in a timely manner. For example, the Finance Department could capture capital asset purchases as part of the normal disbursement process. Disposal of capital assets should be documented and reported to the Finance Department. In addition, as part of the year-end closing process, we recommend that the Finance Department verify the existence of its movable capital assets. This process will improve accountability and the accuracy of financial reporting.

III. Capital Projects

During our audit, we noted that the Town does not currently have a process in place to track cumulative expenditures for each capital project. In addition, we noted that the Town does not separately identify project expenditures funded by federal awards or state financial assistance within the general ledger.

We recommend that the Town develop a project tracking system that captures the following information:

- Date of Project Authorization
- Amount of Project Authorization
- Sources of Project Funding
- Prior Year Project Expenditures
- Current Year Project Expenditures (should agree with current year general ledger)
- Cumulative Project Expenditures
- Remaining Project Expenditures

In addition, we recommend that project expenditures be separately tracked within the general ledger based on whether or not the expenditures are being charged to federal awards or state financial assistance.

IV. Grant Monitoring

The Town currently receives numerous grants from the Federal Government and State of Connecticut. These grants are often administered by various Town departments, other than the Town's Finance Department. During the current year audit, we noted that the Town's Finance Department is not always aware of the status of grant awards and grant reimbursement requests submitted to awarding agencies, which could result in situations where grant revenue is not being recognized when related costs are incurred.

We recommend increased communication between the Finance Department and the various departments administering the grants. In addition, we recommend policies and procedures be adopted to include, at minimal, an annual reconciliation between the Town Finance Department and the various departments administering grants, to ensure proper recording of all grant revenue and expenses. These procedures should be incorporated into the Town's year-end closing procedures.

V. Accounts Payable and Encumbrances

During our audit, we noted that the Town did not prepare a detailed listing of accounts payable as of year-end.

We recommend that the Finance Department prepare a detailed accounts payable listing and reconcile the listing to the general ledger as part of the annual closing process.

In addition, we noted that the Town does not currently have a formal procedure relating to year-end cut-off of encumbrances. Encumbrances are commitments related to unperformed, legally binding contracts for the purchase of goods or services. Encumbrances are not considered expenditures or liabilities in accordance with accounting principles generally accepted in the United States of America (“GAAP”), but represent a budgetary tool for estimating the amount of expenditures to be incurred if unperformed contracts and purchase orders in process are completed.

We recommend that the Town’s Finance Department review all open purchase orders in connection with its annual closing process, and more frequently if deemed necessary, to determine if the open purchase orders still represent valid obligations. Purchase orders that no longer represent valid obligations or that are required to be recommitted against the subsequent year appropriation should be closed out as part of the annual closing process.

VI. Student Activity Funds

During our audit, we noted that the student activity funds are currently being maintained and controlled separately by each of the Town’s schools. The decentralized nature of student activity funds makes the funds more vulnerable to error, misuse, and fraud. Although the Board of Education has formalized policies and procedures that provides internal controls over such funds, we recommend that the Board of Education consider using the financial system that is currently utilized by the Board of Education Business Office to process and account for these funds.

We appreciate the courtesies extended to us by the management and staff of the Town, and would be happy to discuss the above matters further at your request.

This communication is intended solely for the information and use of the Board of Finance and management of the Town, the Office of Policy and Management, and federal and state awarding agencies and is not intended to be, and should not be, used by anyone other than these specified parties.



Glastonbury, Connecticut

February 14, 2014

Town of Putnam, Connecticut

**Basic Financial Statements,
Supplementary Information and
Independent Auditor's Report**

June 30, 2013

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Independent
Auditor's Report

Independent Auditor's Report

To the Board of Finance of the
Town of Putnam, Connecticut

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Putnam, Connecticut (the "Town") as of and for the year ended June 30, 2013, 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 Town'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 Town'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, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Putnam, Connecticut, as of June 30, 2013, and the respective changes in financial position, and, where applicable, cash flows, thereof and the respective budgetary comparison for the General Fund 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 16 and the schedules of funding progress on page 59 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 combining and individual fund financial statements and schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual fund financial statements and schedules on pages 60 through 78 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.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated February 14, 2014, 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 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.



Glastonbury, Connecticut
February 14, 2014

Management's
Discussion and
Analysis

TOWN OF PUTNAM, CONNECTICUT
MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED

The management of the Town of Putnam, 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, 2013.

FINANCIAL HIGHLIGHTS

- The assets of the Town exceeded its liabilities at the close of the most recent fiscal year by \$50,776,619 (net position). Of this amount, \$8,644,207 represents the Town's portion of net position that is unrestricted. This amount consists of \$6,081,639 that is attributable to the Town's governmental activities and \$2,562,568 that is attributable to the Town's water and sewer activities (business-type activities).
- The Town's changes in net position for the year ended June 30, 2013 amounted to \$3,856,313, which consisted of a increase of \$57,258 relating to the Town's governmental activities and an increase of \$3,799,055 relating to the Town's business-type activities. The increase in the Town's business-type activities was directly impacted by grant revenues of \$2,806,316 from the United States Department of Agriculture to fund costs of upgrades to the Town's sewer system.
- As of the close of the current fiscal year, the Town's governmental funds reported combined ending fund balances of \$9,978,306, an increase of \$1,264,982 in comparison with the prior year. Of this amount 92.6% or \$9,242,471 of ending governmental fund balances are unrestricted and are available for spending at the Town's discretion (committed, assigned, and unassigned fund balance).
- At the end of the close of the current fiscal year, unassigned fund balance for the General Fund was \$3,394,535 or 14.7% of total General Fund expenditures. Expressed another way, unassigned fund balance was sufficient to cover approximately 1.76 months of General Fund expenditures.
- The Town's total long-term debt increased by \$497,938 during the current fiscal year due to the issuance of a \$711,000 loan payable offset by scheduled principal repayments of \$213,062. The Town's total short-term debt decreased by \$8,000,000, from \$13,200,000 to \$5,200,000, primarily due to the use proceeds from long-term debt to retire a portion of the short-term debt. The purpose of the short-term debt is to provide interim financing to fund ongoing improvements to the Town's water (\$1,200,000) and sewer (\$4,000,000) distribution systems.

**TOWN OF PUTNAM, CONNECTICUT
MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED**

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 comprise 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 and liabilities, with the difference between the two 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.

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, culture and recreation, sanitation, community and social services, economic development, and education. The business-type activities of the Town include sewer and water activities.

The government-wide financial statements can be found on pages 17 through 18 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 fund 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 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 fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

**TOWN OF PUTNAM, CONNECTICUT
MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED**

OVERVIEW OF THE FINANCIAL STATEMENTS *(Continued)*

Fund Financial Statements *(Continued)*

Governmental Funds (Continued)

The Town maintains a number of individual governmental funds for reporting purposes. 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, Educational Grants Fund and the Ash Landfill Fund, which are all considered to be major funds. Data from the remaining governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of combining statements elsewhere in this report.

The basic governmental fund financial statements can be found on pages 19 through 23 of this report.

Proprietary Funds

The Town maintains one type of proprietary fund. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The Town uses enterprise funds to account for its sewer and water operations. The Town maintains two individual enterprise funds. Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. Information is presented separately in the proprietary fund financial statements for the Sewer Fund and the Water Fund, both of which are considered to be major funds.

The basic proprietary fund financial statements can be found on pages 24 through 26 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 proprietary funds.

The basic fiduciary fund financial statements can be found on pages 27 through 28 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 fund financial statements. The notes to the financial statements can be found on pages 29 through 58 of this report.

Other Information

In addition to the basic financial statements and accompanying notes, this report also contains required supplementary information and combining and individual fund statements and schedules that can be found on pages 59 through 78 of this report.

**TOWN OF PUTNAM, CONNECTICUT
MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED**

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net Position

Over time, net position may serve as one measure of a government's financial position. Total net position (governmental and business-type activities combined) of the Town totaled \$50,776,619 and \$46,920,306 (as restated) as of June 30, 2013 and 2012, respectively, and are summarized as follows:

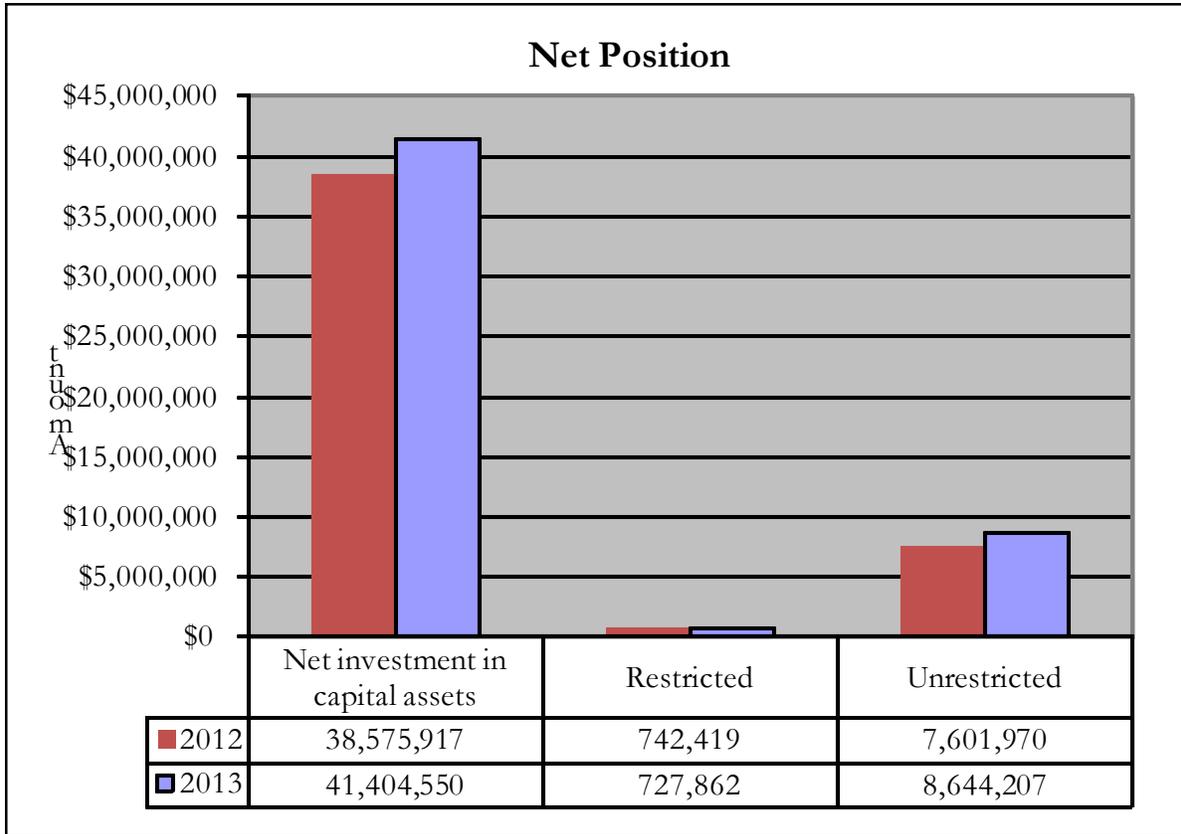
Town of Putnam, Connecticut			
Net Position			
June 30, 2013			
	Governmental Activities	Business-type Activities	Total
Current and other assets	\$ 13,165,384	\$ 4,666,537	\$ 17,831,921
Capital assets	25,214,433	28,454,273	53,668,706
Total assets	38,379,817	33,120,810	71,500,627
Other liabilities	2,448,582	5,774,807	8,223,389
Long-term liabilities	3,907,301	8,593,318	12,500,619
Total liabilities	6,355,883	14,368,125	20,724,008
Net position:			
Net investment in capital assets	25,214,433	16,190,117	41,404,550
Restricted	727,862	-	727,862
Unrestricted	6,081,639	2,562,568	8,644,207
Total net position	\$ 32,023,934	\$ 18,752,685	\$ 50,776,619

Town of Putnam, Connecticut			
Net Position			
June 30, 2012			
	Governmental Activities (Restated)	Business-type Activities	Total (Restated)
Current and other assets	\$ 11,955,199	\$ 14,718,445	\$ 26,673,644
Capital assets	25,824,061	23,770,442	49,594,503
Total assets	37,779,260	38,488,887	76,268,147
Long-term liabilities	3,602,437	8,094,110	11,696,547
Other liabilities	2,210,147	15,441,147	17,651,294
Total liabilities	5,812,584	23,535,257	29,347,841
Net position:			
Net investment in capital assets	25,824,061	12,751,856	38,575,917
Restricted	742,419	-	742,419
Unrestricted	5,400,196	2,201,774	7,601,970
Total net position	\$ 31,966,676	\$ 14,953,630	\$ 46,920,306

**TOWN OF PUTNAM, CONNECTICUT
MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED**

GOVERNMENT-WIDE FINANCIAL ANALYSIS (Continued)

Net Position (Continued)



As of June 30, 2013, 81.5% of the Town's net position 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.

1.4% of the Town's net position is subject to external restrictions on how they may be used.

The remainder of the Town's net position is considered unrestricted and may be used to meet the Town's ongoing obligations to citizens and creditors.

**TOWN OF PUTNAM, CONNECTICUT
MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED**

GOVERNMENT-WIDE FINANCIAL ANALYSIS (Continued)

Changes in Net Position

Changes in net position for the years ended June 30, 2013 and 2012 are as follows:

Town of Putnam, Connecticut			
Changes in Net Position			
For The Year Ended June 30, 2013			
	Governmental Activities	Business-type Activities	Total
Revenues			
Program revenues:			
Charges for services	\$ 1,229,279	\$ 4,172,501	\$ 5,401,780
Operating grants and contributions	14,367,655	-	14,367,655
Capital grants and contributions	130,291	2,806,316	2,936,607
General revenues:			
Property taxes	9,169,017	-	9,169,017
Grants and contributions not restricted	857,835	-	857,835
Unrestricted investment earnings	25,100	48,177	73,277
Contract revenue	2,974,787	-	2,974,787
Total revenues	28,753,964	7,026,994	35,780,958
Expenses			
General government	1,374,763	-	1,374,763
Public safety	66,705	-	66,705
Public works	1,560,523	-	1,560,523
Culture and recreation	1,224,044	-	1,224,044
Sanitation	636,208	-	636,208
Community and social services	392,626	-	392,626
Economic development	323,027	-	323,027
Education	23,118,810	-	23,118,810
Water	-	1,585,450	1,585,450
Sewer	-	1,642,489	1,642,489
Total expenses	28,696,706	3,227,939	31,924,645
Change in net position	\$ 57,258	\$ 3,799,055	\$ 3,856,313

**TOWN OF PUTNAM, CONNECTICUT
MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED**

GOVERNMENT-WIDE FINANCIAL ANALYSIS (Continued)

Changes in Net Position (Continued)

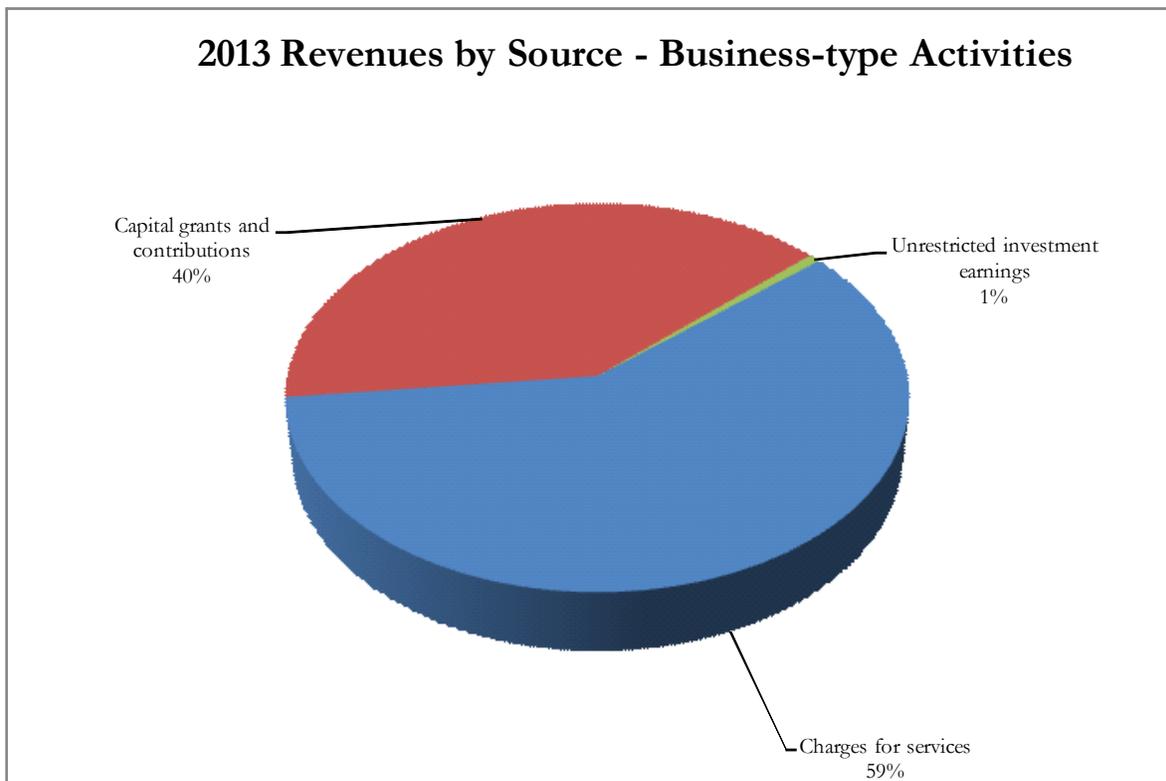
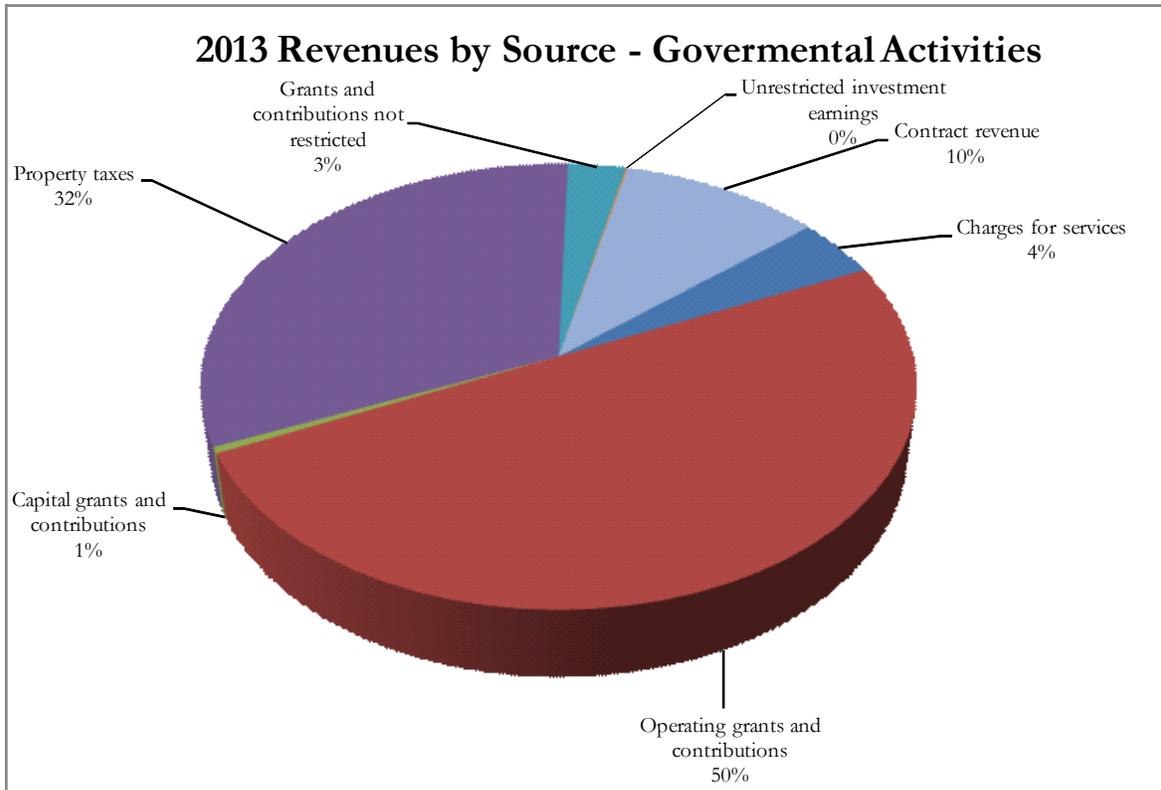
**Town of Putnam, Connecticut
Changes in Net Position
For The Year Ended June 30, 2012**

