TOWN OF PUTNAM, CONNECTICUT

FEDERAL AND STATE
SINGLE AUDIT REPORTS

JUNE 30, 2015

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INTERNAL CONTROL AND COMPLIANCE REPORT

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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, 2015, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements, and have issued our report thereon dated March 17, 2016.

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 federal findings and questioned costs, we identified certain deficiencies in internal control that we consider to be a material weakness and significant deficiencies.

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 Town's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described as finding 2015-1 in the accompanying schedule of federal findings and questioned costs to be a material weakness.

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described as findings 2015-2 and 2015-3 in the accompanying schedule of federal findings and questioned costs to be significant deficiencies.

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*.

Town's Response to Findings

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

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.

Mahoney Sabol + Company, LLP

Glastonbury, Connecticut
March 17, 2016

FEDERAL SINGLE AUDIT SECTION

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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, 2015. 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, 2015.

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.

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, 2015, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements. We issued our report thereon dated March 17, 2016, 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.

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.

Mahoney Sabol + Company, LLP

Glastonbury, Connecticut
March 17, 2016

TOWN OF PUTNAM, CONNECTICUT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2015

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 - ARRA	-	10.781	$ 261,072
Passed through the State of Connecticut Department of Education:			
National School Breakfast Program	12060-SDE64370-20508	10.553	225,052
National School Lunch Program	12060-SDE64370-20560	10.555	371,990
Child and Adult Care Food Program	12060-SDE64370-20518	10.558	28,331
Cash-In-Lieu/Commodities-CCFP	12060-SDE64370-20544	10.558	2,353
			627,726
Passed through the State of Connecticut Department of Administrative Services:			
National School Lunch Program - USDA Commodities	-	10.555	10,541
Total U.S. Department of Agriculture			899,339
U.S. DEPARTMENT OF EDUCATION			
Passed through the State of Connecticut Department of Education:			
Special Education - Grants to States - 2015	12060-SDE64370-20977	84.027	299,296
Special Education - Grants to States - 2014	12060-SDE64370-20977	84.027	12,891
Special Education - Preschool Grants - 2015	12060-SDE64370-20983	84.173	23,375
Special Education - Preschool Grants - 2014	12060-SDE64370-20983	84.173	1,485
			337,047
Title I - Grants to Local Educational Agencies - 2015	12060-SDE64370-20679	84.010	279,961
Title I - Grants to Local Educational Agencies - 2014	12060-SDE64370-20679	84.010	6,120
			286,081
Title II - Part A Improving Teacher Quality - 2015	12060-SDE64370-20858	84.367	73,922
Title II - Part A Improving Teacher Quality - 2014	12060-SDE64370-20858	84.367	665
			74,587
Career and Technical Education - Basic Grants to States	12060-SDE64370-20742	84.048	14,005
Total U.S. Department of Education			711,720
U.S. DEPARTMENT OF TRANSPORTATION			
Passed through the State of Connecticut Department of Transportation:			
Highway Planning and Construction: Project 115-113	12062-DOT57151-22108	20.205	652,484
Highway Planning and Construction: Project 115-113	12062-DOT57191-22108	20.205	6,440
Highway Planning and Construction: Project 115-118	12062-DOT57191-22108	20.205	52,196
Total U.S. Department of Transportation			711,120
U.S. DEPARTMENT OF HOMELAND SECURITY			
Passed through the State of Connecticut Department of Public Safety:			
Disaster Grants - Public Assistance	12060-DPS32985-22520	97.036	51,767
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			
Direct:			
Drug-Free Communities Support Program Grants	2 SP019995-06	93.276	95,811
Substance Abuse and Mental Health Services	1 H9SP019092-01	93.243	16,661
Total U.S. Department of Health and Human Services			112,472
U.S. DEPARTMENT OF JUSTICE			
Passed through the State of Connecticut Office of Policy and Management:			
Edward Byrne Memorial Justice Assistance Grant Program	12060-OPM20350-21921	16.738	16,000
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT			
Passed through the State of Connecticut Department of Housing			
Community Development Block Grant	12060-DOH46930-20730	14.228	225,991
TOTAL FEDERAL AWARDS EXPENDED			$ 2,728,409

The accompanying notes are an integral part of this schedule.

NOTE 1 - 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 2 - OTHER FEDERAL ASSISTANCE

The United States Department of Agriculture makes available commodities for donations to schools. An amount of $10,541 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, 2015.

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

Loan Number	Issue Date	Interest Rate	Original Amount	Balance, July 1, 2014	Loan Additions	Loan Repayments	Balance, June 30, 2015
91-09	1994	4.50%	100,000	$ 5,000	$ -	$ 5,000	$ -
92-06	1994	4.50%	300,000	100,000	-	10,000	90,000
92-23	2012	2.75%	6,800,000	6,606,431	-	100,795	6,505,636
R-1	2013	2.50%	711,000	700,448	-	10,816	689,632
R-1	2013	2.75%	1,208,113	1,208,113	-	34,683	1,173,430
R-1	2014	3.50%	3,836,000	3,836,000	-	95,900	3,740,100

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, 2015

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
10.553, 10.555	Child Nutrition Cluster
20.205	Highway Planning and Construction Cluster
10.781	Water and Waste Program Cluster

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 2015-1: Material Weakness in Internal Control over Financial Reporting

Criteria: 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").