	Governmental Activities (Restated)	Business-type Activities	Total (Restated)
Revenues			
Program revenues:			
Charges for services	\$ 1,450,653	\$ 3,167,345	\$ 4,617,998
Operating grants and contributions	11,677,224	-	11,677,224
Capital grants and contributions	164,096	3,244,000	3,408,096
General revenues:			
Property taxes	8,760,468	-	8,760,468
Grants and contributions not restricted	1,086,498	-	1,086,498
Unrestricted investment earnings	26,358	96,765	123,123
Contract revenue	3,136,984	-	3,136,984
Total revenues	<u>26,302,281</u>	<u>6,508,110</u>	<u>32,810,391</u>
Expenses			
General government	1,460,144	-	1,460,144
Public safety	76,982	-	76,982
Public works	955,112	-	955,112
Culture and recreation	1,310,456	-	1,310,456
Sanitation	665,165	-	665,165
Community and social services	218,157	-	218,157
Economic development	753,814	-	753,814
Education	20,980,064	-	20,980,064
Water	-	1,702,422	1,702,422
Sewer	-	1,223,318	1,223,318
Total expenses	<u>26,419,894</u>	<u>2,925,740</u>	<u>29,345,634</u>
Change in net position	<u>\$ (117,613)</u>	<u>\$ 3,582,370</u>	<u>\$ 3,464,757</u>

**TOWN OF PUTNAM, CONNECTICUT
MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED**

GOVERNMENT-WIDE FINANCIAL ANALYSIS (Continued)

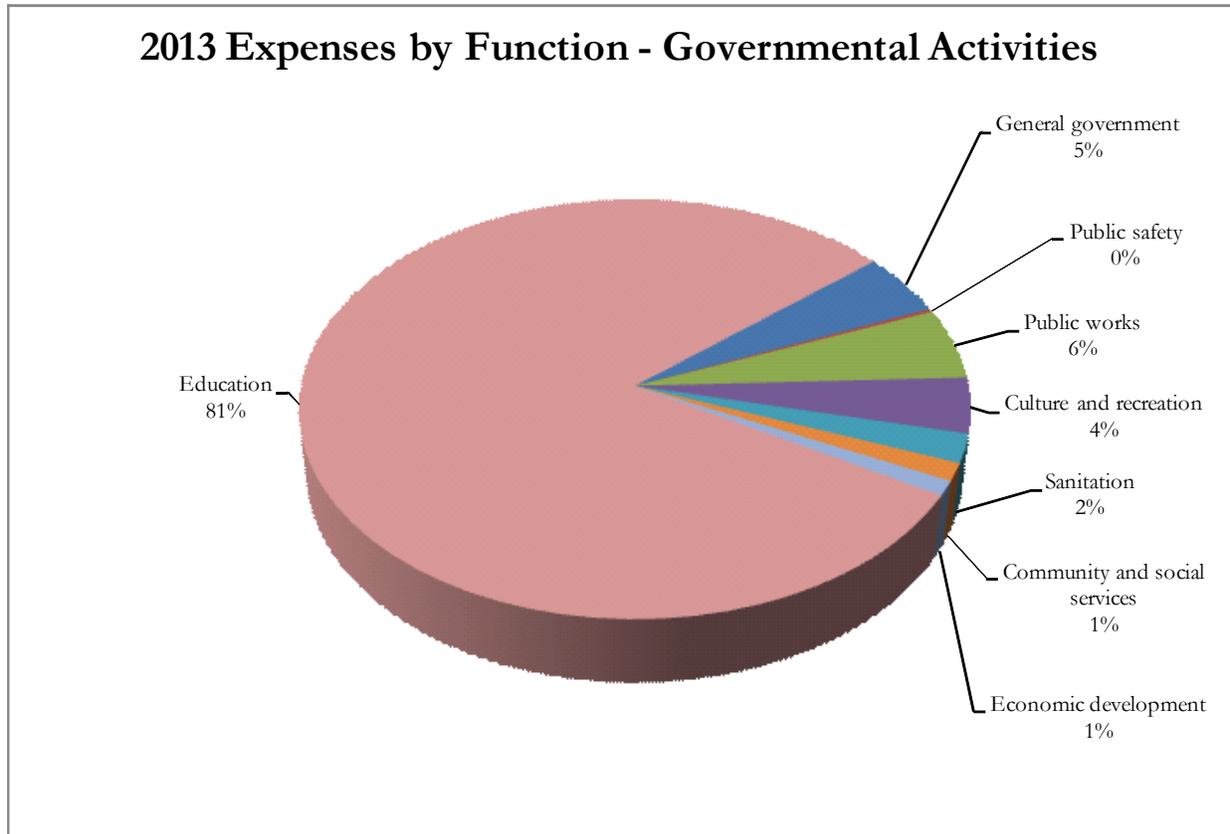
Changes in Net Position (Continued)



**TOWN OF PUTNAM, CONNECTICUT
MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED**

GOVERNMENT-WIDE FINANCIAL ANALYSIS (Continued)

Changes in Net Position (Continued)



Governmental Activities

Governmental activities increased the Town's net position by \$57,258 during fiscal year 2013 compared to a prior year decrease of \$117,613.

Business-type Activities

Business-type activities increased the Town's net position by \$3,799,055 during fiscal year 2013 compared to the prior year increase of \$3,582,370.

**TOWN OF PUTNAM, CONNECTICUT
MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED**

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 close of the current fiscal year, the Town's governmental funds reported combined ending fund balances of \$9,978,306, an increase of \$1,264,982 in comparison with the prior year. Of this amount 92.6% or \$9,242,471 of ending governmental fund balances are unrestricted and are available for spending at the Town's discretion (committed, assigned, and unassigned fund balance). The remainder of fund balance is either nonspendable or restricted for specific purposes.

General Fund

The General Fund is the chief operating fund of the Town. At the end of the close of the current fiscal year, unassigned fund balance for the General Fund was \$3,394,535 or 14.7% of total General Fund expenditures. Expressed another way, unassigned fund balance was sufficient to cover approximately 1.76 months of General Fund expenditures.

The fund balance of the General Fund increased by \$649,248 during fiscal year 2013 compared to and increase of \$764,504 in the prior year.

Educational Grants Fund

The Educational Grants Fund has no fund balance because the fund primarily records activity related to cost reimbursement grants and contracts. Consequently, grant and contract revenues typically equal expenditures.

Ash Landfill Fund

The Ash Landfill Fund is utilized by the Town to account for the accumulation of host fee revenue, derived from the Town's ash landfill that is in excess of the annual amount budgeted for spending in the Town's General Fund. At the end of the current fiscal year, fund balance of the Ash Landfill Fund was \$4,348,071, an increase of \$248,157 over the prior year.

**TOWN OF PUTNAM, CONNECTICUT
MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED**

FINANCIAL ANALYSIS OF THE TOWN'S FUNDS (Continued)

GENERAL FUND BUDGETARY HIGHLIGHTS

The Town's original and final budget planned for the use of fund balance in the amount of \$117,560 in order to balance its budgets. The actual change in fund balance was an increase of \$715,705. Actual revenues were \$698,730 more than budgeted, actual expenditures were \$289,498 less than budgeted and other financing sources were \$272,523 less than budgeted.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

The Town's investment in capital assets for its governmental and business-type activities as of June 30, 2013 totaled \$53,668,706 (net of accumulated depreciation). This investment in capital assets includes land, construction in progress, buildings and improvements, machinery and equipment, and infrastructure and improvements. The net increase in the Town's investment in capital assets for the current fiscal year was \$4,074,203 or a 8.2% increase. The majority of the increase relates to capital costs incurred in connection with the continued upgrade and retrofit of the Town's Water Pollution Control Facility.

The following table is a two year comparison of the investment in capital assets presented for both governmental and business-type activities:

**Town of Putnam, Connecticut
Capital Assets, Net
June 30, 2013**

	Governmental Activities	Business-type Activities	Total
Land	\$ 2,055,563	\$ -	\$ 2,055,563
Construction in progress	12,033	16,595,135	16,607,168
Infrastructure and improvements	11,022,638	9,273,234	20,295,872
Building and improvements	1,016,719	2,515,108	3,531,827
Machinery and equipment	11,107,480	70,796	11,178,276
Totals	\$ 25,214,433	\$ 28,454,273	\$ 53,668,706

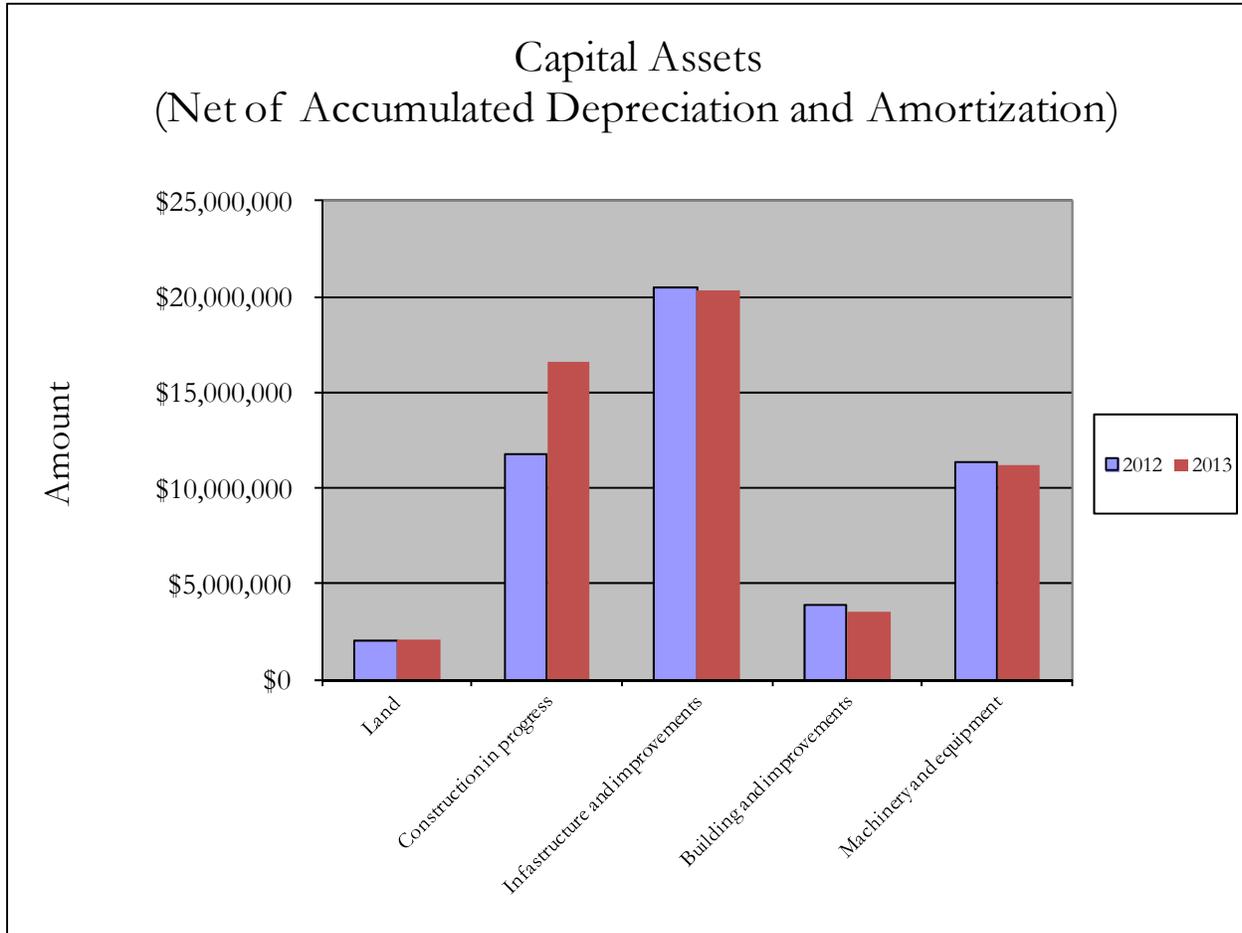
**Town of Putnam, Connecticut
Capital Assets, Net
June 30, 2012**

	Governmental Activities	Business-type Activities	Total
Land	\$ 2,055,563	\$ -	\$ 2,055,563
Construction in progress	-	11,773,996	11,773,996
Infrastructure and improvements	11,256,571	9,216,545	20,473,116
Building and improvements	1,206,714	2,698,186	3,904,900
Machinery and equipment	11,305,213	81,715	11,386,928
Totals	\$ 25,824,061	\$ 23,770,442	\$ 49,594,503

**TOWN OF PUTNAM, CONNECTICUT
MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED**

CAPITAL ASSET AND DEBT ADMINISTRATION (Continued)

Capital Assets (Continued)



Additional information on the Town's capital assets can be found in the notes to the financial statements.

**TOWN OF PUTNAM, CONNECTICUT
MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED**

CAPITAL ASSET AND DEBT ADMINISTRATION (Continued)

Debt

At the end of the current fiscal year, the Town had total long-term debt outstanding of \$8,525,212. In addition, the Town had total short-term debt of \$5,200,000 that is expected to be retired through the issuance of long-term debt. This entire amount is comprised of debt backed by the full faith and credit of the Town.

The Town's total long-term debt increased during the current fiscal year due to the issuance of an additional long-term loan payable in the amount of \$711,000, offset by regularly scheduled principal repayments. The Town's short-term debt decreased during the current year due to the retirement of a portion of the short-term debt from proceeds received from the issuance of long-term debt.

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

The following table is a two year comparison of long-term and short-term debt including notes payable presented for both governmental and business-type activities:

**Town of Putnam, Connecticut
Long-term and Short-term Debt
June 30, 2013**

	Governmental Activities	Business-type Activities	Total
Loans payable - long-term	\$ -	\$ 8,525,212	\$ 8,525,212
Notes payable - short-term	-	5,200,000	5,200,000
Totals	\$ -	\$ 13,725,212	\$ 13,725,212

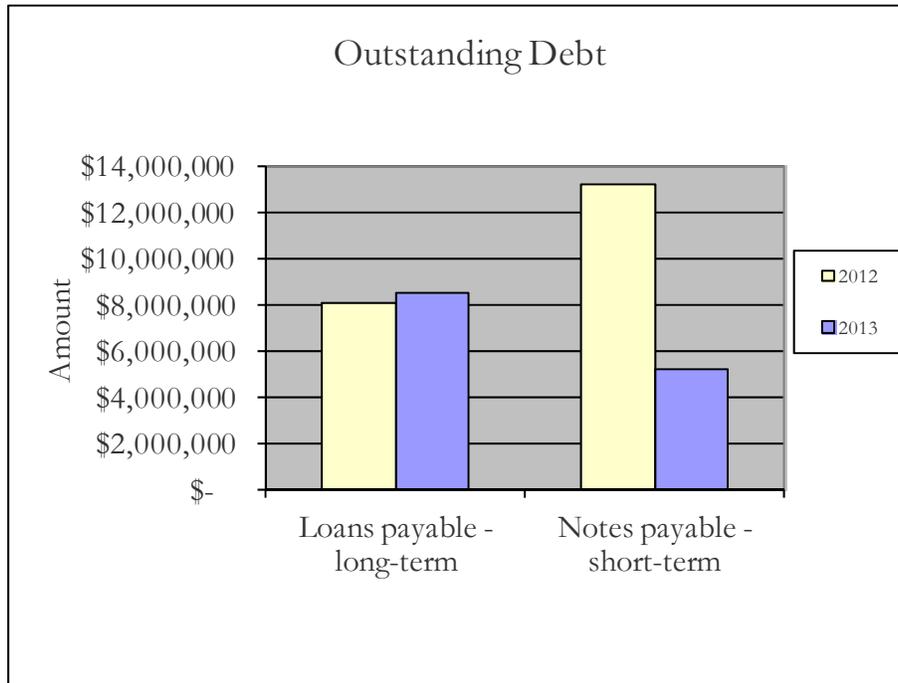
**Town of Putnam, Connecticut
Long-term and Short-term Debt
June 30, 2012**

	Governmental Activities	Business-type Activities	Total
Loans payable - long-term	\$ -	\$ 8,027,274	\$ 8,027,274
Notes payable - short-term	-	13,200,000	13,200,000
Totals	\$ -	\$ 21,227,274	\$ 21,227,274

**TOWN OF PUTNAM, CONNECTICUT
MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED**

CAPITAL ASSET AND DEBT ADMINISTRATION (Continued)

Debt (Continued)



Additional information on the Town's debt can be found in the notes to the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

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

- The Town receives intergovernmental revenues from the State of Connecticut. Connecticut's economy moves in the same general cycle as the national economy, which may affect the amount of intergovernmental revenues the Town will receive in fiscal year 2014 and thereafter.
- Inflationary trends in the region approximate the national indices.
- As a whole, the Town continues to aggressively pursue economic development activities to help spread the tax burden among commercial and residential tax payers.

All of these factors were considered in preparing the Town's budget for fiscal year 2014.

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: Department of Finance, 126 Church Street, Putnam, Connecticut 06260.

Basic
Financial
Statements

TOWN OF PUTNAM, CONNECTICUT
STATEMENT OF NET POSITION
JUNE 30, 2013

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 13,014,904	\$ 1,134,023	\$ 14,148,927
Investments	70,437	-	70,437
Receivables:			
Property taxes and interest, net of allowance for uncollectibles of \$110,067	796,845	-	796,845
Grants and contracts	519,199	-	519,199
User charges, net of allowance for uncollectibles of \$176,900	-	1,438,018	1,438,018
Loans	91,722	-	91,722
Other	453,310	53,000	506,310
Other assets	7,973	142,874	150,847
Loans receivable - long-term	109,616	-	109,616
Internal balances	(1,898,622)	1,898,622	-
Capital assets:			
Non-depreciable	2,067,596	16,595,135	18,662,731
Depreciable, net	23,146,837	11,859,138	35,005,975
Total assets	<u>38,379,817</u>	<u>33,120,810</u>	<u>71,500,627</u>
LIABILITIES			
Accounts payable	985,304	526,608	1,511,912
Accrued liabilities	105,651	48,199	153,850
Due to other governments	754,418	-	754,418
Notes payable	-	5,200,000	5,200,000
Unearned revenue	603,209	-	603,209
Noncurrent liabilities:			
Due within one year	136,000	280,720	416,720
Due in more than one year	3,771,301	8,312,598	12,083,899
Total liabilities	<u>6,355,883</u>	<u>14,368,125</u>	<u>20,724,008</u>
NET POSITION			
Net investment in capital assets	25,214,433	16,190,117	41,404,550
Restricted for rehabilitation programs	631,457	-	631,457
Restricted for endowments:			
Expendable	86,390	-	86,390
Nonexpendable	10,015	-	10,015
Unrestricted	6,081,639	2,562,568	8,644,207
Total net position	<u>\$ 32,023,934</u>	<u>\$ 18,752,685</u>	<u>\$ 50,776,619</u>

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

**TOWN OF PUTNAM, CONNECTICUT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2013**

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Position -		
	Expenses	Charges for Services	Operating		Governmental Activities	Primary Government	
			Grants and Contributions	Capital Grants and Contributions		Business-type Activities	Total
Primary Government:							
Governmental activities:							
General government	\$ 1,374,763	\$ 523,302	\$ 6,921	\$ -	\$ (844,540)	\$ -	\$ (844,540)
Public safety	66,705	832	12,021	-	(53,852)	-	(53,852)
Public works	1,560,523	-	50,493	130,291	(1,379,739)	-	(1,379,739)
Culture and recreation	1,224,044	25,250	74,204	-	(1,124,590)	-	(1,124,590)
Sanitation	636,208	153,938	-	-	(482,270)	-	(482,270)
Community and social services	392,626	-	37,399	-	(355,227)	-	(355,227)
Economic development	323,027	82,879	168,076	-	(72,072)	-	(72,072)
Education	23,118,810	443,078	14,018,541	-	(8,657,191)	-	(8,657,191)
Total governmental activities	28,696,706	1,229,279	14,367,655	130,291	(12,969,481)	-	(12,969,481)
Business-type activities:							
Water	1,585,450	2,190,718	-	-	-	605,268	605,268
Sewer	1,642,489	1,981,783	-	2,806,316	-	3,145,610	3,145,610
Total business-type activities	3,227,939	4,172,501	-	2,806,316	-	3,750,878	3,750,878
Total primary government	\$ 31,924,645	\$ 5,401,780	\$ 14,367,655	\$ 2,936,607	(12,969,481)	3,750,878	(9,218,603)
General revenues:							
Property taxes, levied for general purposes					9,169,017	-	9,169,017
Grants and contributions not restricted to specific programs					857,835	-	857,835
Unrestricted investment earnings					25,100	48,177	73,277
Contract revenue - ash landfill					2,974,787	-	2,974,787
Total general revenues					13,026,739	48,177	13,074,916
Change in net position					57,258	3,799,055	3,856,313
Net position - beginning, as adjusted (See Note 12)					31,966,676	14,953,630	46,920,306
Net position - ending					\$ 32,023,934	\$ 18,752,685	\$ 50,776,619

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

TOWN OF PUTNAM, CONNECTICUT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2013

	General Fund	Ash Landfill Fund	Educational Grants Fund	Other Governmental Funds	Total Governmental Funds
ASSETS					
Cash and cash equivalents	\$ 10,400,641	\$ -	\$ 1,135,590	\$ 1,478,673	\$ 13,014,904
Investments	-	-	-	70,437	70,437
Receivables:					
Property taxes, net of allowance of \$54,067	570,371	-	-	-	570,371
Interest on property taxes, net of allowance of \$56,000	226,474	-	-	-	226,474
Grants and contracts	122,359	-	56,757	340,083	519,199
Loans	-	-	-	201,338	201,338
Other	379,416	-	-	73,894	453,310
Due from other funds	1,624,086	4,348,071	-	1,248,191	7,220,348
Inventories	-	-	-	7,973	7,973
Total assets	<u>\$ 13,323,347</u>	<u>\$ 4,348,071</u>	<u>\$ 1,192,347</u>	<u>\$ 3,420,589</u>	<u>\$ 22,284,354</u>
LIABILITIES					
Accounts payable	\$ 709,414	\$ -	\$ 71,096	\$ 67,326	\$ 847,836
Accrued liabilities	105,651	-	-	-	105,651
Due to other governments	754,418	-	-	-	754,418
Due to other funds	7,529,580	-	1,089,288	637,570	9,256,438
Unearned revenue	-	-	31,963	571,246	603,209
Total liabilities	<u>9,099,063</u>	<u>-</u>	<u>1,192,347</u>	<u>1,276,142</u>	<u>11,567,552</u>
DEFERRED INFLOWS OF RESOURCES					
Unavailable revenue - property taxes and interest on property taxes	738,496	-	-	-	738,496
FUND BALANCES					
Nonspendable:					
Inventories	-	-	-	7,973	7,973
Loans receivable	-	-	-	201,338	201,338
Permanent fund principal	-	-	-	10,015	10,015
Restricted for:					
Library	-	-	-	86,390	86,390
Rehabilitation programs	-	-	-	430,119	430,119
Committed to:					
Other purposes	91,253	-	-	1,026,199	1,117,452
Capital purposes	-	-	-	553,518	553,518
Landfill post-closure care	-	4,348,071	-	-	4,348,071
Unassigned	3,394,535	-	-	(171,105)	3,223,430
Total fund balances	<u>3,485,788</u>	<u>4,348,071</u>	<u>-</u>	<u>2,144,447</u>	<u>9,978,306</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 13,323,347</u>	<u>\$ 4,348,071</u>	<u>\$ 1,192,347</u>	<u>\$ 3,420,589</u>	<u>\$ 22,284,354</u>

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

TOWN OF PUTNAM, CONNECTICUT
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION
JUNE 30, 2013

Total fund balances for governmental funds	\$	9,978,306
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.		25,214,433
Some of the Town's revenues 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.		738,496
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.		
Compensated absences	\$	(380,938)
Landfill post-closure liability		(1,380,000)
Net OPEB obligation		(2,146,363)
Total long-term liabilities		(3,907,301)
Net position of governmental activities	\$	32,023,934

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

**TOWN OF PUTNAM, CONNECTICUT
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2013**

	General Fund	Ash Landfill Fund	Educational Grants Fund	Other Governmental Funds	Total Governmental Funds
REVENUES					
Property taxes	\$ 9,462,249	\$ -	\$ -	\$ -	\$ 9,462,249
Intergovernmental	11,313,912	-	2,807,138	996,079	15,117,129
Charges for services	3,359,021	239,801	-	666,979	4,265,801
Investment earnings	7,023	8,356	-	9,721	25,100
Contributions and donations	-	-	-	176,917	176,917
Total revenues	<u>24,142,205</u>	<u>248,157</u>	<u>2,807,138</u>	<u>1,849,696</u>	<u>29,047,196</u>
EXPENDITURES					
Current:					
General government	1,131,216	-	-	-	1,131,216
Public safety	53,123	-	-	1,306	54,429
Public works	852,252	-	-	50,493	902,745
Culture and recreation	809,077	-	-	102,951	912,028
Sanitation	420,832	-	-	129,595	550,427
Community and social services	141,925	-	-	197,762	339,687
Economic development	102,976	-	-	173,187	276,163
Employee & fringe benefits	530,549	-	-	-	530,549
Risk management	118,810	-	-	-	118,810
Education	18,493,953	-	2,823,489	983,634	22,301,076
Capital outlays	504,981	-	-	160,103	665,084
Total expenditures	<u>23,159,694</u>	<u>-</u>	<u>2,823,489</u>	<u>1,799,031</u>	<u>27,782,214</u>
Excess (deficiency) of revenues over expenditures	982,511	248,157	(16,351)	50,665	1,264,982
OTHER FINANCING SOURCES (USES)					
Transfers in	-	-	-	333,263	333,263
Transfers out	(333,263)	-	-	-	(333,263)
Total other financing sources (uses)	<u>(333,263)</u>	<u>-</u>	<u>-</u>	<u>333,263</u>	<u>-</u>
Net change in fund balances	649,248	248,157	(16,351)	383,928	1,264,982
Fund balances - beginning, as adjusted <i>(See Note 12)</i>	2,836,540	4,099,914	16,351	1,760,519	8,713,324
Fund balances - ending	<u>\$ 3,485,788</u>	<u>\$ 4,348,071</u>	<u>\$ -</u>	<u>\$ 2,144,447</u>	<u>\$ 9,978,306</u>

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

TOWN OF PUTNAM, 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, 2013

Net change in fund balances - total governmental funds \$ 1,264,982

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

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 in the current period is as follows:

Expenditures for capital assets	\$	863,711	
Depreciation and amortization expense		<u>(1,473,339)</u>	
Net adjustment			(609,628)

Certain revenues reported in the statement of activities do not provide current financial resources and therefore are reported as deferred inflow of resources in governmental funds. This amount represents the change in deferred inflow of resources.

(293,232)

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:

Compensated absences		15,772	
Landfill post-closure liability		34,000	
Net OPEB obligation		(404,636)	
Settlement payable		<u>50,000</u>	
			<u>(304,864)</u>

Change in net position of governmental activities \$ 57,258

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

TOWN OF PUTNAM, CONNECTICUT
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL -
BUDGETARY BASIS - GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2013

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance With Final Budget Over (Under)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Taxes, liens and interest	\$ 9,645,844	\$ 9,645,844	\$ 9,462,249	\$ (183,595)
Intergovernmental	8,872,220	8,872,220	9,100,910	228,690
Charges for services	2,700,665	2,700,665	3,354,401	653,736
Investment income	7,000	7,000	6,899	(101)
Total revenues	<u>21,225,729</u>	<u>21,225,729</u>	<u>21,924,459</u>	<u>698,730</u>
EXPENDITURES				
Current:				
General government	1,118,844	1,159,918	1,127,709	(32,209)
Public safety	54,921	56,296	53,123	(3,173)
Public works	834,900	852,254	852,252	(2)
Culture and recreation	813,896	824,702	809,077	(15,625)
Sanitation	382,000	420,832	420,832	-
Community and social services	142,325	143,342	141,925	(1,417)
Economic development	112,705	113,165	102,976	(10,189)
Employee and fringe benefits	727,602	616,684	530,549	(86,135)
Risk management	135,513	135,513	118,810	(16,703)
Education	16,195,356	16,195,356	16,191,145	(4,211)
Debt service	120,412	120,412	110,412	(10,000)
Capital outlays	764,815	614,815	599,944	(14,871)
Total expenditures	<u>21,403,289</u>	<u>21,253,289</u>	<u>21,058,754</u>	<u>(194,535)</u>
Excess (deficiency) of revenues over expenditures	(177,560)	(27,560)	865,705	893,265
OTHER FINANCING SOURCES (USES)				
Appropriation of fund balance	117,560	117,560	-	(117,560)
Transfers in from other funds	60,000	60,000	-	(60,000)
Transfers out to other funds	-	(150,000)	(150,000)	-
Total other financing sources (uses)	<u>177,560</u>	<u>27,560</u>	<u>(150,000)</u>	<u>(177,560)</u>
Net change in fund balances	<u>\$ -</u>	<u>\$ -</u>	715,705	<u>\$ 715,705</u>
Fund balance - beginning			<u>2,678,830</u>	
Fund balance - ending			<u>\$ 3,394,535</u>	

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

TOWN OF PUTNAM, CONNECTICUT
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2013

	Business-type Activities - Enterprise Funds		
	Water Fund	Sewer Fund	Total
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 1,134,023	\$ -	\$ 1,134,023
Receivables:			
User charges, net	625,929	812,089	1,438,018
Other	53,000	-	53,000
Inventories	96,480	21,104	117,584
Due from other funds	160,130	2,652,712	2,812,842
Prepaid expenses	2,993	22,297	25,290
Total current assets	<u>2,072,555</u>	<u>3,508,202</u>	<u>5,580,757</u>
Noncurrent assets:			
Capital assets:			
Non-depreciable	-	16,595,135	16,595,135
Depreciable, net	9,711,582	2,147,556	11,859,138
Total noncurrent assets	<u>9,711,582</u>	<u>18,742,691</u>	<u>28,454,273</u>
Total assets	<u>11,784,137</u>	<u>22,250,893</u>	<u>34,035,030</u>
LIABILITIES			
Current liabilities:			
Accounts payable	154,400	372,208	526,608
Due to other funds	914,220	-	914,220
Accrued liabilities:			
Accrued interest	6,846	28,746	35,592
Accrued salaries and benefits payable	7,509	5,098	12,607
Notes payable	1,200,000	4,000,000	5,200,000
Loans payable - current	107,586	118,649	226,235
Compensated absences - current	27,446	27,038	54,485
Total current liabilities	<u>2,418,007</u>	<u>4,551,739</u>	<u>6,969,747</u>
Noncurrent liabilities:			
Loans payable	892,098	7,406,879	8,298,977
Compensated absences	6,862	6,760	13,621
Total liabilities	<u>3,316,967</u>	<u>11,965,378</u>	<u>15,282,345</u>
NET POSITION			
Net investment in capital assets	7,511,898	8,678,219	16,190,117
Unrestricted	955,272	1,607,296	2,562,568
Total net position	<u>\$ 8,467,170</u>	<u>\$ 10,285,515</u>	<u>\$ 18,752,685</u>

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

**TOWN OF PUTNAM, CONNECTICUT
STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2013**

	Business-type Activities - Enterprise Funds		
	Water Fund	Sewer Fund	Total
OPERATING REVENUES			
Charges for services	\$ 2,190,718	\$ 1,981,783	\$ 4,172,501
Total operating revenues	<u>2,190,718</u>	<u>1,981,783</u>	<u>4,172,501</u>
OPERATING EXPENSES			
Personnel services	217,109	504,715	721,824
Contractual services	480,474	230,554	711,028
Administrative	221,697	217,997	439,694
Repairs and maintenance	98,674	88,380	187,054
Other supplies and expenses	186,679	176,097	362,776
Depreciation	343,601	125,270	468,871
Total operating expenses	<u>1,548,234</u>	<u>1,343,013</u>	<u>2,891,247</u>
Operating income	642,484	638,770	1,281,254
NON-OPERATING REVENUES (EXPENSES)			
Interest income	26,223	21,954	48,177
Interest expense	<u>(37,216)</u>	<u>(299,476)</u>	<u>(336,692)</u>
Total non-operating expenses, net	<u>(10,993)</u>	<u>(277,522)</u>	<u>(288,515)</u>
Income before capital contributions	631,491	361,248	992,739
Capital contributions	<u>-</u>	<u>2,806,316</u>	<u>2,806,316</u>
Change in net position	631,491	3,167,564	3,799,055
Net position - beginning	<u>7,835,679</u>	<u>7,117,951</u>	<u>14,953,630</u>
Net position - ending	<u>\$ 8,467,170</u>	<u>\$ 10,285,515</u>	<u>\$ 18,752,685</u>

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

**TOWN OF PUTNAM, CONNECTICUT
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2013**

	Business-type Activities - Enterprise Funds		
	Water Fund	Sewer Fund	Total
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash received for the following:			
Charges for services	\$ 2,034,365	\$ 1,893,200	\$ 3,927,565
Cash paid for the following:			
Personnel services	(215,822)	(505,186)	(721,008)
Contractual services	(480,474)	(230,554)	(711,028)
Administration	(221,697)	(217,997)	(439,694)
Repairs, maintenance and supplies	(191,800)	(264,477)	(456,277)
Net cash provided by operating activities	<u>924,572</u>	<u>674,986</u>	<u>1,599,558</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Advances to other funds	<u>424,607</u>	<u>9,917,905</u>	<u>10,342,512</u>
Net cash provided by noncapital financing activities	<u>424,607</u>	<u>9,917,905</u>	<u>10,342,512</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Purchases of capital assets	(263,052)	(6,600,111)	(6,863,163)
Proceeds from capital contributions	-	3,721,722	3,721,722
Proceeds from issuance of capital debt	-	4,711,000	4,711,000
Principal paid on capital debt	(107,590)	(12,105,472)	(12,213,062)
Interest paid on capital debt	(40,009)	(341,984)	(381,993)
Net cash used in capital and related financing activities	<u>(410,651)</u>	<u>(10,614,845)</u>	<u>(11,025,496)</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest and dividends	<u>26,223</u>	<u>21,954</u>	<u>48,177</u>
Net cash provided by investing activities	<u>26,223</u>	<u>21,954</u>	<u>48,177</u>
Net increase in cash and cash equivalents	964,751	-	964,751
Cash and cash equivalents, beginning of year	<u>169,272</u>	<u>-</u>	<u>169,272</u>
Cash and cash equivalents, end of year	<u>\$ 1,134,023</u>	<u>\$ -</u>	<u>\$ 1,134,023</u>
Reconciliation of operating income to net cash provided by operating activities:			
Operating income	\$ 642,484	\$ 638,770	\$ 1,281,254
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation expense	343,601	125,270	468,871
(Increase) decrease in:			
Accounts receivable	(156,353)	(88,583)	(244,936)
Inventories	3,677	-	3,677
Increase (decrease) in:			
Accrued liabilities and compensated absences	91,163	(471)	90,692
Net cash provided by operating activities	<u>\$ 924,572</u>	<u>\$ 674,986</u>	<u>\$ 1,599,558</u>

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

TOWN OF PUTNAM, CONNECTICUT
STATEMENT OF FIDUCIARY NET POSITION -
FIDUCIARY FUNDS
JUNE 30, 2013

	<u>Pension Trust Fund</u>	<u>Private- Purpose Trust Funds</u>	<u>Agency Funds</u>
ASSETS			
Cash and cash equivalents	\$ 207,015	\$ 265,782	\$ 87,585
Investments, at fair value:			
Certificates of deposit	-	220,835	-
U.S. Treasury securities	-	244,074	-
Mutual funds	9,566,009	-	-
Other receivables	-	2,001	-
Due from other funds	-	137,568	-
Total assets	<u>9,773,024</u>	<u>870,260</u>	<u>\$ 87,585</u>
LIABILITIES			
Due to others	-	-	\$ 87,585
Due to other funds	-	100	-
Total liabilities	<u>-</u>	<u>100</u>	<u>\$ 87,585</u>
NET POSITION			
Held in trust for pension benefits and other purposes	<u>\$ 9,773,024</u>	<u>\$ 870,160</u>	

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

TOWN OF PUTNAM, CONNECTICUT
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION -
FIDUCIARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2013

	Pension Trust Fund	Private- Purpose Trust Funds
ADDITIONS		
Contributions:		
Employer	\$ 202,753	\$ -
Plan members	124,420	-
Contributions and donations	-	4,670
Total contributions	327,173	4,670
Investment earnings:		
Interest and dividends	277,171	17,395
Net increase (decrease) in the fair value of investments, net of fees	699,693	(19,432)
Total investment earnings	976,864	(2,037)
Total additions	1,304,037	2,633
DEDUCTIONS		
Benefit payments	217,261	34,500
Administrative expenses	-	178
Total deductions	217,261	34,678
Change in net position	1,086,776	(32,045)
Net position - beginning	8,686,248	902,205
Net position - ending	\$ 9,773,024	\$ 870,160

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

**TOWN OF PUTNAM, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Town of Putnam, 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 of Putnam, Connecticut, (the “Town”) was incorporated in 1855. The Town operates under a Selectmen/ Board of Finance form of government. The Mayor is the chief executive officer of the Town and is responsible for the day-to-day operation of the Town. The Town provides the following services by ordinance: general government, public safety (canine control and fire marshal), public works, culture and recreation, sanitation, community and social services, economic development and education.

Accounting principles generally accepted in the United States of America require that the reporting entity include, the primary government, organizations for which the primary government is financially accountable and other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity’s financial statements to be misleading or incomplete. The Town has determined that there are no agencies or entities, which should be presented within the Town’s financial statements based on these criteria.

Related Organizations

The Town is also responsible for appointing members of the Board of the Town of Putnam Housing Authority. The Town’s accountability for the Housing Authority does not extend beyond making the appointments.

The Putnam Special Services District (the “District”) is responsible for the operations of the police department, fire department, emergency dispatch center, and street lights within the boundaries of the District, which is located within Town. The governing board of the Putnam Special Services District is elected by the citizens of the District. As of June 30, 2013, amounts due to the District from the Town totaled \$754,418 and has been presented as amounts due to other governments.

Government-wide and Fund Financial Statements

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. 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 nonexchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties.

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.

TOWN OF PUTNAM, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS (Continued)
JUNE 30, 2013

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Government-wide and Fund Financial Statements (Continued)

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 and enterprise funds, each displayed in a separate column. All remaining governmental funds and enterprise funds are aggregated and reported as nonmajor 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 accounted for in another fund.

Educational Grants Fund – This fund was established to account for cost-reimbursement grants provided by the federal and State Departments of Education.

Ash Landfill Fund – This fund was established by ordinance to account for the accumulation of host fee revenue, derived from the Town's ash landfill, that is in excess of the annual amount budgeted for spending in the Town's General Fund. The purpose of the fund is to pay for the Town's portion of the post-closure care costs of the ash landfill.

The Town reports the following major enterprise funds:

Water Fund – This fund is used to account for revenues and expenses associated with the processing and distribution of water to residents of the Town.

Sewer Fund – This fund is used to account for revenues and expenses associated with the processing, treatment, and disposal of sewage within the Town.

In addition, the Town reports the following fund types:

Pension Trust Fund – This fund is used to account for resources held in trust for the members and beneficiaries of the Town's defined benefit pension plan.

Private Purpose Trust Funds – These funds are used to account for trust arrangements under which principal and income benefit individuals, private organizations, or other governments.

Agency Funds – These funds are used to account for resources held by the Town in a purely custodial capacity. The Town primarily utilizes agency funds to account for assets of the student activities funds. The student activities funds account for monies generated by student activities in the Town's school system.

TOWN OF PUTNAM, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS *(Continued)*
JUNE 30, 2013

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

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 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. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences, and claims and judgments, are recorded only when payment is due. 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.

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 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.

The proprietary and private-purpose trust funds are reported using the economic resources measurement focus and the accrual basis of accounting. The agency fund has no measurement focus but utilizes the accrual basis of accounting for reporting its assets and liabilities.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connections with a proprietary fund's principal ongoing operations. The principal operating revenues of the Town's enterprise fund consist of charges to customers for services relating to sewer and water usage. Operating expenses of the Town's enterprise fund include the cost of operations and maintenance, administrative expenses, and depreciation of capital assets. Revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

TOWN OF PUTNAM, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS (Continued)
JUNE 30, 2013

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Implementation of New Accounting Standards

The Town has implemented the provisions of Governmental Accounting Standards Board (GASB) Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position* and early implemented the provisions of GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities* effective July 1, 2012. GASB Statement No. 63 established accounting and financial reporting standards that reclassified, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. GASB Statement No. 65 resulted in the reclassification of certain financial statement line items in the government-wide statement of net position and the governmental funds balance sheet.

Assets, Deferred Inflows of Resources, Liabilities and Fund Equity/Net Position

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 for the Town are reported at fair value (generally based on quoted market prices) except as described below.

The Town invests in the State Treasurer's Short-Term Investment Fund (STIF), which is an investment pool managed by the State Treasurer's Office. STIF operates in conformity with all of the requirements of the Securities and Exchange Commission's (SEC) Rule 2a7 as promulgated under the Investment Company Act of 1940, as amended. Accordingly, STIF qualifies as a 2a7-like pool and is reported at the net asset value per share (which approximates fair value) even though it is calculated using the amortized cost method. STIF is subject to regulatory oversight even though it is not registered by the SEC.

Donor-restricted Endowments

The Town allocates investment income on endowments in accordance with donor restrictions and Connecticut law, which has adopted the provisions of the Uniform Prudent Management of Institutional Funds Act ("UPMIFA"). UPMIFA requires the investment of endowments in good faith and with the care that an ordinarily prudent person in a like position would exercise under similar circumstances. It requires prudence in incurring investment costs, authorizing only costs that are appropriate and reasonable. Factors to be considered in investing are expanded to include, for example, the effects of inflation. UPMIFA emphasizes that investment decisions be made in relation to the overall resources of the Town.

TOWN OF PUTNAM, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS (Continued)
JUNE 30, 2013

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Assets, Deferred Inflows of Resources, Liabilities and Fund Equity/Net Position (Continued)

Property Taxes and Sewer and Water Charges

The Town's property tax is levied each July, on the assessed value listed on the prior October 1 Grand List, for all taxable property located in the Town. Real estate taxes are due in two equal installments on July 1 and January 1 following the levy date and personal property taxes are due in one installment on July 1 following the levy date, although a 30 day grace period is provided. Motor vehicle taxes are due and payable July 1 and motor vehicle supplement taxes are due and payable January 1. Taxes become delinquent thirty days after the installment is due and liens are filed on balances that are delinquent for one year. The Town establishes an allowance for uncollectible taxes based on historical collection experience and other factors.

Property tax revenues are recognized when they become available. Available means due, or past due, and receivable within the current period or expected to be collected within 60 days of the end of the current period. Property taxes receivable that are not expected to be collected during the available period are reflected as deferred inflows of resources.

Sewer and water user charges are billed periodically throughout the year. User charges are due and payable within thirty days and delinquent amounts are subject to interest at prevailing rates. Liens are filed on all properties until the assessment is paid in full.

Loans

The Town provides low interest loans in connection with the Town's small business and residential housing rehabilitation loan programs. Certain loans totaling \$103,172 as of June 30, 2013 include terms of forgiveness at a rate of 20% annually based on the original principal balance of the loans. During the year ended June 30, 2013, the Town forgave principal in the amount of \$81,450.

Inventories and Prepaid Expenses

Inventories are reported at cost using the first-in first-out (FIFO) method, except for donated commodities, which are valued at fair market value. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid expenses.

Capital Assets

Capital assets, which include property, equipment, and infrastructure assets (e.g. roads, bridges, sidewalks, and similar items), are reported in the government-wide and proprietary fund financial statements. Capital assets are defined by the Town as assets with an initial individual cost of more than \$25,000 for infrastructure assets and \$5,000 for all other assets. Such assets are recorded at historical cost, or estimated historical cost, if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

TOWN OF PUTNAM, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS (Continued)
JUNE 30, 2013

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Assets, Deferred Inflows of Resources, Liabilities and Fund Equity/Net Position (Continued)

Capital Assets (Continued)

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

Property, plant and equipment of the Town are depreciated using the straight line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings and improvements	20 - 50
Infrastructure and improvements	20 - 50
Machinery and equipment	5 - 50

Unearned Revenue

This liability represents resources that have been received but not yet earned.

Compensated Absences

Employees are granted vacation and sick leave based upon length of employment. For Town employees, unused vacation can be accumulated from year to year up to certain limits. Sick days can also be accumulated up to certain limits. For Board of Education employees, vacation days accumulate, while sick days generally do not accumulate.

All compensated absences are accrued when incurred in the government-wide, proprietary, and fiduciary fund financial statements. Expenditures for compensated absences are recognized in the governmental fund financial statements in the current year to the extent they are paid during the year, or the vested amount is expected to be paid with available resources.

Long-term Obligations

In the government-wide and proprietary fund financial statements, long-term debt and other long-term obligations are reported as liabilities. 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 as incurred.

In the fund financial statements, governmental funds recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses.

TOWN OF PUTNAM, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS (Continued)
JUNE 30, 2013

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Assets, Deferred Inflows of Resources, Liabilities and Fund Equity/Net Position (Continued)

Deferred Inflows of Resources

Deferred inflows of resources represent an acquisition of fund balance that will not be recognized until a future period. Deferred inflows of resources consists of unavailable property tax and related interest revenues. These amounts are deferred and recognized in the period that the amounts become available.

Net Position and Fund Balance

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

Net investment in capital assets – This category of net position 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 which 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 are 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 that can only be used for specific purposes pursuant to constraints imposed by formal action of the Board of Finance (the highest level of decision making authority of the Town) and cannot be used for any other purpose unless the Town removes or changes the specified use by taking the same formal action.

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 the Town Charter.

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.

The Town does not have a formal policy over the use of fund balance. The Town uses restricted resources first, then unrestricted resources as needed. Unrestricted resources are used in the following order: committed; assigned; then unassigned.

TOWN OF PUTNAM, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS (Continued)
JUNE 30, 2013

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Interfund Activities

Interfund activities are reported as follows:

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”. Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as “internal balances”.

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. In proprietary funds, transfers are reported after nonoperating revenues and expenses.

Interfund Reimbursements

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

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.

TOWN OF PUTNAM, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS (Continued)
JUNE 30, 2013

NOTE 2 – BUDGETARY INFORMATION AND DEFICIT FUND BALANCES

Budgetary Information

The General Fund is the only fund for which an annual budget is legally adopted. The Town adheres to the following procedures in establishing the budgetary data for the General Fund.

- On or before the fourth Wednesday in March and after input from each agency and department of the Town, except for the Board of Education (BOE), the Mayor submits to the Board of Selectmen (BOS) and the Board of Finance (BOF) a proposed operating budget for the Town. In addition, the Mayor also submits a program concerning capital improvement projects for the next five fiscal years and a method of financing them for the fiscal year commencing the following July 1.
- On or before the second Wednesday in April, the BOS presents recommendations on the Mayor's budget to the BOF and the Board of Education (BOE) submits a proposed operating budget to the BOF.
- Copies of the budgets are made available to taxpayers five (5) days before the public hearings and five (5) days before the annual Town budget meeting. A Town meeting is held on the first Tuesday of May. Should the recommended budgets fail at referendum, they are returned to the BOF for adjustments. The budgets are legally enacted no later than ten (10) days after the taxpayers approve them by vote.
- Management cannot amend the budgets without approval of the BOF. Only the BOF is authorized to transfer budgeted amounts.
- The BOF must approve any additional appropriation and a Town Meeting must be held to approve any additional appropriation over \$10,000.
- Formal budgetary integration is employed as a management control device during the year.
- The legal level of control (the level at which expenditures may not legally exceed appropriations) is at the budgetary department line item level (i.e. Finance Department, Board of Selectmen within the General Government function) for the General Fund, except for the BOE where department control is implemented.
- The budget is prepared on the modified accrual basis of accounting. "On behalf" payments made by the State of Connecticut into the State Teacher's Retirement System are not recorded for budgetary purposes. Encumbrances are recognized as a valid and proper charge against a budget appropriation in the year in which the purchase order, contract or other commitment is issued and, accordingly, encumbrances outstanding at year-end are reported in budgetary reports as expenditures of the current year.
- All unexpended appropriations lapse at year-end.

TOWN OF PUTNAM, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS (Continued)
JUNE 30, 2013

NOTE 2 – BUDGETARY INFORMATION AND DEFICIT FUND BALANCES (Continued)

Budgetary Information (Continued)

As described above, accounting principles applied for purposes of developing data on a budgetary basis differ from those used to present financial statements in conformity with accounting principles generally accepted in the United States of America (“GAAP basis”). The differences include additional revenues and expenditures pertaining to certain Town funds that are not budgeted for by the Town due to perspective differences. 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, 2013:

	Total Revenues	Total Expenditures	Other Financing Sources (Uses)	Net Change In Fund Balance	Fund Balance
Budgetary basis	\$ 21,924,459	\$ 21,058,754	\$ (150,000)	\$ 715,705	\$ 3,394,535
"On-behalf" payments - State Teachers Retirement Fund	1,802,234	1,802,234	-	-	-
Intergovernmental grants netted with expenditures	410,768	410,768	-	-	-
Reclassification of amounts recorded as expenditures for budgetary purposes	-	(203,263)	(203,263)	-	-
Prior year encumbrances	-	80,000	-	(80,000)	-
Revenues and expenditures pertaining to other Town funds not recognized for budgetary purposes due to perspective differences:					
Reserve for Insurance Claims Fund	4,620	1,395	-	3,225	4,620
Reserve for Teachers Retirement Fund	124	9,806	-	(9,682)	66,633
Reserve for Compensated Absences Fund	-	-	20,000	20,000	20,000
GAAP basis	<u>\$ 24,142,205</u>	<u>\$ 23,159,694</u>	<u>\$ (333,263)</u>	<u>\$ 649,248</u>	<u>\$ 3,485,788</u>

Deficit Fund Balances

The following funds have deficit fund balances as of June 30, 2013, none of which constitutes a violation of statutory provisions:

After School Program Fund	\$ (21)
ADA Curbcuts Fund	(1,200)
Cargill Falls Brownfield Fund	(39,074)
Stop Grant Fund	(19,777)
Middle School Roof Fund	(102,872)
Heating System Grant Fund	(2,742)
STEAP Grant Fund	(5,419)

The Town plans to fund the deficits through one of the following sources; 1) future program revenues, 2) future transfers from the General Fund, or 3) through the issuance of long-term debt.

TOWN OF PUTNAM, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS (Continued)
JUNE 30, 2013

NOTE 3 – CASH DEPOSITS AND INVESTMENTS

Cash Deposits

The carrying value of the Town's cash deposits totaled \$3,306,156 as of June 30, 2013. A reconciliation of the Town's cash deposits as of June 30, 2013 is as follows:

Government-wide statement of net position:	
Cash and cash equivalents	\$ 14,148,927
Statement of fiduciary net position:	
Cash and cash equivalents	560,382
	14,709,309
Less: cash equivalents considered investments for purpose of disclosure	(11,623,988)
Add: investments considered cash deposits for purposes of disclosure	220,835
	\$ 3,306,156

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 does not have a deposit policy for custodial credit risk. As of June 30, 2013, \$2,245,545 of the Town's bank balance of \$3,475,549 was exposed to custodial credit risk as follows:

Uninsured and uncollateralized	\$ 224,555
Uninsured and collateralized with securities held by the pledging bank's trust department or agent but not in the Town's name	2,020,990
	\$ 2,245,545

All of the Town's deposits were in qualified public institutions as defined by Connecticut state statute. 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 PUTNAM, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS (Continued)
JUNE 30, 2013

NOTE 3 – CASH DEPOSITS AND INVESTMENTS (Continued)

Investments

A reconciliation of the Town's investments as of June 30, 2013 is as follows:

Government-wide statement of net position:		
Investments	\$	70,437
Statement of fiduciary net position:		
Investments		10,030,918
		10,101,355
Add: cash equivalents considered investments for purposes of disclosure		11,623,988
Less: investments considered cash deposits for purposes of disclosure		(220,835)
	\$	21,504,508

As of June 30, 2013, the Town's investments consist of the following:

Investment type	Value	Than 1	6 to 10
Debt Securities:			
Connecticut Short-Term Investment Fund	\$ 8,793,947	\$ 8,793,947	\$ -
Money Market Mutual Funds	2,830,041	2,830,041	-
U.S. Treasury Securities	244,074	-	244,074
	11,868,062	\$ 11,623,988	\$ 244,074
Other investments:			
Equity securities	70,437		
Mutual funds	9,566,009		
Total	\$ 21,504,508		

Investment maturities of the Town's investments in STIF and money market mutual funds were based on the weighted average maturities of those investments.

TOWN OF PUTNAM, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS (Continued)
JUNE 30, 2013

NOTE 3 – CASH DEPOSITS AND INVESTMENTS (Continued)

Investments (Continued)

Interest Rate Risk

As a means of limiting its exposure to fair value losses arising from rising interest rates, the Town's investment policy provides for the Town to invest primarily in shorter-term securities unless it is anticipated that long-term securities can be held to maturity without jeopardizing liquidity requirements.

Credit Risk

The Town has no investment policy that would further limit its investment choices beyond those 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 do 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 plan.

The Town's investment in money market mutual funds were unrated as of June 30, 2013. The Town's investments in STIF were rated AAA by Standard & Poor's as of June 30, 2013. Credit risk disclosures are not required for investments in U.S. Treasury Securities.

Custodial Credit Risk

For an investment, custodial credit risk is the risk that, in the event of the failure of a counterparty, 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's investments are not exposed to custodial credit risk at June 30, 2013.

Concentrations of Credit Risk

The Town places no limit on the amount of investment in any one issuer. More than 5% of the Town's investments are in STIF and certain mutual funds. These investments are not subject to concentration of credit risk disclosure as they are considered to be diversified investments by their nature.

TOWN OF PUTNAM, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS (Continued)
JUNE 30, 2013

NOTE 4 – CAPITAL ASSETS

Capital asset activity for governmental activities for the year ended June 30, 2013 consisted of the following:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental Activities				
Capital assets, not being depreciated:				
Land	\$ 2,055,563	\$ -	\$ -	\$ 2,055,563
Construction in progress	-	12,033	-	12,033
Total capital assets, not being depreciated	<u>2,055,563</u>	<u>12,033</u>	<u>-</u>	<u>2,067,596</u>
Capital assets, being depreciated:				
Infrastructure and improvements	18,265,609	369,059	-	18,634,668
Building and improvements	5,954,499	64,643	-	6,019,142
Machinery and equipment	25,489,566	417,976	-	25,907,542
Total capital assets, being depreciated	<u>49,709,674</u>	<u>851,678</u>	<u>-</u>	<u>50,561,352</u>
Less accumulated depreciation and amortization for:				
Infrastructure and improvements	7,009,038	602,992	-	7,612,030
Building and improvements	4,747,785	254,638	-	5,002,423
Machinery and equipment	14,184,353	615,709	-	14,800,062
Total accumulated depreciation and amortization	<u>25,941,176</u>	<u>1,473,339</u>	<u>-</u>	<u>27,414,515</u>
Total capital assets, being depreciated, net	<u>23,768,498</u>	<u>(621,661)</u>	<u>-</u>	<u>23,146,837</u>
Governmental activities capital assets, net	<u>\$ 25,824,061</u>	<u>\$ (609,628)</u>	<u>\$ -</u>	<u>\$ 25,214,433</u>

Depreciation and amortization expense was charged to functions of the Town as follows:

Governmental Activities:	
General government	\$ 27,229
Public safety	3,794
Public works	447,088
Culture and recreation	169,881
Economic development	3,825
Education	821,522
Total depreciation and amortization expense - governmental activities	<u>\$ 1,473,339</u>

TOWN OF PUTNAM, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS (Continued)
JUNE 30, 2013

NOTE 4 – CAPITAL ASSETS (Continued)

Capital asset activity for business-type activities for the year ended June 30, 2013 consisted of the following:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Business-type Activities				
Capital assets, not being depreciated:				
Construction in progress	\$ 11,773,996	\$ 4,821,139	\$ -	\$ 16,595,135
Total capital assets, not being depreciated	<u>11,773,996</u>	<u>4,821,139</u>	<u>-</u>	<u>16,595,135</u>
Capital assets, being depreciated:				
Infrastructure and improvements	15,882,353	330,029	-	16,212,382
Building and improvements	7,585,215	-	-	7,585,215
Machinery and equipment	301,879	1,534	-	303,413
Total capital assets, being depreciated	<u>23,769,447</u>	<u>331,563</u>	<u>-</u>	<u>24,101,010</u>
Less accumulated depreciation and amortization for:				
Infrastructure and improvements	6,665,808	273,340	-	6,939,148
Building and improvements	4,887,029	183,078	-	5,070,107
Machinery and equipment	220,164	12,453	-	232,617
Total accumulated depreciation and amortization	<u>11,773,001</u>	<u>468,871</u>	<u>-</u>	<u>12,241,872</u>
Total capital assets, being depreciated, net	<u>11,996,446</u>	<u>(137,308)</u>	<u>-</u>	<u>11,859,138</u>
Business-type activities capital assets, net	<u>\$ 23,770,442</u>	<u>\$ 4,683,831</u>	<u>\$ -</u>	<u>\$ 28,454,273</u>

Depreciation and amortization expense was charged to functions as follows:

Business-type Activities:	
Water	\$ 343,601
Sewer	<u>125,270</u>
Total depreciation and amortization expense - business-type activities	<u>\$ 468,871</u>

TOWN OF PUTNAM, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS (Continued)
JUNE 30, 2013

NOTE 5 – INTERFUND RECEIVABLES AND PAYABLES

Interfund receivable and payable balances at June 30, 2013 are as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Governmental Funds:		
General Fund	Educational Grants Fund	\$ 1,089,288
	Other Governmental Funds	534,698
	Private Purpose Trust Funds	100
		<u>1,624,086</u>
Ash Landfill Fund	General Fund	4,245,199
	Other Governmental Funds	102,872
		<u>4,348,071</u>
Other Governmental Funds	General Fund	1,248,191
		<u>\$ 7,220,348</u>
Proprietary Funds:		
Water Fund	General Fund	\$ 160,130
Sewer Fund	General Fund	1,738,492
	Water Fund	914,220
		<u>2,652,712</u>
		<u>\$ 2,812,842</u>
Fiduciary Funds:		
Private Purpose Trust Funds	General Fund	<u>\$ 137,568</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, and (3) payments between funds are made.

NOTE 6 – INTERFUND TRANSFERS

Interfund transfers for the year ended June 30, 2013 consisted of the following:

<u>Transfers In</u>	<u>Transfers Out</u>	<u>Amount</u>
Governmental Funds:		
Other Governmental Funds	General Fund	<u>\$ 333,263</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) move unrestricted revenues collected in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

TOWN OF PUTNAM, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS (Continued)
JUNE 30, 2013

NOTE 7 – SHORT-TERM DEBT

During the year ended June 30, 2013, the Town retired its previously outstanding bond anticipation notes in the amount of \$13,200,000 with proceeds from the issuance of new bond anticipation notes in the amount of \$5,200,000, proceeds from the \$6,800,000 USDA loan issued in June 2012 and with available cash. The \$5,200,000 bond anticipation notes bore a coupon rate of 1.0% and matured in November 2013. The purpose of the notes were to provide short-term financing to fund ongoing improvements to the Town's water (\$1,200,000) and sewer (\$4,000,000) distribution systems. As discussed more fully in Note 15, the \$5,200,000 bond anticipation notes were subsequently retired through the issuance of new bond anticipation notes.

The following is a summary of short-term liabilities for the year ended June 30, 2013:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Business-type Activities				
Bond anticipation notes payable	\$ 13,200,000	\$ 5,200,000	\$ (13,200,000)	\$ 5,200,000
	<u>\$ 13,200,000</u>	<u>\$ 5,200,000</u>	<u>\$ (13,200,000)</u>	<u>\$ 5,200,000</u>

NOTE 8 – LONG-TERM LIABILITIES

The following is a summary of changes in long-term liabilities for the year ended June 30, 2013:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Governmental Activities					
Other liabilities:					
Compensated absences	\$ 396,710	\$ -	\$ (15,772)	\$ 380,938	\$ 52,000
Landfill post-closure liability	1,414,000	-	(34,000)	1,380,000	84,000
Settlement payable	50,000	-	(50,000)	-	-
Net OPEB obligation	1,741,727	404,636	-	2,146,363	-
	<u>\$ 3,602,437</u>	<u>\$ 404,636</u>	<u>\$ (99,772)</u>	<u>\$3,907,301</u>	<u>\$ 136,000</u>
Business-type Activities					
Other liabilities:					
Loans payable	\$ 8,027,274	\$ 711,000	\$ (213,062)	\$8,525,212	\$ 226,235
Compensated absences	66,836	1,270	-	68,106	54,485
	<u>\$ 8,094,110</u>	<u>\$ 712,270</u>	<u>\$ (213,062)</u>	<u>\$8,593,318</u>	<u>\$ 280,720</u>

The loans payable recorded in the business-type activities are secured by the full faith and credit of the Town, but are substantially liquidated by water and sewer user charges. The remaining liabilities above typically have been liquidated in the General Fund and other governmental funds.

TOWN OF PUTNAM, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS (Continued)
JUNE 30, 2013

NOTE 8 – LONG-TERM LIABILITIES (Continued)

Loans Payable

A summary of loans payable outstanding at June 30, 2013 is as follows:

<u>Description</u>	<u>Original Amount</u>	<u>Final Maturity Dates</u>	<u>Interest Rates</u>	<u>Amount Outstanding</u>
Business-type Activities				
Loans Payable				
Drinking Water loan payable, issued in 1994	\$ 498,200	FY 2014	4.50%	\$ 24,910
Drinking Water loan payable, issued in 1994	100,000	FY 2015	4.50%	10,000
Drinking Water loan payable, issued in 1994	454,400	FY 2014	4.50%	23,912
Wastewater loan payable, issued in 1994	300,000	FY 2024	4.50%	110,000
Wastewater loan payable, issued in 2012	6,800,000	FY 2031	2.75%	6,704,528
Drinking Water loan payable issued in 2012	1,075,271	FY 2052	2.06%	940,862
Wastewater loan payable, issued in 2013	711,000	FY 2053	2.50%	711,000
				<u>\$ 8,525,212</u>

Annual debt service requirements to maturity on loans payable are as follows as of June 30, 2013:

<u>Year ending June 30:</u>	<u>Business-type Activities</u>	
	<u>Loans Payable</u>	
	<u>Principal</u>	<u>Interest</u>
2014	\$ 226,235	\$ 228,621
2015	180,374	221,680
2016	178,417	216,855
2017	181,542	210,889
2018	184,753	207,404
2019-2023	975,071	961,260
2024-2028	1,029,539	831,655
2029-2033	993,194	698,780
2034-2038	982,439	571,556
2039-2043	1,123,900	430,095
2044-2048	1,285,759	268,236
2049-2053	1,183,989	83,190
	<u>\$ 8,525,212</u>	<u>\$ 4,930,221</u>

TOWN OF PUTNAM, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS (Continued)
JUNE 30, 2013

NOTE 8 – LONG-TERM LIABILITIES (Continued)

Loans Payable (Continued)

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, 2013.

As of June 30, 2013, the Town has authorized and unissued bonds of \$36,610,000 for renovations and expansion of the Town's high school, central office and medical pathway facilities; \$7,289,000 for the design and upgrade of the Town's sewer facility; and \$9,004,729 for improvements to the Town's water distribution system.

Landfill Post-Closure Liability

The Town is an owner of a municipal solid waste landfill, which was certified as closed by the Town during fiscal year 1997 and certified closed by the State of Connecticut Department of Environmental Protection during the Town's fiscal year 2001. State and federal laws and regulations establish landfill post-closure care requirements for thirty years after closure. On November 15, 1993, the Town entered into a ground lease agreement (the "Agreement") with Wheelabrator Putnam, Inc. ("Wheelabrator"), the former operator of the landfill (*see Note 9*). Pursuant to the Agreement, Wheelabrator is responsible for the performance of sampling and analytic activities associated with monitoring of ground waters and surface waters affected by the landfill and the Town is responsible for all other post-closure care costs. The Town has estimated total post-closure care costs for the remaining 16.5 years to be \$1,835,000, which includes an estimated \$455,000 in costs to be reimbursed by Wheelabrator. Accordingly, the Town has reflected a liability for post-closure care costs in the amount of \$1,380,000 as of June 30, 2013. This amount is based on estimates, which are subject to change due to inflation, technology or applicable laws and regulations. The estimated liability is not recorded in the fund financial statements since the liability will be funded from future financial resources, not from expendable available financial resources.

NOTE 9 – SIGNIFICANT AGREEMENT

The Town entered into a ground lease agreement (the "Agreement") with Wheelabrator Putnam Inc. ("Wheelabrator") on November 15, 1993. The agreement provides Wheelabrator use of Town land for the operation of an ash residue facility. The initial term of the lease is twenty (20) years after commencement of operations and may be extended by Wheelabrator for an additional ten (10) years. Base rent per year is \$250,000, with additional rent determined based on a portion of the revenues generated by the ash residue facility. Rental income received by the Town in connection with the agreement totaled \$2,974,787. In accordance with the Agreement, Wheelabrator is responsible for all closure and post-closure care costs of the ash landfill required by State and federal laws and regulations.

TOWN OF PUTNAM, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS (Continued)
JUNE 30, 2013

NOTE 10 – EMPLOYEE RETIREMENT PLANS

Defined Benefit Plan

Plan Description

The Town maintains a single employer, contributory, defined benefit pension plan (the “Plan”). The Plan covers substantially all full time employees, except professional personnel at the Board of Education who are covered by the State of Connecticut’s Teacher’s Retirement System. The Plan does not issue stand-alone financial statements and is considered to be part of the Town’s financial reporting entity. As such, the Plan is accounted for in the fiduciary fund financial statements as a Pension Trust Fund.

Summary of Significant Accounting Policies

The Plan is 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 Plan.

Investments are recorded at fair value based on quoted market prices. Short-term investments are reported at cost, which approximates fair value. Fair value of other securities is determined by the mean of the most recent bid and asked prices as obtained from dealers that make markets in such securities. Investments for which market quotations are not readily available are valued at their fair values as determined by the custodian under the direction of the Town, with the assistance of a valuation service. Securities traded on national exchanges are valued at the last reported sales price. Investment income is recognized when earned and gains and losses on sales or exchanges are recognized on the transaction date.

Administrative costs of the Plan are funded by the Town.

Plan Membership

Membership of the Plan consisted of the following as of the date of the latest actuarial valuation:

Retirees and beneficiaries receiving benefits	44
Terminated plan members entitled to but not yet receiving benefits	58
Active plan members	111
	<u>213</u>

Employees of the Putnam Special Services District, other than police personnel, are eligible to participate in the Town’s Plan. Included in Plan membership above are three active plan members employees by the Putnam Special Services District and four terminated employees of the Putnam Special Services District entitled to benefits, but not yet receiving them.

TOWN OF PUTNAM, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS (Continued)
JUNE 30, 2013

NOTE 10 – EMPLOYEE RETIREMENT PLANS (Continued)

Defined Benefit Plan (Continued)

Benefit Provisions

Employees who work more than 30 hours per week are eligible to participate in the Plan. Benefits fully vest after 5 years of service. Normal retirement date is the later of the participant's 65th birthday or the 5th anniversary of joining the Plan.

Pension benefits for normal retirement under the Plan are based on the average monthly compensation during the five consecutive years of service, at which the participants' earnings were at their highest level. The participant's monthly benefit shall be equal to 1.3% of the average monthly compensation multiplied by the total number of years of employment with the Town (limited to 40 years). The Plan permits early retirement for participants at age 55 with 15 years of service. Benefits for early retirement shall be equal to the present value of the participants' accrued benefit. Participants are required to contribute 3% of their annual earnings.

Other Plan Provisions

The Plan does not provide for disability benefits. If an employee becomes disabled and must cease employment, he will be entitled to the same benefits as a participant who has terminated employment. In the event of death, a beneficiary shall receive benefits payable upon death, which are subject to certain limitations imposed by law. Death benefits will be equal to the present value of the accrued benefits.

Benefit provisions of the Plan are established and can be amended by the Town Meeting.

Funding Policy

The Town's funding policy provides for periodic employer contributions at rates that, when expressed as a percentage of annual covered payroll, are designed to accumulate sufficient assets to pay benefits when due. The contribution rates for normal costs for the Plan were determined using the Aggregate Actuarial Cost Method.

For the year ended June 30, 2013, employer contributions to the Town Plan represented approximately 4.8 % of covered payroll.

Concentrations

The Plan's assets are invested in various mutual funds, which are considered diversified by nature.

TOWN OF PUTNAM, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS (Continued)
JUNE 30, 2013

NOTE 10 – EMPLOYEE RETIREMENT PLANS (Continued)

Defined Benefit Plan (Continued)

Funded Status and Funding Progress

The funded status of the Plans as of July 1, 2013 (the most recent actuarial date) is as follows:

Actuarial Value of Assets (A)	Actuarial Accrued Liability (AAL) - Entry Age Normal Cost Method (B)	(Unfunded) AAL (UAAL) (B-A)	Funded Ratio (A/B)	Covered Payroll (C)	UAAL as a Percentage of Covered Payroll ((B-A)/C)
\$ 8,707,661	\$ 9,988,470	\$ (1,280,809)	87.2%	\$ 4,186,034	-30.6%

The schedule of funding progress, presented as required supplementary information (RSI) following the notes to the financial statements, presents multiyear trend information about whether the actuarial values of plan assets are increasing or decreasing over time relative to the AALs for benefits.

The aggregate actuarial cost method is used to determine the annual required contribution of the employer (ARC) for the Plan. Because this method does not identify or separately amortize unfunded actuarial liabilities, information about the funded status of the Plan has been prepared using the entry age normal cost actuarial method and is intended to serve as a surrogate for the funded status of the Plan.

Additional Information and Actuarial Assumptions

Valuation date:	July 1, 2013
Actuarial cost method:	Aggregate Actuarial Cost Method
Amortization method:	*
Remaining amortization period:	*
Asset valuation method:	Fair Value
Actuarial assumptions:	
Investment rate of return*	7.00%
Projected salary increases*	5.00%

* The aggregate actuarial cost method does not identify or separately amortize unfunded actuarial liabilities.

TOWN OF PUTNAM, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS (Continued)
JUNE 30, 2013

NOTE 10 – EMPLOYEE RETIREMENT PLANS (Continued)

Defined Benefit Plan (Continued)

Three-Year Trend Information

Year Ended June 30,	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
2013	\$ 202,753	100%	\$ -
2012	187,925	100%	-
2011	156,351	100%	-

Schedule of Employer Contributions

Year Ended June 30	Annual Required Contributions	Actual Contributions	Percentage Contributed
2013	\$ 202,753	\$ 202,753	100.0%
2012	187,925	187,925	100.0%
2011	156,351	156,351	100.0%
2010	101,621	101,621	100.0%
2009	84,931	84,931	100.0%
2008	128,525	128,525	100.0%

Annual Pension Cost and Net Pension Obligation

Annual required contribution	\$ 202,753
Interest on net pension obligation	-
Adjustment to annual required contribution	-
Annual pension cost	<u>202,753</u>
Contributions made	<u>202,753</u>
Increase in net pension obligation	-
Net pension obligation, beginning of year	<u>-</u>
Net pension obligation, end of year	<u><u>\$ -</u></u>

TOWN OF PUTNAM, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS (Continued)
JUNE 30, 2013

NOTE 10 – EMPLOYEE RETIREMENT PLANS (Continued)

Defined Benefit Plan (Continued)

Plan Financial Statements

TOWN OF PUTNAM, CONNECTICUT
STATEMENT OF FIDUCIARY NET POSITION -
PENSION TRUST FUND
JUNE 30, 2013

ASSETS

Cash and cash equivalents	\$	207,015
Investments, at fair value:		
Mutual funds		9,566,009
Total assets		9,773,024

NET POSITION

Held in trust for pension benefits and other purposes	\$	9,773,024
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TOWN OF PUTNAM, CONNECTICUT
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION -
PENSION TRUST FUND
FOR THE YEAR ENDED JUNE 30, 2013

ADDITIONS

Contributions:		
Employer	\$	202,753
Plan members		124,420
Total contributions		327,173
Investment earnings:		
Interest and dividends		277,171
Net increase in the fair value of investments, net of fees		699,693
Total investment earnings		976,864
Total additions		1,304,037

DEDUCTIONS

Benefit payments		217,261
Total deductions		217,261
Change in net position		1,086,776
Net position - beginning		8,686,248
Net position - ending	\$	9,773,024

TOWN OF PUTNAM, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS (Continued)
JUNE 30, 2013

NOTE 10 – EMPLOYEE RETIREMENT PLANS (Continued)

Teacher' Retirement System

The faculty and professional personnel of the Board of Education participate in a contributory defined benefit plan, established under Chapter 167a of the Connecticut General Statutes, which is administered by the Connecticut State Teachers' Retirement Board.

Certain part-time and all full-time certified teachers are eligible to participate in the plan and are required to contribute 7.25% of their annual earnings to the plan. The Town does not and is not legally responsible to contribute to the plan. After five years of service, teachers are fully vested in their own contributions. After ten years of service, teachers are fully vested in the monthly pension benefit which is payable at the age of sixty. The State of Connecticut contributes based on actuarially determined amounts. The funding level was determined based on an actuarial valuation of the plan as a whole, which does not provide actuarial information on an individual Town basis. For the year ended June 30, 2013, Town teachers contributed \$623,090 to the plan and covered payroll for the year was \$8,594,345.

In accordance with the provisions of Governmental Accounting Standards Board Statement No. 24, the Town has reported "on behalf" payments of \$1,802,234 made by the State of Connecticut into the plan as intergovernmental revenues and education expenditures of the General Fund in the accompanying statement of revenues, expenditures and changes in fund balances of governmental funds.

NOTE 11 – OTHER POST-EMPLOYMENT BENEFITS (OPEB)

Plan Description

The Town's Board of Education provides medical and dental insurance benefits for eligible retirees and their spouses through the Town's Board of Education's group insurance plans, which covers both active and retired members (the "plan"). Benefit provisions are established through negotiations between the Town's Board of Education and the union representing the employees and are renegotiated each three-year bargaining period. The Plan does not issue a publicly available financial report and is not included in the financial statements of another entity.

Funding Policy

Plan members are required to contribute 100% of their medical and dental premiums paid by the Town. The Plan is financed on a pay-as-you-go basis.

TOWN OF PUTNAM, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS (Continued)
JUNE 30, 2013

NOTE 11 – OTHER POST-EMPLOYMENT BENEFITS (OPEB) (Continued)

Annual OPEB Cost and Net OPEB Obligation

The Town's annual OPEB cost (expense) is calculated based on the annual required contribution ("ARC"), an amount actuarially determined. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed thirty years. The Town's annual OPEB cost is entirely attributed to an implicit rate subsidy, whereby retirees are considered to be receiving a benefit from the Town for access to premium rates offered to the Town's active employees. The following table shows the components of the Town's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the Town's net OPEB obligation.

Annual required contribution	\$ 565,600
Interest on net OPEB obligation	69,669
Adjustment to annual required contribution	<u>(96,870)</u>
Annual OPEB cost (expense)	538,399
Contributions made	<u>133,763</u>
Increase in net OPEB obligation	404,636
Net OPEB obligation, beginning of year	<u>1,741,727</u>
Net OPEB obligation, end of year	<u><u>\$ 2,146,363</u></u>

The Town's annual OPEB cost, the percentage of annual OPEB cost contributed to the Plan, and the net OPEB obligation for the past three years is as follows:

Year Ended June 30	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2013	\$ 538,399	24.8%	\$ 2,146,363
2012	545,498	29.2%	1,741,727
2011	565,439	17.0%	1,355,448

Funded Status and Funding Progress

The funded status of the plan as of July 1, 2011 (the date of the most recent actuarial valuation) was as follows:

Actuarial Value of Assets (A)	Actuarial Accrued Liability (AAL) - Projected Unit Credit Cost Method (B)	(Unfunded) AAL (UAAL) (B-A)	Funded Ratio (A/B)	Covered Payroll (C)	UAAL as a Percentage of Covered Payroll (B-A)/C
\$ -	\$ 6,761,400	\$ (6,761,400)	0.0%	\$ 8,353,100	-80.9%

TOWN OF PUTNAM, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS (Continued)
JUNE 30, 2013

NOTE 11 – OTHER POST-EMPLOYMENT BENEFITS (OPEB) (Continued)

Funded Status and Funding Progress (Continued)

The projection of future benefit payments for an ongoing plan involves estimates of the value of reported amounts and assumptions about the probability of events in the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the Town are subject to continual revision, as actual results are compared with past expectations and new estimates are made about the future. The schedules of funding progress, presented as required supplementary information (RSI) following the notes to the financial statements, present multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Actuarial Methods and Assumptions

Projections of benefits are based on the substantive plan (the plan as understood by the Town and plan members) and include the types of benefits in force at the valuation date and the pattern of sharing benefit costs between the Town and the plan members to that point. The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations on the pattern of cost sharing between the Town and plan members in the future. Actuarial calculations reflect a long-term perspective and employ methods and assumptions that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets. Significant methods and assumptions were as follows:

Valuation date:	July 1, 2011
Actuarial cost method:	Projected Unit Credit Actuarial Cost Method
Amortization method:	Level Dollar Amount
Remaining amortization period:	30 years, open
Asset valuation method:	N/A
Actuarial assumptions:	
Inflation rate	4.00%
Healthcare cost trend rate	10.0% initial
	5.00% final

NOTE 12 – ADJUSTMENT

Beginning net position of the government-wide financial statements and the beginning fund balance of the governmental funds financial statements have been decreased by \$99,525 to properly present unearned revenue as of July 1, 2012. The effect of the adjustments on the prior year changes in net position of the government-wide financial statements and on the prior year changes in fund balances of the governmental funds financial statements is not readily determinable.

NOTE 13 – RISK MANAGEMENT

The Town is exposed to various risks of loss relating to torts; theft of, damage of, and destruction of assets; errors and omissions; injuries to employees; and natural disasters for which the Town carries commercial insurance. Neither the Town nor its insurers have settled claims which exceeded the Town's insurance coverage in any of the last three fiscal years. There have been no significant reductions in any insurance coverage from amounts in the prior year.

TOWN OF PUTNAM, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS *(Continued)*
JUNE 30, 2013

NOTE 13 – RISK MANAGEMENT *(Continued)*

The Town currently is a member of the Connecticut Interlocal Risk Management Agency (“CIRMA”), a public entity risk pool established for the purpose of administering an interlocal risk management program pursuant to the provisions of Section 7-479a et. Seq. of the Connecticut General Statutes, for workers’ compensation and employer liability coverage. CIRMA is to be self-sustaining through members’ premiums, but reinsurers in excess of \$1,000,000 for each insured occurrence. Members may be subject to supplemental assessment in the event of deficiencies; however, potential assessments are limited by the by-laws.

The Town is currently a member of the Eastern Connecticut Health Insurance Program (“ECHIP”), a cooperative formed in accordance with Public Act 10-174 of the Connecticut General Statutes in order to self-insure medical and dental costs to the employees of its member Towns and Boards of Education. Through this cooperative the Town accounts for and finances employee medical benefits claims for eligible full-time employees of both the Town and the Board of Education. The Town retains the risk of loss under the plan. A third party processes the claims filed under the self-insured health plan, for which the Town is charged an administrative fee. Through ECHIP the Town has purchased a stop-loss policy for total claims in any one year exceeding an aggregate of 120% of expected claims and for individual claims exceeding \$160,000 for combined hospital and major medical.

ECHIP establishes claims liabilities based on estimates of claims that have been incurred but not reported at June 30, 2013. Claims liabilities are recorded if information prior to the issuance of the financial statements indicates that it is possible that a liability has been incurred at the date of the financial statements and the amount of possible loss can be reasonably estimated. The amount of the claims accrual 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. During the year ended June 30, 2013, the Town recognized claims expense of approximately \$300,000.

NOTE 14 – COMMITMENTS AND CONTINGENCIES

There are several lawsuits pending against the Town. The outcome and eventual liability to the Town, if any, in these cases is not known by management. The Town's management believes it has meritorious defenses against these lawsuits and estimates that potential claims against the Town, not covered by insurance, resulting from such litigation would not have a material adverse effect on the financial condition of the Town.

The Town has received 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 reimbursement 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 be material.

TOWN OF PUTNAM, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS (Continued)
JUNE 30, 2013

NOTE 15 – SUBSEQUENT EVENTS

In August 2013, the Town appropriated \$2,090,000 and \$4,000,000 and authorized the issuance of bonds and notes in the amount of the appropriations to fund continued improvements to the Town's water distribution system and sewer processing system, respectively.

In November 2013, the previously outstanding bond anticipation notes in the amount of \$5,200,000 matured. The portion of the notes allocated to the Town's Water Fund in the amount of \$1,200,000 was retired by proceeds from a long-term USDA loan in the amount of \$1,208,113 issued in November 2013. The remaining portion of the notes allocated to the Town's Sewer Fund in the amount of \$4,000,000 were refunded from proceeds received from the issuance of bond anticipation notes in the amount of \$9,085,000. The \$9,085,000 bond anticipation notes bear an interest rate of 1.0%. A portion of the bond anticipation notes in the amount of \$3,835,000 mature on February 20, 2014 and will be retired by proceeds from a long-term USDA loan in the amount of \$3,836,000 issued in January 2014. The remaining portion in the amount of \$7,750,000 matures on November 25, 2014. The purpose of the additional proceeds is to provide temporary financing for continued improvements to the Town's water distribution and sewer processing systems and for renovations and expansion of the Town's high school and other educational facilities.

NOTE 16 – RECENTLY ISSUED ACCOUNTING STANDARDS

The GASB has issued new accounting standards that will become effective in future years. Management is currently evaluating the effect implementation of the following standards will have on its financial statements.

The GASB has issued Statement No. 66, *Technical Corrections – 2012*, which amends GASB Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, by modifying the specific guidance on accounting for 1) operating lease payments that vary from a straight-line basis, 2) the difference between the initial investment (purchase price) and the principal amount of a purchased loan or group of loans, and 3) servicing fees related to mortgage loans that are sold when the stated service fee rate differs significantly from a current (normal) servicing fee rate. These changes would eliminate any uncertainty regarding the application of GASB Statement No. 13, *Accounting for Operating Leases with Scheduled Rent Increases*, and result in guidance that is consistent with the requirements in GASB Statement No. 48, *Sales and Pledges of Receivables and Future Revenues and Intra-Entity Transfers of Assets and Future Revenues*. The provisions in GASB 66 are effective for periods beginning after December 15, 2012 and early adoption is permitted.

The GASB has issued Statement No. 67, *Financial Reporting for Pension Plans - An amendment of GASB Statement No. 25*, which replaces the requirements of GASB Statement No. 25, *Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans*, and GASB Statement No. 50, *Pension Disclosures*, as they relate to pension plans that are administered through trusts or similar arrangements meeting certain criteria. GASB 67 builds upon the existing framework for financial reports of defined benefit pension plans, which includes a statement of fiduciary net position (the amount held in a trust for paying retirement benefits) and a statement of changes in fiduciary net position. GASB 67 enhances note disclosures and required supplementary information for both defined benefit and defined contribution pension plans. The provisions in GASB 67 are effective for financial statements for periods beginning after June 15, 2013 and early adoption is permitted.

TOWN OF PUTNAM, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS (Continued)
JUNE 30, 2013

NOTE 16 – RECENTLY ISSUED ACCOUNTING STANDARDS (Continued)

The GASB has issued Statement No. 68, *Accounting and Financial Reporting for Pensions - An Amendment of GASB Statement No. 27*, which replaces the requirements of GASB Statement No. 27, *Accounting for Pensions by State and Local Governmental Employers*, and GASB Statement No. 50, *Pension Disclosures*, as they relate to governments that provide pensions through pension plans administered as trusts or similar arrangements that meet certain criteria. GASB 68 will require governments providing defined benefit pensions to recognize their long-term obligation for pension benefits as a liability for the first time, and to more comprehensively and comparably measure the annual costs of pension benefits. GASB 68 will also enhance accountability and transparency through revised and new note disclosures and required supplementary information. The provisions in GASB 68 are effective for fiscal years beginning after June 15, 2014 and early adoption is permitted.

Required
Supplementary
Information

TOWN OF PUTNAM, CONNECTICUT
SCHEDULE OF FUNDING PROGRESS (Unaudited)
JUNE 30, 2013

Actuarial Valuation Date	Actuarial Value of Assets (A)	Actuarial Accrued Liability (AAL) - (B)	Overfunded (Underfunded) AAL (UAAL) (A-B)	Funded Ratio (A/B)	Covered Payroll (C)	UAAL as a Percentage of Covered Payroll ((A-B)/C)
Defined Benefit Pension Plan						
July 1, 2013	\$ 8,707,661	\$ 9,988,470	\$ (1,280,809)	87.2%	\$ 4,186,034	-30.6%
July 1, 2010	7,254,241	6,892,251	361,990	105.3%	4,135,485	8.8%
July 1, 2009	7,067,959	6,394,421	673,538	110.5%	3,963,614	17.0%
July 1, 2008	7,032,241	5,890,616	1,141,625	119.4%	3,723,689	30.7%
July 1, 2007	6,653,413	5,433,769	1,219,644	122.4%	3,521,655	34.6%
July 1, 2006	5,944,928	5,317,710	627,218	111.8%	3,480,291	18.0%
Other Post-Employment Benefit Plan**						
July 1, 2011	\$ -	\$ 6,761,400	(6,761,400)	0.0%	\$ 8,353,100	-80.9%
April 1, 2009	-	6,544,158	(6,544,158)	0.0%	7,594,124	-86.2%

** - April 1, 2009 is the first year the Town obtained an actuarial valuation of its Other Post-Employment Benefit Plan.

Combining and
Individual Fund
Statements and
Schedules

General Fund

TOWN OF PUTNAM, CONNECTICUT
SCHEDULE OF REVENUES AND OTHER FINANCING SOURCES -
BUDGET AND ACTUAL - BUDGETARY BASIS - GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2013

	Original Budget	Final Budget	Actual	Variance with Final Budget Over (Under)
TAXES, LIENS AND INTEREST				
Current Taxes	\$ 9,375,844	\$ 9,375,844	\$ 9,053,309	\$ (322,535)
Interest and Liens	80,000	80,000	118,507	38,507
Motor Vehicle Supplemental	60,000	60,000	87,762	27,762
Prior Years Taxes	130,000	130,000	179,209	49,209
Other	-	-	23,462	23,462
Total Taxes, Liens and Interest	<u>9,645,844</u>	<u>9,645,844</u>	<u>9,462,249</u>	<u>(183,595)</u>
INTERGOVERNMENTAL				
Education Cost Sharing Grant	8,071,851	8,071,851	8,067,323	(4,528)
School Transportation Grant	127,616	127,616	132,516	4,900
Local Capital Improvement	100,000	100,000	-	(100,000)
PILOT - Private Tax Exempt	161,911	161,911	159,807	(2,104)
Mashantucket Pequot and Mohegan Fund	88,845	88,845	97,535	8,690
Telephone Access Line Grant	39,344	39,344	40,372	1,028
PILOT - Elderly Circuit Breakers	50,305	50,305	41,660	(8,645)
PILOT - State Property	24,850	24,850	25,897	1,047
Distressed Municipalities Manufacturing	10,102	10,102	3,504	(6,598)
Non Public Transportation Grant	1,949	1,949	1,981	32
PILOT - Veterans Exemptions	2,483	2,483	2,399	(84)
PILOT - Totally Disabled	1,154	1,154	1,256	102
Excess Cost - Student Based	-	-	79,065	79,065
Emergency Management	1,300	1,300	16,102	14,802
Municipal Revenue Sharing	126,203	126,203	350,053	223,850
Off-Track Betting	64,000	64,000	80,240	16,240
Other	-	-	1,200	1,200
Boat Registration	307	307	-	(307)
Total Intergovernmental	<u>8,872,220</u>	<u>8,872,220</u>	<u>9,100,910</u>	<u>228,690</u>
CHARGES FOR SERVICES				
Ash Landfill Tipping Fees	2,200,000	2,200,000	2,734,986	534,986
Town Clerk	176,950	176,950	182,808	5,858
Contractual Services	71,000	71,000	77,304	6,304
Bus Mechanic Reimbursement	70,000	70,000	71,449	1,449
Assessor and Building Department	53,400	53,400	129,166	75,766
Rents	33,534	33,534	35,849	2,315
Housing Authority- PILOT	38,531	38,531	53,912	15,381
Tuition - Board of Education	31,000	31,000	31,048	48
Recreation	15,000	15,000	11,895	(3,105)
Library	4,000	4,000	4,538	538
Miscellaneous	7,250	7,250	21,446	14,196
Total Charges for Services	<u>2,700,665</u>	<u>2,700,665</u>	<u>3,354,401</u>	<u>653,736</u>
INVESTMENT EARNINGS				
	7,000	7,000	6,899	(101)
TOTAL REVENUES				
	<u>21,225,729</u>	<u>21,225,729</u>	<u>21,924,459</u>	<u>698,730</u>
OTHER FINANCING SOURCES				
Appropriation of fund balance	117,560	117,560	-	(117,560)
Transfers from other fund	60,000	60,000	-	(60,000)
	<u>177,560</u>	<u>177,560</u>	<u>-</u>	<u>(177,560)</u>
TOTAL REVENUES AND OTHER FINANCING SOURCES				
	<u>\$ 21,403,289</u>	<u>\$ 21,403,289</u>	<u>\$ 21,924,459</u>	<u>\$ 521,170</u>

See accompanying Independent Auditor's Report.

TOWN OF PUTNAM, CONNECTICUT
SCHEDULE OF EXPENDITURES AND OTHER FINANCING USES -
BUDGET AND ACTUAL - BUDGETARY BASIS - GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2013

	Original Budget	Final Budget	Actual	Variance with Final Budget Over (Under)
GENERAL GOVERNMENT				
Mayor/Board of Selectmen	\$ 240,184	\$ 247,421	\$ 247,100	\$ (321)
Town Clerk	113,086	116,841	116,841	-
Assessor	113,372	116,176	114,938	(1,238)
Treasurer	109,559	112,683	104,533	(8,150)
Tax/Revenue Collection	100,544	102,259	101,098	(1,161)
Building & Zoning	83,453	85,644	82,679	(2,965)
Land Use	88,550	88,550	82,391	(6,159)
Essential services	79,800	79,800	76,695	(3,105)
Building Official	79,300	79,300	74,176	(5,124)
Legal counsel	38,000	50,135	50,135	-
Board of Finance	26,800	26,800	24,667	(2,133)
Elections	12,900	20,314	20,314	-
Outside agencies	16,117	16,117	16,108	(9)
Registrar of Voters	12,020	12,294	10,880	(1,414)
Probate Court	4,644	4,644	4,214	(430)
Board of Tax Review	515	940	940	-
Total General Government	<u>1,118,844</u>	<u>1,159,918</u>	<u>1,127,709</u>	<u>(32,209)</u>
PUBLIC SAFETY				
Fire Marshal/Emergency Management	31,310	32,203	32,202	(1)
Animal Control	20,215	20,630	18,158	(2,472)
Civil Preparedness	3,396	3,463	2,763	(700)
Total Public Safety	<u>54,921</u>	<u>56,296</u>	<u>53,123</u>	<u>(3,173)</u>
PUBLIC WORKS				
	<u>834,900</u>	<u>852,254</u>	<u>852,252</u>	<u>(2)</u>
CULTURE AND RECREATION				
Library	426,691	432,839	420,978	(11,861)
Recreation	291,095	294,478	291,736	(2,742)
Parks and Grounds	84,960	86,235	84,567	(1,668)
Outside agencies	10,750	10,750	11,396	646
Municipal Historian	400	400	400	-
Total Culture and Recreation	<u>813,896</u>	<u>824,702</u>	<u>809,077</u>	<u>(15,625)</u>
SANITATION				
Landfill	382,000	420,832	420,832	-
COMMUNITY AND SOCIAL SERVICES				
Veterans Center	4,812	4,920	4,640	(280)
Outside agencies	134,013	134,922	134,285	(637)
Social Services Department	3,500	3,500	3,000	(500)
Total Community and Social Services	<u>142,325</u>	<u>143,342</u>	<u>141,925</u>	<u>(1,417)</u>
ECONOMIC AND DEVELOPMENT				
	<u>112,705</u>	<u>113,165</u>	<u>102,976</u>	<u>(10,189)</u>

See accompanying Independent Auditor's Report.

TOWN OF PUTNAM, CONNECTICUT
SCHEDULE OF EXPENDITURES AND OTHER FINANCING USES -
BUDGET AND ACTUAL - BUDGETARY BASIS - GENERAL FUND (Continued)
FOR THE YEAR ENDED JUNE 30, 2013

	Original Budget	Final Budget	Actual	Variance with Final Budget Over (Under)
EMPLOYEE AND FRINGE BENEFITS	\$ 727,602	\$ 616,684	\$ 530,549	\$ (86,135)
RISK MANAGEMENT	135,513	135,513	118,810	(16,703)
CAPITAL OUTLAYS				
Road and Bridge Improvements	300,000	300,000	291,464	(8,536)
Capital Non-Recurring - Education	85,000	85,000	80,604	(4,396)
Capital Non-Recurring - Town	379,815	229,815	227,876	(1,939)
Total Capital Outlays	764,815	614,815	599,944	(14,871)
EDUCATION	16,195,356	16,195,356	16,191,145	(4,211)
DEBT SERVICE				
Principal	108,300	108,300	108,300	-
Interest	2,112	2,112	2,112	-
Professional services	10,000	10,000	-	(10,000)
Total Debt Service	120,412	120,412	110,412	(10,000)
TOTAL EXPENDITURES	21,403,289	21,253,289	21,058,754	(194,535)
OTHER FINANCING USES				
Transfer to Other Funds	-	150,000	150,000	-
TOTAL EXPENDITURES AND OTHER FINANCING USES	\$ 21,403,289	\$ 21,403,289	\$ 21,208,754	\$ (194,535)

See accompanying Independent Auditor's Report.

**TOWN OF PUTNAM, CONNECTICUT
SCHEDULE OF PROPERTY TAXES LEVIED, COLLECTED AND OUTSTANDING -
FOR THE YEAR ENDED JUNE 30, 2013**

Grand List Year	Mill Rate	Uncollected Taxes/Levy July 1, 2012	Lawful Corrections		Transfers to Suspense	Adjusted Taxes Collectible	Taxes	Collections		Uncollected Taxes June 30, 2013
			Additions	Deductions				Liens and Interest	Total	
1996 and prior	Various	\$ 776	\$ -	\$ -	\$ -	\$ 776	\$ 389	\$ -	\$ 389	\$ 387
1997	14.25	666	-	-	-	666	-	-	-	666
1998	16.50	663	-	-	-	663	-	-	-	663
1999	17.25	1,759	-	-	-	1,759	-	-	-	1,759
2000	17.25	2,409	-	-	-	2,409	-	-	-	2,409
2001	17.25	2,519	-	-	-	2,519	-	-	-	2,519
2002	14.35	3,153	-	-	-	3,153	-	-	-	3,153
2003	14.35	3,494	-	-	(126)	3,368	-	-	-	3,368
2004	13.55	6,496	-	-	(191)	6,305	313	444	757	5,992
2005	14.22	22,663	-	-	(506)	22,157	1,259	1,297	2,556	20,898
2006	15.22	44,752	165	(165)	(615)	44,467	3,445	1,798	5,243	41,022
2007	15.89	55,995	-	-	(898)	55,097	4,675	2,777	7,452	50,422
2008	13.94	80,553	32	-	(584)	80,001	24,850	13,627	38,477	55,151
2009	13.94	120,693	108	(356)	(620)	120,537	43,720	19,610	63,330	76,817
2010	13.94	216,809	173	(2,589)	(884)	218,687	104,653	23,542	128,195	114,034
		<u>\$ 563,400</u>	<u>478</u>	<u>(3,110)</u>	<u>(4,424)</u>	<u>562,564</u>	<u>183,304</u>	<u>63,095</u>	<u>246,399</u>	<u>379,260</u>
2011	14.94	<u>\$ 9,387,660</u>	<u>13,824</u>	<u>(18,620)</u>	<u>(485)</u>	<u>9,382,379</u>	<u>9,137,201</u>	<u>53,337</u>	<u>9,190,538</u>	<u>245,178</u>
Total		<u>\$ 14,302</u>	<u>\$ (21,730)</u>	<u>\$ (4,909)</u>	<u>\$ 9,944,943</u>	<u>\$ 9,320,505</u>	<u>\$ 116,432</u>	<u>\$ 9,436,937</u>	<u>\$ 624,438</u>	

See accompanying Independent Auditor's Report.

**TOWN OF PUTNAM, CONNECTICUT
SCHEDULE OF DEBT LIMITATION
CONNECTICUT GENERAL STATUTES, SECTION 7-374(b)
JUNE 30, 2013**

Tax receipts for the year ended June 30, 2013:
 Tax collections (including interest and lien fees) \$ 9,436,937
 Taxing District (taxes, interest and lien fees) 288,519
 Tax relief for Elderly (CGS 12-129D) -
 Base for debt limitation computations \$ 9,725,456

	General	Schools	Sewer	Urban Renewal	Pension Deficit
Debt Limitation					
2 1/4 times base	\$ 21,882,276	\$ -	\$ -	\$ -	\$ -
4 1/2 times base	-	43,764,552	-	-	-
3 3/4 times base	-	-	36,470,460	-	-
3 1/4 times base	-	-	-	31,607,732	-
3 times base	-	-	-	-	29,176,368
Total Debt Limitation	<u>21,882,276</u>	<u>43,764,552</u>	<u>36,470,460</u>	<u>31,607,732</u>	<u>29,176,368</u>
Indebtedness:					
Loans payable	-	-	8,525,212	-	-
Notes payable	-	-	5,200,000	-	-
Less: debt issued for supply of water	-	-	(2,199,684)*	-	-
Authorized but unissued	-	-	11,525,528	-	-
Authorized but unissued - overlapping governments	-	36,610,000	16,293,729	-	-
Less: authorized but unissued for supply of water	3,350,000 ***	-	-	-	-
Total Indebtedness	<u>3,350,000</u>	<u>36,610,000</u>	<u>18,814,528</u>	<u>-</u>	<u>-</u>
included in authorized but unissued	-	-	(7,153,000)**	-	-
Total Net Indebtedness	<u>3,350,000</u>	<u>36,610,000</u>	<u>11,661,528</u>	<u>-</u>	<u>-</u>
Debt limitation in excess of outstanding debt	<u>\$ 18,532,276</u>	<u>\$ 7,154,552</u>	<u>\$ 24,808,932</u>	<u>\$ 31,607,732</u>	<u>\$ 29,176,368</u>
Total capacity of borrowing (7 times base)	\$ 68,078,192				
Total present indebtedness	<u>51,621,528</u>				
Margin for additional borrowing	<u>\$ 16,456,664</u>				

* Per Connecticut General Statutes 7-374 - Bonded indebtedness of municipalities - the aggregate indebtedness of the Town shall exclude each bond, note and other evidence of indebtedness issued for the supply of water.

indebtedness issued in anticipation of the receipt of proceeds from any state or federal grant for which the Town has received a written commitment or for which an allocation has been approved by the State Bond Commission or from a contract with the state, a state agency or another municipality providing for the reimbursement of capital costs but only to the extent such indebtedness can be paid from such proceeds.

*** Overlapping governments are those that coincide, at least in part, with the geographic boundaries of the Town. This schedule estimates the portion of indebtedness of those overlapping governments that is borne by the residents and businesses of the Town. This process recognizes that, when considering the Town's ability to issue and repay long-term debt, the entire debt burden borne by the residents and businesses should be taken into account. Overlapping governments consist of the East Putnam Fire District.

Nonmajor
Governmental
Funds

**TOWN OF PUTNAM, CONNECTICUT
COMBINING BALANCE SHEET -
NONMAJOR GOVERNMENTAL FUNDS - BY FUND TYPE
JUNE 30, 2013**

	Special Revenue Funds	Capital Projects Funds	Permanent Fund - Wadsworth Gardner Library Fund	Total Nonmajor Governmental Funds
ASSETS				
Cash and cash equivalents	\$ 1,452,705	\$ -	\$ 25,968	\$ 1,478,673
Investments	-	-	70,437	70,437
Receivables:				
Grants and contracts	110,222	229,861	-	340,083
Loans	201,338	-	-	201,338
Other	73,894	-	-	73,894
Due from other funds	696,728	551,463	-	1,248,191
Inventories	7,973	-	-	7,973
Total assets	<u>\$ 2,542,860</u>	<u>\$ 781,324</u>	<u>\$ 96,405</u>	<u>\$ 3,420,589</u>
LIABILITIES				
Accounts payable	\$ 64,047	\$ 3,279	\$ -	\$ 67,326
Due to other funds	302,010	335,560	-	637,570
Unearned revenue	571,246	-	-	571,246
Total liabilities	<u>937,303</u>	<u>338,839</u>	<u>-</u>	<u>1,276,142</u>
FUND BALANCES				
Nonspendable:				
Inventories	7,973	-	-	7,973
Loans receivable	201,338	-	-	201,338
Permanent fund principal	-	-	10,015	10,015
Restricted for:				
Library	-	-	86,390	86,390
Rehabilitation programs	430,119	-	-	430,119
Committed to:				
Other purposes	1,026,199	-	-	1,026,199
Capital purposes	-	553,518	-	553,518
Unassigned	(60,072)	(111,033)	-	(171,105)
Total fund balances	<u>1,605,557</u>	<u>442,485</u>	<u>96,405</u>	<u>2,144,447</u>
Total liabilities and fund balances	<u>\$ 2,542,860</u>	<u>\$ 781,324</u>	<u>\$ 96,405</u>	<u>\$ 3,420,589</u>

See accompanying Independent Auditor's Report.

**TOWN OF PUTNAM, CONNECTICUT
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES -
NONMAJOR GOVERNMENTAL FUNDS - BY FUND TYPE
FOR THE YEAR ENDED JUNE 30, 2013**

	Special Revenue Funds	Capital Projects Funds	Permanent Fund - Wadsworth Gardner Library Fund	Total Nonmajor Governmental Funds
REVENUES				
Intergovernmental	\$ 865,788	\$ 130,291	\$ -	\$ 996,079
Charges for services	666,979	-	-	666,979
Investment earnings	1,458	188	8,075	9,721
Contributions and donations	176,917	-	-	176,917
Total revenues	<u>1,711,142</u>	<u>130,479</u>	<u>8,075</u>	<u>1,849,696</u>
EXPENDITURES				
Current:				
Public safety	1,306	-	-	1,306
Public works	50,493	-	-	50,493
Culture and recreation	102,951	-	-	102,951
Sanitation	129,595	-	-	129,595
Community and social services	197,462	-	300	197,762
Economic development	173,187	-	-	173,187
Education	983,634	-	-	983,634
Capital outlays	-	160,103	-	160,103
Total expenditures	<u>1,638,628</u>	<u>160,103</u>	<u>300</u>	<u>1,799,031</u>
Excess (deficiency) of revenues over expenditures	72,514	(29,624)	7,775	50,665
OTHER FINANCING SOURCES				
Transfers in	-	333,263	-	333,263
Total other financing sources	<u>-</u>	<u>333,263</u>	<u>-</u>	<u>333,263</u>
Net change in fund balances	72,514	303,639	7,775	383,928
Fund balances - beginning, as adjusted <i>(See Note 12)</i>	<u>1,533,043</u>	<u>138,846</u>	<u>88,630</u>	<u>1,760,519</u>
Fund balances - ending	<u>\$ 1,605,557</u>	<u>\$ 442,485</u>	<u>\$ 96,405</u>	<u>\$ 2,144,447</u>

See accompanying Independent Auditor's Report.

**TOWN OF PUTNAM, CONNECTICUT
COMBINING BALANCE SHEET -
NONMAJOR SPECIAL REVENUE FUNDS
JUNE 30, 2013**

	Economic and Community Development Loan Fund	Library Fund	Cargill Mills & Main Street Fund	Youth Advisory Board Fund	Pride Fund	Pay Per Sticker Program Fund	88 Main Street Grant Fund
ASSETS							
Cash and cash equivalents	\$ 543,437	\$ 220,198	\$ -	\$ -	\$ -	\$ 177,495	\$ -
Receivables:							
Grants and contracts	-	-	-	-	-	-	-
Loans	201,338	-	-	-	-	-	-
Other	33,158	-	-	-	-	5,000	-
Due from other funds	-	1,450	1,000	172	1,274	-	255,562
Inventories	-	-	-	-	-	-	-
Total assets	\$ 777,933	\$ 221,648	\$ 1,000	\$ 172	\$ 1,274	\$ 182,495	\$ 255,562
LIABILITIES							
Accounts payable	\$ 8,236	-	\$ -	\$ -	\$ -	\$ -	\$ -
Due to other funds	-	-	-	-	-	-	-
Unearned revenue	138,240	-	-	-	-	-	255,562
Total liabilities	146,476	-	-	-	-	-	255,562
FUND BALANCES							
Nonspendable:							
Inventories	-	-	-	-	-	-	-
Loan receivable	201,338	-	-	-	-	-	-
Restricted for:							
Rehabilitation programs	430,119	-	-	-	-	-	-
Committed to other purposes	-	221,648	1,000	172	1,274	182,495	-
Unassigned	-	-	-	-	-	-	-
Total fund balances	631,457	221,648	1,000	172	1,274	182,495	-
Total liabilities and fund balances	\$ 777,933	\$ 221,648	\$ 1,000	\$ 172	\$ 1,274	\$ 182,495	\$ 255,562

**TOWN OF PUTNAM, CONNECTICUT
COMBINING BALANCE SHEET -
NONMAJOR SPECIAL REVENUE FUNDS (Continued)
JUNE 30, 2013**

	Drug Prevention Grant Fund	Arts Council Fund	Miscellaneous Grant Fund	Interscholastic Sports Fund	Preservation Fees Fund	Recreation Donation Fund	Bandstand Donation Fund	Community Garden Fund
ASSETS								
Cash and cash equivalents	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 18,427	\$ -	\$ -
Receivables:								
Grants and contracts	-	-	-	-	-	-	-	2,854
Loans	-	-	-	-	-	-	-	-
Other	-	-	14,215	-	-	-	-	-
Due from other funds	10,721	5,423	14,031	74,691	42,975	37	11,118	36
Inventories	-	-	-	-	-	-	-	-
Total assets	<u>\$ 10,721</u>	<u>\$ 5,423</u>	<u>\$ 28,246</u>	<u>\$ 74,691</u>	<u>\$ 42,975</u>	<u>\$ 18,464</u>	<u>\$ 11,118</u>	<u>\$ 2,890</u>
LIABILITIES								
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 268
Due to other funds	-	-	-	-	-	-	-	-
Unearned revenue	-	-	-	-	-	-	-	-
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>268</u>
FUND BALANCES								
Nonspendable:								
Inventories	-	-	-	-	-	-	-	-
Loans receivable	-	-	-	-	-	-	-	-
Restricted for:								
Rehabilitation programs	-	-	-	-	-	-	-	-
Committed to other purposes	10,721	5,423	28,246	74,691	42,975	18,464	11,118	2,622
Unassigned	-	-	-	-	-	-	-	-
Total fund balances	<u>10,721</u>	<u>5,423</u>	<u>28,246</u>	<u>74,691</u>	<u>42,975</u>	<u>18,464</u>	<u>11,118</u>	<u>2,622</u>
Total liabilities and fund balances	<u>\$ 10,721</u>	<u>\$ 5,423</u>	<u>\$ 28,246</u>	<u>\$ 74,691</u>	<u>\$ 42,975</u>	<u>\$ 18,464</u>	<u>\$ 11,118</u>	<u>\$ 2,890</u>

**TOWN OF PUTNAM, CONNECTICUT
COMBINING BALANCE SHEET -
NONMAJOR SPECIAL REVENUE FUNDS (Continued)
JUNE 30, 2013**

	Dog Fund	Town Aid Road Grant Fund	After School Program Fund	Medicare Special Education Fund	School Readiness & Family Resource Fund	Cafeteria Fund	Summer Food Fund	Wholesome Food Fund
ASSETS								
Cash and cash equivalents	\$ -	\$ -	\$ -	\$ -	\$ 106,195	\$ 386,421	\$ -	\$ -
Receivables:								
Grants and contracts	-	-	-	-	-	107,368	-	-
Loans	-	-	-	-	-	-	-	-
Other	-	-	-	21,521	-	-	-	-
Due from other funds	284	178,975	-	75,873	-	-	-	12,637
Inventories	-	-	-	-	-	7,973	-	-
Total assets	\$ 284	\$ 178,975	\$ -	\$ 97,394	\$ 106,195	\$ 501,762	\$ -	\$ 12,637
LIABILITIES								
Accounts payable	\$ 202	\$ 10,093	\$ -	\$ -	\$ 13,865	\$ 21,897	\$ -	\$ -
Due to other funds	-	-	21	-	3,299	248,059	-	-
Unearned revenue	-	168,882	-	-	-	-	-	-
Total liabilities	202	178,975	21	-	17,164	269,956	-	-
FUND BALANCES								
Nonspendable:								
Inventories	-	-	-	-	-	7,973	-	-
Loans receivable	-	-	-	-	-	-	-	-
Restricted for:								
Rehabilitation programs	-	-	-	-	-	-	-	-
Committed to other purposes	82	-	-	97,394	89,031	223,833	-	12,637
Unassigned	-	-	(21)	-	-	-	-	-
Total fund balances	82	-	(21)	97,394	89,031	231,806	-	12,637
Total liabilities and fund balances	\$ 284	\$ 178,975	\$ -	\$ 97,394	\$ 106,195	\$ 501,762	\$ -	\$ 12,637

TOWN OF PUTNAM, CONNECTICUT
COMBINING BALANCE SHEET -
NONMAJOR SPECIAL REVENUE FUNDS (Continued)
JUNE 30, 2013

	Saturday Farmers' Market Fund	Preservation of Open Space Grant Fund	School Facilities Fund	ADA Curbscuts Fund	Cargill Falls Brownfield Fund	Stop Grant Fund	Total Nonmajor Special Revenue Funds
ASSETS							
Cash and cash equivalents	\$ -	\$ -	\$ 532	\$ -	\$ -	\$ -	\$ 1,452,705
Receivables:							
Grants and contracts	-	-	-	-	-	-	110,222
Loans	-	-	-	-	-	-	201,338
Other	-	-	-	-	-	-	73,894
Due from other funds	1,907	8,562	-	-	-	-	696,728
Inventories	-	-	-	-	-	-	7,973
Total assets	<u>1,907</u>	<u>8,562</u>	<u>532</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>\$ 2,542,860</u>
LIABILITIES							
Accounts payable	\$ 66	\$ -	\$ -	\$ -	\$ 7,225	\$ 2,195	\$ 64,047
Due to other funds	-	-	-	1,200	31,849	17,582	302,010
Unearned revenue	-	8,562	-	-	-	-	571,246
Total liabilities	<u>66</u>	<u>8,562</u>	<u>-</u>	<u>1,200</u>	<u>39,074</u>	<u>19,777</u>	<u>937,303</u>
FUND BALANCES							
Nonspendable:							
Inventories	-	-	-	-	-	-	7,973
Loans receivable	-	-	-	-	-	-	201,338
Restricted for:							
Rehabilitation programs	-	-	-	-	-	-	430,119
Committed to other purposes	1,841	-	532	-	-	-	1,026,199
Unassigned	-	-	-	(1,200)	(39,074)	(19,777)	(60,072)
Total fund balances	<u>1,841</u>	<u>-</u>	<u>532</u>	<u>(1,200)</u>	<u>(39,074)</u>	<u>(19,777)</u>	<u>1,605,557</u>
Total liabilities and fund balances	<u>\$ 1,907</u>	<u>\$ 8,562</u>	<u>\$ 532</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,542,860</u>

**TOWN OF PUTNAM, CONNECTICUT
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES -
NONMAJOR SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED JUNE 30, 2013**

	Economic and Community Development Loan Fund	Library Fund	Cargill Mills & Main Street Fund	Youth Advisory Board Fund	Pride Fund	Pay Per Sticker Program Fund	88 Main Street Grant Fund
REVENUES							
Intergovernmental	\$ 27,843	\$ 9,218	\$ -	\$ -	\$ -	\$ -	\$ 140,185
Charges for services	82,879	-	-	-	-	153,938	-
Investment earnings	621	720	-	-	-	-	-
Contributions and donations	-	1,725	-	-	300	-	48
Total revenues	111,343	11,663	-	-	300	153,938	140,233
EXPENDITURES							
Current:							
Public safety	-	-	-	-	-	-	-
Public works	-	-	-	-	-	-	-
Culture and recreation	-	-	-	-	-	-	-
Sanitation	-	-	-	-	-	129,595	-
Community and social services	-	16,209	-	-	219	-	140,233
Economic development	133,675	-	-	-	-	-	-
Education	-	-	-	-	-	-	-
Total expenditures	133,675	16,209	-	-	219	129,595	140,233
Net change in fund balances	(22,332)	(4,546)	-	-	81	24,343	-
Fund balances - beginning, as adjusted (See Note 12)	653,789	226,194	1,000	172	1,193	158,152	-
Fund balances - ending	\$ 631,457	\$ 221,648	\$ 1,000	\$ 172	\$ 1,274	\$ 182,495	\$ -

**TOWN OF PUTNAM, CONNECTICUT
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES -
NONMAJOR SPECIAL REVENUE FUNDS (Continued)
FOR THE YEAR ENDED JUNE 30, 2013**

	Drug Prevention Grant Fund	Arts Council Fund	Miscellaneous Grant Fund	Interscholastic Sports Fund	Preservation Fees Fund	Recreation Donation Fund	Bandstand Donation Fund	Community Garden Fund
REVENUES								
Intergovernmental	\$ -	\$ -	\$ 4,000	\$ -	\$ -	\$ -	\$ -	\$ 9,559
Charges for services	-	-	-	8,817	6,483	-	-	660
Investment earnings	-	-	-	106	-	11	-	-
Contributions and donations	10,721	13,459	32,955	-	-	31,502	18,000	-
Total revenues	10,721	13,459	36,955	8,923	6,483	31,513	18,000	10,219
EXPENDITURES								
Current:								
Public safety	-	-	-	-	-	-	-	-
Public works	-	-	-	-	-	-	-	-
Culture and recreation	-	43,824	-	-	-	30,982	19,370	-
Sanitation	-	-	-	-	-	-	-	-
Community and social services	-	-	-	-	-	-	-	6,469
Economic development	-	-	-	-	-	-	-	-
Education	-	-	28,199	-	-	-	-	-
Total expenditures	-	43,824	28,199	-	-	30,982	19,370	6,469
Net change in fund balances	10,721	(30,365)	8,756	8,923	6,483	531	(1,370)	3,750
Fund balances - beginning, as adjusted (See Note 12)	-	35,788	19,490	65,768	36,492	17,933	12,488	(1,128)
Fund balances - ending	\$ 10,721	\$ 5,423	\$ 28,246	\$ 74,691	\$ 42,975	\$ 18,464	\$ 11,118	\$ 2,622

**TOWN OF PUTNAM, CONNECTICUT
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES -
NONMAJOR SPECIAL REVENUE FUNDS (Continued)
FOR THE YEAR ENDED JUNE 30, 2013**

	Dog Fund	Town Aid Road Grant Fund	After School Program Fund	Medicare Special Education Fund	School Readiness & Family Resource Fund	Cafeteria Fund	Summer Food Fund	Wholesome Food Fund
REVENUES								
Intergovernmental	\$ -	\$ 50,493	\$ -	\$ -	\$ -	\$ 594,141	\$ 29,911	\$ -
Charges for services	832	-	26,119	-	178,698	207,213	-	-
Investment earnings	-	-	-	-	-	-	-	-
Contributions and donations	-	-	-	41,707	-	-	-	26,500
Total revenues	832	50,493	26,119	41,707	178,698	801,354	29,911	26,500
EXPENDITURES								
Current:								
Public safety	1,306	-	-	-	-	-	-	-
Public works	-	50,493	-	-	-	-	-	-
Culture and recreation	-	-	-	-	-	-	-	-
Sanitation	-	-	-	-	-	-	-	-
Community and social services	-	-	-	-	-	-	-	14,555
Economic development	-	-	-	-	-	-	-	-
Education	-	-	26,256	5,149	109,056	776,388	25,867	-
Total expenditures	1,306	50,493	26,256	5,149	109,056	776,388	25,867	14,555
Net change in fund balances	(474)	-	(137)	36,558	69,642	24,966	4,044	11,945
Fund balances - beginning, as adjusted (See Note 12)	556	-	116	60,836	19,389	206,840	(4,044)	692
Fund balances - ending	\$ 82	\$ -	\$ (21)	\$ 97,394	\$ 89,031	\$ 231,806	\$ -	\$ 12,637

**TOWN OF PUTNAM, CONNECTICUT
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES -
NONMAJOR SPECIAL REVENUE FUNDS (Continued)
FOR THE YEAR ENDED JUNE 30, 2013**

	Saturday Farmers' Market Fund	Preservation of Open Space Grant Fund	School Facilities Fund	ADA Curbcuts Fund	Cargill Falls Brownfield Fund	Stop Grant Fund	Total Nonmajor Special Revenue Funds
REVENUES							
Intergovernmental	\$ -	\$ 438	-	\$ -	\$ -	-	\$ 865,788
Charges for services	1,340	-	-	-	-	-	666,979
Investment earnings	-	-	-	-	-	-	1,458
Contributions and donations	-	-	-	-	-	-	176,917
Total revenues	1,340	438	-	-	-	-	1,711,142
EXPENDITURES							
Current:							
Public safety	-	-	-	-	-	-	1,306
Public works	-	-	-	-	-	-	50,493
Culture and recreation	8,775	-	-	-	-	-	102,951
Sanitation	-	-	-	-	-	-	129,595
Community and social services	-	-	-	-	-	19,777	197,462
Economic development	-	438	-	-	39,074	-	173,187
Education	-	-	12,719	-	-	-	983,634
Total expenditures	8,775	438	12,719	-	39,074	19,777	1,638,628
Net change in fund balances	(7,435)	-	(12,719)	-	(39,074)	(19,777)	72,514
Fund balances - beginning, as adjusted (See Note 12)	9,276	-	13,251	(1,200)	-	-	1,533,043
Fund balances - ending	1,841	-	532	(1,200)	(39,074)	(19,777)	1,605,557

See accompanying Independent Auditor's Report.

Fiduciary Funds

**TOWN OF PUTNAM, CONNECTICUT
 COMBINING BALANCE SHEET -
 NONMAJOR CAPITAL PROJECTS FUNDS
 JUNE 30, 2013**

	Capital Non-Recurring Fund	Capital Projects Fund	Total Nonmajor Capital Projects Funds
ASSETS			
Grants and contracts receivable	\$ -	\$ 229,861	\$ 229,861
Due from other funds	233,642	317,821	551,463
Total assets	\$ 233,642	\$ 547,682	\$ 781,324
LIABILITIES			
Accounts payable	\$ -	\$ 3,279	\$ 3,279
Due to other funds	-	335,560	335,560
Total liabilities	-	338,839	338,839
FUND BALANCES			
Committed to capital purposes	233,642	319,876	553,518
Unassigned	-	(111,033)	(111,033)
Total fund balances	233,642	208,843	442,485
Total liabilities and fund balances	\$ 233,642	\$ 547,682	\$ 781,324

**TOWN OF PUTNAM, CONNECTICUT
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES -
 NONMAJOR CAPITAL PROJECTS FUNDS
 FOR THE YEAR ENDED JUNE 30, 2013**

	Capital Non-Recurring Fund	Capital Projects Fund	Total Nonmajor Capital Projects Funds
REVENUES			
Intergovernmental	-	\$ 130,291	\$ 130,291
Investment earnings	188	-	188
Total revenues	188	130,291	130,479
EXPENDITURES			
Capital outlays	8,740	151,363	160,103
Total expenditures	8,740	151,363	160,103
Deficiency of revenues over expenditures	(8,552)	(21,072)	(29,624)
OTHER FINANCING SOURCES			
Transfers in	174,963	158,300	333,263
Total other financing sources	174,963	158,300	333,263
Net change in fund balances	166,411	137,228	303,639
Fund balances - beginning	67,231	71,615	138,846
Fund balances - ending	\$ 233,642	\$ 208,843	\$ 442,485

TOWN OF PUTNAM, CONNECTICUT
COMBINING STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES -
AGENCY FUNDS
JUNE 30, 2013

	<u>Student Activity Fund - Putnam Elementary School</u>	<u>Student Activity Fund - Putnam Middle School</u>	<u>Student Activity Fund - Putnam High School</u>	<u>Total Agency Funds</u>
ASSETS				
Cash and cash equivalents	\$ 18,550	\$ 22,448	\$ 46,587	\$ 87,585
Total assets	<u>\$ 18,550</u>	<u>\$ 22,448</u>	<u>\$ 46,587</u>	<u>\$ 87,585</u>
LIABILITIES				
Due to others	\$ 18,550	\$ 22,448	\$ 46,587	\$ 87,585
Total liabilities	<u>\$ 18,550</u>	<u>\$ 22,448</u>	<u>\$ 46,587</u>	<u>\$ 87,585</u>

See accompanying Independent Auditor's Report.

**TOWN OF PUTNAM, CONNECTICUT
COMBINING STATEMENT OF CHANGES IN
FIDUCIARY ASSETS AND LIABILITIES -
AGENCY FUNDS
FOR THE YEAR ENDED JUNE 30, 2013**

	<u>Balance, June 30, 2012</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance, June 30, 2013</u>
Student Activity Fund - Putnam Elementary School				
Assets				
Cash and cash equivalents	\$ 16,098	\$ 33,192	\$ 30,740	\$ 18,550
Total assets	<u>\$ 16,098</u>	<u>\$ 33,192</u>	<u>\$ 30,740</u>	<u>\$ 18,550</u>
Liabilities				
Due to others	\$ 16,098	\$ 33,192	\$ 30,740	\$ 18,550
Total liabilities	<u>\$ 16,098</u>	<u>\$ 33,192</u>	<u>\$ 30,740</u>	<u>\$ 18,550</u>
Student Activity Fund - Putnam Middle School				
Assets				
Cash and cash equivalents	\$ 20,326	\$ 36,421	\$ 34,299	\$ 22,448
Total assets	<u>\$ 20,326</u>	<u>\$ 36,421</u>	<u>\$ 34,299</u>	<u>\$ 22,448</u>
Liabilities				
Due to others	\$ 20,326	\$ 36,421	\$ 34,299	\$ 22,448
Total liabilities	<u>\$ 20,326</u>	<u>\$ 36,421</u>	<u>\$ 34,299</u>	<u>\$ 22,448</u>
Student Activity Fund - Putnam High School				
Assets				
Cash and cash equivalents	\$ 48,208	\$ 80,458	\$ 82,079	\$ 46,587
Total assets	<u>\$ 48,208</u>	<u>\$ 80,458</u>	<u>\$ 82,079</u>	<u>\$ 46,587</u>
Liabilities				
Due to others	\$ 48,208	\$ 80,458	\$ 82,079	\$ 46,587
Total liabilities	<u>\$ 48,208</u>	<u>\$ 80,458</u>	<u>\$ 82,079</u>	<u>\$ 46,587</u>
Total All Agency Funds				
Assets				
Cash and cash equivalents	\$ 84,632	\$ 150,071	\$ 147,118	\$ 87,585
Total assets	<u>\$ 84,632</u>	<u>\$ 150,071</u>	<u>\$ 147,118</u>	<u>\$ 87,585</u>
Liabilities				
Due to others	\$ 84,632	\$ 150,071	\$ 147,118	\$ 87,585
Total liabilities	<u>\$ 84,632</u>	<u>\$ 150,071</u>	<u>\$ 147,118</u>	<u>\$ 87,585</u>

See accompanying Independent Auditor's Report.

Town of Putnam, Connecticut

Federal and State Single Audit Reports

June 30, 2013

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Internal
Control and
Compliance
Report

**Independent Auditor's Report on Internal Control over Financial Reporting and on
Compliance and Other Matters Based on an Audit of Financial Statements
Performed in Accordance with *Government Auditing Standards***

To the Mayor and the
Members of the Board of Finance
Town of Putnam, Connecticut

We have audited, in accordance with the 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, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Putnam, Connecticut (the "Town"), as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements, and have issued our report thereon dated February 14, 2014.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Town's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Town's internal control. Accordingly, we do not express an opinion on the effectiveness of the Town's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and questioned costs, we identified a certain deficiency in internal control that we consider to be a material weaknesses.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiency described as finding 2013-1 in the accompanying schedule of federal findings and questioned costs to be a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that were reported to management of the Town in a separate letter dated February 14, 2014.

Response to Findings

The Town's response to the findings identified in our audit are described in the accompanying schedule of federal findings and questioned costs. The Town's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Town's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in cursive script that reads "Mahoney Sabol + Company, LLP".

Glastonbury, Connecticut
February 14, 2014

Federal Single Audit Section

**Independent Auditor's Report on Compliance for Each Major Program,
on Internal Control over Compliance Required by OMB Circular A-133,
and on the Schedule of Expenditures of Federal Awards**

To the Mayor and the
Members of the Board of Finance
Town of Putnam, Connecticut

Report on Compliance for Each Major Program

We have audited the Town of Putnam, Connecticut's (the "Town") compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the Town's major federal programs for the year ended June 30, 2013. The Town's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of federal findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the Town's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Town's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the Town's compliance.

Opinion on Each Major Federal Program

In our opinion, the Town complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2013.

Report on Internal Control Over Compliance

Management of the Town is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Town's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Town's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Purpose of this Report

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Report on Schedule of Expenditures of Federal Awards

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements. We issued our report thereon dated February 14, 2014, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the 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 schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.



Glastonbury, Connecticut
February 14, 2014

**TOWN OF PUTNAM, CONNECTICUT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2013**

Grantor; Pass-Through Grantor; Program Title	Grant Number	Federal CFDA Number	Expenditures
U.S. DEPARTMENT OF AGRICULTURE			
Direct:			
Water and Waste Disposal Systems for Rural Communities Loan - Recovery Act	-	10.781	\$ 711,000
Water and Waste Disposal Systems for Rural Communities - Recovery Act	-	10.781	2,806,316
			<u>3,517,316</u>
Passed through the State of Connecticut Department of Education:			
National School Breakfast Program	12060-SDE64370-20508	10.553	208,911
National School Lunch Program	12060-SDE64370-20560	10.555	371,208
National School Lunch Program - USDA Commodities	-	10.555	27,362
Supplemental Nutrition Assistance Program	12060-SDE64351-26130	10.580	2,909
Child and Adult Care Food Program	12060-SDE64370-20518	10.558	1,399
Cash-In-Lieu/Commodities-CCFP	12060-SDE64370-20544	10.558	111
			<u>611,900</u>
Total U.S. Department of Agriculture			<u>4,129,216</u>
U.S. DEPARTMENT OF EDUCATION			
Passed through the State of Connecticut Department of Education:			
Special Education - Grants to States	12060-SDE64370-20977	84.027	361,976
Special Education - Preschool Grants	12060-SDE64370-20983	84.173	20,930
			<u>382,906</u>
Title I - Grants to Local Educational Agencies	12060-SDE64370-20679	84.010	404,311
Carl D. Perkins Vocational and Applied Technology	12060-SDE64370-20742	84.048	17,439
Title III - Part A English Language Acquisition	12060-SDE64370-20868	84.365	16,378
Title II - Part A Improving Teacher Quality	12060-SDE64370-20858	84.367	82,267
Total U.S. Department of Education			<u>903,301</u>
U.S. DEPARTMENT OF TRANSPORTATION			
Passed through the State of Connecticut Department of Transportation:			
Highway Planning and Construction	12062-DOT57191-22108	20.205	44,231
Highway Planning and Construction - Recovery Act	12062-DOT57151-29016	20.205	11,988
Total U.S. Department of Transportation			<u>56,219</u>
U.S. DEPARTMENT OF HOMELAND SECURITY			
Passed through the State of Connecticut Department of Public Safety:			
Disaster Grants - Public Assistance	12060-DPS32985-21891	97.036	14,422
Emergency Management Performance Grant	12060-DPS32982-21881	97.042	1,680
Total U.S. Department of Homeland Security			<u>16,102</u>
U.S. DEPARTMENT OF JUSTICE			
Passed through the State of Connecticut Department of Public Safety:			
Edward Byrne Memorial Justice Assistance Grant Program	12060-DPS32523-26185	16.738	19,120
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT			
Passed through the State of Connecticut Department of Economic Development:			
Community Development Block Grant	12060-ECD46400-20730	14.228	27,843
U.S. DEPARTMENT OF ENERGY			
Passed through the State of Connecticut Department of Energy and Environmental Protection:			
Energy Efficiency and Conservation Block Grant - Recovery Act	12060-DEP44720-29009	81.128	6,963
Energy Efficiency and Conservation Block Grant Program - Recovery Act	12060-DEP44720-29072	81.122	1,200
Total U.S. Department of Energy			<u>8,163</u>
TOTAL FEDERAL AWARDS EXPENDED			<u>\$ 5,159,964</u>

The accompanying notes are an integral part of this schedule.

**TOWN OF PUTNAM, CONNECTICUT
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2013**

NOTE A - ACCOUNTING BASIS

BASIC FINANCIAL STATEMENTS

The accounting policies of the Town of Putnam, Connecticut (the "Town") conform to accounting principles generally accepted in the United States of America as applicable to governmental organizations.

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

The accompanying schedule of expenditures of federal awards has been prepared on the accrual basis consistent with the preparation of the basic financial statements. Information included in the schedule of expenditures of federal awards is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*.

For cost reimbursement awards, revenues are recognized to the extent of expenditures. Expenditures have been recognized to the extent the related obligation was incurred within the applicable grant period and liquidated within 90 days after the end of the grant period.

For performance based awards, revenues are recognized to the extent of performance achieved during the grant period.

Certain financial assistance is not dependent on expenditure activity or the achievement of performance goals and, accordingly, is considered expended in the fiscal year of receipt. These financial assistance program receipts are reflected in the expenditures column of the schedule of expenditures of federal awards.

NOTE B - OTHER FEDERAL ASSISTANCE

The United States Department of Agriculture makes available commodities for donations to schools. An amount of \$27,362 is reflected in the expenditures column in the accompanying schedule of expenditures of federal awards under CFDA. No. 10.555 and represents the market value of such commodities received during the period.

The following is a summary of loan program activity for the year ended June 30, 2013.

U.S. Department of Agriculture: Drinking Water and Wastewater Loan Programs

Loan Number	Issue Date	Interest Rate	Original Amount	Balance, July 1, 2012	Loan Additions	Loan Repayments	Balance, June 30, 2013
91-07	1994	4.50%	\$ 498,200	\$ 49,820	\$ -	\$ 24,910	\$ 24,910
91-09	1994	4.50%	100,000	15,000	-	5,000	10,000
91-04	1994	4.50%	454,400	47,828	-	23,916	23,912
92-06	1994	4.50%	300,000	120,000	-	10,000	110,000
92-23	2012	2.75%	6,800,000	6,800,000	-	95,472	6,704,528
R-1	2013	2.50%	711,000	-	711,000	-	711,000

No other federal assistance was received in the form of loan guarantees or insurance.

**TOWN OF PUTNAM, CONNECTICUT
SCHEDULE OF FEDERAL FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2013**

SECTION I – SUMMARY OF AUDITOR’S RESULTS

Financial Statements

Type of auditor’s report issued: Unmodified

Internal control over financial reporting:

Material weakness(es) identified? _____ Yes _____ No

Significant deficiency(ies) identified? _____ Yes ✓ None reported

Noncompliance material to financial statements noted? _____ Yes ✓ No

Federal Awards

Internal control over major programs:

Material weakness(es) identified? _____ Yes ✓ No

Significant deficiency(ies) identified? _____ Yes ✓ None reported

Type of auditor’s report issued on compliance for major programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with Circular A-133, Section 510(a)? _____ Yes ✓ No

Identification of major programs:

CFDA Number	Name of Federal Program
10.555/10.553	Child Nutrition Grant Cluster
10.781	Water and Waste Disposal Systems for Rural Communities - Recovery Act

Dollar threshold used to distinguish between Type A and Type B programs: \$300,000

Auditee qualified as low-risk auditee? _____ Yes ✓ No

SECTION II – FINANCIAL STATEMENT FINDINGS

Finding 2013-1: Material Weakness in Internal Control over Financial Reporting

Criteria

The accounting records and financial statements are the responsibility of management and, accordingly, the Town should have internal control over financial reporting that provides reasonable assurance that the accounting records can be relied upon and used to prepare the basic financial statements and related notes to the basic financial statements, in conformity with accounting principles generally accepted in the United States of America (“U.S. GAAP”).

TOWN OF PUTNAM, CONNECTICUT
SCHEDULE OF FEDERAL FINDINGS AND QUESTIONED COSTS *(Continued)*
FOR THE YEAR ENDED JUNE 30, 2013

SECTION II – FINANCIAL STATEMENT FINDINGS *(Continued)*

Finding 2013-1: Material Weakness in Internal Control over Financial Reporting *(Continued)*

Condition

The Town does not have formal monthly, quarterly or annual close out procedures for finance personnel to follow to ensure that accounts are reconciled and properly balanced periodically throughout the year and at year-end.

Questioned Costs

No costs were questioned.

Effect

Audit adjustments were required in order to prepare the Town's financial statements in conformity with accounting principles generally accepted in the United States of America. The Town may not be able to prevent or detect and correct a potential material misstatement to financial information in a timely manner.

Cause

The Town experienced a transition in the Treasurer/Finance Director position during the year ended June 30, 2013. In addition, there was a period of time during the fiscal year that the Town was without a full-time Treasurer/Finance Director. This transition, in addition to the lack of formal close out procedures, resulted in delays in reconciliations and financial reporting.

Auditor's Recommendation

We recommend that the Town develop and implement a comprehensive plan to overhaul its current system of internal control over financial reporting. Specifically, we recommend the following:

- The development of formal monthly, quarterly and annual close out procedures to ensure that all accounts are reconciled and properly balanced and recorded each month. The procedures should incorporate all of the Town's funds and specific areas should be assigned to finance personnel.
- An analysis of existing finance personnel and a determination of whether additional resources and/or training are needed to meet the Town's accounting and financial reporting requirements.

Management Response

The Town intends to take the appropriate actions to strengthen its internal control over financial reporting and remedy the conditions giving rise to this reported material weakness.

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

No findings or questioned costs are reported.

SUMMARY SCHEDULE OF THE STATUS OF PRIOR AUDIT FINDINGS

No audit findings were reported in the prior year.

State Single
Audit Section

**Independent Auditor's Report on Compliance for Each Major Program,
on Internal Control over Compliance Required by the Connecticut State Single Audit Act,
and on the Schedule of Expenditures of State Financial Assistance**

To the Mayor and the
Members of the Board of Finance
Town of Putnam, Connecticut

Report on Compliance for Each Major Program

We have audited the compliance by the Town of Putnam, Connecticut (the "Town"), with the types of compliance requirements described in the State of Connecticut, Office of Policy and Management *Compliance Supplement to the State Single Audit Act* that could have a direct and material effect on each of the Town's major state programs for the year ended June 30, 2013. The Town's major state programs are identified in the summary of auditor's results section of the accompanying schedule of state findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its state program.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the Town's major state programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the State Single Audit Act (C.G.S. Sections 4-230 to 4-236). Those standards and the State Single Audit Act require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major state program occurred. An audit includes examining, on a test basis, evidence about the Town's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major state program. However, our audit does not provide a legal determination of the Town's compliance.

Opinion on Major State Program

In our opinion, the Town complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major state programs for the year ended June 30, 2013.

Report on Internal Control Over Compliance

Management of the Town is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Town's internal control over compliance with the types of requirements that could have a direct and material effect on its major state program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major state program and to test and report on internal control over compliance in accordance with the State Single Audit Act, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Town's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a state program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a state program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a state program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Purpose of this Report

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the State Single Audit Act. Accordingly, this report is not suitable for any other purpose.

Report on Schedule of Expenditures of State Financial Assistance

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements. We issued our report thereon dated February 14, 2014, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of state financial assistance is presented for purposes of additional analysis as required by the State Single Audit Act and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the 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 schedule of expenditures of state financial assistance is fairly stated in all material respects in relation to the basic financial statements as a whole.



Glastonbury, Connecticut
February 14, 2014

TOWN OF PUTNAM, CONNECTICUT
SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE
FOR THE YEAR ENDED JUNE 30, 2013

State Grantor; Pass-Through Grantor; Program Title	State Grant Program Core - CT Number	Expenditures
NONEXEMPT PROGRAMS		
OFFICE OF POLICY AND MANAGEMENT		
Direct:		
Payment in Lieu of Taxes on State-owned Property	11000-OPM20600-17004	\$ 25,897
Payment in Lieu of Taxes on State-owned Property (PSSD)	11000-OPM20600-17004	7,369
Payment in Lieu of Taxes on Private Colleges and Hospitals	11000-OPM20600-17006	159,807
Payment in Lieu of Taxes on Private Colleges and Hospitals (PSSD)	11000-OPM20600-17006	78,153
Property Tax Relief for the Totally Disabled	11000-OPM20600-17011	1,256
Property Tax Relief for the Totally Disabled (PSSD)	11000-OPM20600-17011	493
Payment in Lieu of Taxes on Exempt Property in Distressed Municipalities	11000-OPM20600-17016	3,504
Payment in Lieu of Taxes on Exempt Property in Distressed Municipalities (PSSD)	11000-OPM20600-17016	14
Property Tax Relief for Elderly and Disabled Homeowners	11000-OPM20600-17018	41,660
Property Tax Relief for Elderly and Disabled Homeowners (PSSD)	11000-OPM20600-17018	26,860
Property Tax Relief for Veterans	11000-OPM20600-17024	2,399
Property Tax Relief for Veterans (PSSD)	11000-OPM20600-17024	799
Total Office of Policy and Management		348,211
DEPARTMENT OF EDUCATION		
Direct:		
Child Nutrition State Match	11000-SDE64370-16211	8,028
Health Foods Initiative	11000-SDE64370-16212	17,441
Family Resource Center	11000-SDE64370-17030	105,213
Adult Education	11000-SDE64370-17030	63,260
Priority School Districts	11000-SDE64370-17043-82052	1,146,180
Extended School Hours Program	11000-SDE64370-17043-82054	24,680
Alliance Grant	11000-SDE64370-17041	69,539
School Accountability Summer Program	11000-SDE64370-17043-82055	27,676
School Readiness and Child Day Care	11000-SDE64370-17043-82056	460,882
School Breakfast Match	11000-SDE64370-17046	14,046
Magnet Schools	11000-SDE64370-17057	14,300
School Readiness Quality Enhancement	11000-SDE64370-17097	6,447
Total Department of Education		1,957,692
CONNECTICUT STATE LIBRARY		
Direct:		
Connecticard Payments	11000-CSL66051-17010	8,003
Preservation of Historic Documents	12060-CSL66094-35150	4,000
Grants to Public Libraries	11000-CSL66051-17003	1,215
Total Connecticut State Library		13,218

The accompanying notes are an integral part of this schedule.

TOWN OF PUTNAM, CONNECTICUT
SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE *(Continued)*
FOR THE YEAR ENDED JUNE 30, 2013

State Grantor; Pass-Through Grantor; Program Title	State Grant Program Core - CT Number	Expenditures
NONEXEMPT PROGRAMS <i>(Continued)</i>		
DEPARTMENT OF TRANSPORTATION		
Direct:		
Town Aid Road Grants - Municipal	13033-DOT57131-43459	\$ 50,493
DEPARTMENT OF ECONOMIC DEVELOPMENT		
Direct:		
Brownfield PILOT Program	12052-ECD46400-42411	10,433
Urban Action Bonds	13019-ECD46440-41240	140,186
Small Town Economic Assistance Program	11000-ECD46400-42411	54,486
Total Department of Economic Development		<u>205,105</u>
DEPARTMENT OF ENVIRONMENTAL PROTECTION		
Direct:		
Urban Green & Community Gardens	12052-DEP43153-40513	9,559
DEPARTMENT OF CONSUMER PROTECTION		
Direct:		
Off Track Betting Reimbursement	34004-DCP18306-40001	80,240
Total State Assistance Before Exempt Programs		<u>2,664,518</u>
EXEMPT PROGRAMS		
DEPARTMENT OF EDUCATION		
Direct:		
Education Cost Sharing	11000-SDE64370-17041	8,067,323
Special Education: Excess Costs Student Based	11000-SDE64370-17047	489,833
Public School Transportation	11000-SDE64370-17027	132,516
Nonpublic School Transportation	11000-SDE64370-17049	1,981
Total Department of Education		<u>8,691,653</u>
OFFICE OF POLICY AND MANAGEMENT		
Direct:		
Municipal Revenue Sharing	12060-OPM20600-35458	350,052
Mashantucket Pequot Grant	12009-OPM20600-17005	97,535
Mashantucket Pequot Grant (PSDD)	12009-OPM20600-17005	13,373
Total Office of Policy and Management		<u>460,960</u>
Total Exempt Programs		<u>9,152,613</u>
TOTAL STATE FINANCIAL ASSISTANCE		<u>\$ 11,817,131</u>

The accompanying notes are an integral part of this schedule.

**TOWN OF PUTNAM, CONNECTICUT
NOTES TO SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE
FOR THE YEAR ENDED JUNE 30, 2013**

Various departments and agencies of the State of Connecticut have provided financial assistance to the Town of Putnam, Connecticut (the "Town") through grants and other authorizations in accordance with the General Statutes of the State of Connecticut. These financial assistance programs fund several programs of the Town.

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of 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 the more significant policies relating to the aforementioned grant programs.

BASIS OF ACCOUNTING

The accompanying schedule of expenditures of state financial assistance has been prepared on the accrual basis consistent with the preparation of the basic financial statements. Information included in the schedule of expenditures of state financial assistance is presented in accordance with regulations established by the State of Connecticut, Office of Policy and Management.

For cost reimbursement awards, revenues are recognized to the extent of expenditures. Expenditures have been recognized to the extent the related obligation was incurred within the applicable grant period and liquidated within 90 days after the end of the grant period.

For performance based awards, revenues are recognized to the extent of performance achieved during the grant period.

The schedule of expenditures of state financial assistance contained in this report is prepared based on regulations established by the State of Connecticut Office of Policy and Management. In accordance with these regulations (Section 4-236-22), certain financial assistance is not dependent on expenditure activity or the achievement of performance goals and, accordingly, is considered expended in the fiscal year of receipt. These financial assistance program receipts are reflected in the expenditures column of the schedule of expenditures of state financial assistance.

NOTE B - LOAN PROGRAMS

In accordance with Section 4-236-23(a)(4)(F) of the Regulations to the State Single Audit Act, the notes to the schedule of expenditures of state financial assistance shall include loans and loan activities. The following is a summary of the loan program activity for the year ended June 30, 2013.

Department of Public Health: Drinking Water Loan

Loan Number	Issue Date	Interest Rate	Original Amount	Balance, July 1, 2012	Loan Additions	Loan Repayments	Balance, June 30, 2013
2010-8011	2012	2.06%	\$ 1,075,271	\$ 994,626	\$ -	\$ 53,764	\$ 940,862

**TOWN OF PUTNAM, CONNECTICUT
SCHEDULE OF STATE FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2013**

I. SUMMARY OF AUDITORS' RESULTS

FINANCIAL STATEMENTS

Type of auditors' report issued: Unmodified

Internal control over financial reporting:

Material weakness(es) identified? ✓ Yes No
None

Significant deficiency(ies) identified? Yes ✓ Reported

Noncompliance material to financial statements noted? Yes ✓ No

STATE FINANCIAL ASSISTANCE

Internal control over major programs:

Material weakness(es) identified? Yes ✓ No
None

Significant deficiency(ies) identified? Yes ✓ Reported

Type of auditors' report issued on compliance for major programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with Section 4-236-24 of the Regulations to the State Single Audit Act? Yes ✓ No

The following schedule reflects the major programs included in the audit:

State Grantor/ Program	State Grant Program Core-CT Number	Expenditures
Department of Education		
Priority School Districts	11000-SDE64370-17043-82052	\$ 1,146,180
School Readiness and Child Day Care	11000-SDE64370-17043-82056	460,882
Alliance Grant	11000-SDE64370-17041	69,539

Dollar threshold used to distinguish between Type A and Type B programs: \$200,000

**TOWN OF PUTNAM, CONNECTICUT
SCHEDULE OF STATE FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2013**

SECTION II – FINANCIAL STATEMENT FINDINGS

Refer to financial statement findings 2013-1 reported in the accompanying Schedule of Federal Findings and Questioned Costs.

SECTION III – STATE FINANCIAL ASSISTANCE FINDINGS AND QUESTIONED COSTS

No findings or questioned costs are reported.

SUMMARY SCHEDULE OF THE STATUS OF PRIOR AUDIT FINDINGS

No audit findings were reported in the prior year.