Condition: The Town does not have formal monthly, quarterly or annual closing procedures for finance personnel to follow to ensure that accounts are reconciled and properly balanced periodically throughout the year and at year-end. Specifically, we noted the following:

- The Town recently converted to a new accounting system. The Town has experienced issues generating accurate reports from this system in a timely manner. In addition, the Town experienced issues reconciling certain account activities using the functionality of the system.
- For certain cost reimbursement awards, revenues were not being recognized to the extent of expenditures.
- Schedules for government-wide conversion entries were either not being maintained or not being reconciled to the supporting records in a timely manner.
- Material adjustments relating to the Town's prior year financial statements were identified resulting in the need to restate the Town's beginning net position/fund balance.

Effect: Material 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 internal or external financial information in a timely manner.

Cause: Deficiencies in the design and effectiveness of the Town's internal control over 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 development of formal monthly, quarterly and annual closing 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 delegated to each finance personnel.

Management Response: The Town intends to take the appropriate actions to strengthen its internal control and remedy the conditions giving rise to this reported deficiency.

SECTION II – FINANCIAL STATEMENT FINDINGS *(Continued)*

Finding 2015-2: **Significant Deficiency over Tracking of Capital Projects**

Criteria: The Town should have internal control over the tracking of cumulative project costs and related funding to ensure compliance with project authorizations.

Condition: During our audit, we noted that the Town does not maintain a detailed schedule that tracks cumulative project expenditures and the related funding sources.

Effect: There is an increased risk that the Town will not be able to identify an over expenditure of a project authorization in a timely manner. In addition, there is a risk that the Town may not properly account for grant funding to be received as a reimbursement of allowable project costs.

Cause: Deficiencies in the design and effectiveness of the Town's internal control over the tracking of capital projects.

Auditor's Recommendation: We recommend that the Town develop a project tracking system that captures the following information at a minimum:

- Date of Project Authorization
- Amount of Project Authorization
- Sources of Project Funding
- Prior Year, Current Year and Cumulative 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.

Management Response: The Town intends to take the appropriate actions to strengthen its internal control and remedy the conditions giving rise to this reported deficiency.

SECTION II – FINANCIAL STATEMENT FINDINGS *(Continued)*

Finding 2015-3: **Significant Deficiency over Capital Assets**

Criteria: Accounting principles generally accepted in the United States of America require that the Town capitalize and depreciate capital assets in its government-wide financial statements.

Condition: During our audit, we noted that the Town does not currently maintain a complete detail listing of general capital assets held by the Town. In addition, the Town does not currently have an internal tracking system in place for financial reporting purposes that ensures capital asset activity (additions and disposals) are being captured in accordance with the Town's policy.

Effect: Audit adjustments were required in order to present the Town's capital asset information 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 its capital asset information in a timely manner.

Cause: This deficiency is related to the material weakness reported in the Town's internal control over financial reporting (refer to 2015-1).

Auditor's Recommendation: We recommend that the Town address the material weakness reported in the Town's internal control over financial reporting. In addition, we recommend that the Town compile a detailed listing of all general government capital assets and implement a capital asset tracking system. A capital asset tracking system will improve accountability and the accuracy of financial reporting. Capital asset activity should be updated in the system in a timely manner throughout the year. In addition, as part of the year-end closing process, we recommend that the Town verify the existence of its movable capital assets.

Management Response: The Town intends to take the appropriate actions to strengthen its internal control and remedy the conditions giving rise to this reported deficiency.

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

No findings were reported.

SUMMARY SCHEDULE OF THE STATUS OF PRIOR AUDIT FINDINGS

Finding 2014-1, *Material Weakness in Internal Control over Financial Reporting,* has been repeated as Finding 2015-1.

Finding 2014-2, *Significant Deficiency over Tracking of Capital Projects*, has been repeated as Finding 2015-2.

Finding 2014-3, *Significant Deficiency over Capital Assets,* has been repeated as Finding 2015-3.

Finding 2014-4, *Significant Deficiency over Budgetary Monitoring,* is no longer considered to be a significant deficiency.

Finding 2014-5, *Noncompliance – Federal Award Program*, is considered to be resolved.

STATE SINGLE AUDIT SECTION

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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 Town of Putnam, Connecticut's (the "Town") compliance 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, 2015. 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, 2015.

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.

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, 2015, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements. We issued our report thereon dated March 17, 2016, 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.

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.

Mahoney Sabol + Company, LLP

Glastonbury, Connecticut
March 17, 2016

TOWN OF PUTNAM, CONNECTICUT
SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE
FOR THE YEAR ENDED JUNE 30, 2015

State Grantor; Pass-Through Grantor; Program Title	State Grant Program Core - CT Number	Expenditures
NONEXEMPT PROGRAMS		
DEPARTMENT OF EDUCATION		
Direct:		
Regional Vocational-Tech School	11000-SDE64330-12519	$ 10,000
Child Nutrition State Match	11000-SDE64370-16211	8,207
Health Foods Initiative	11000-SDE64370-16212	16,839
Family Resource Center	11000-SDE64370-16110	109,500
Adult Education	11000-SDE64370-17030	65,910
Priority School Districts	11000-SDE64370-17043-82052	1,233,319
School Accountability Summer Program	11000-SDE64370-17043-82055	26,859
Alliance Grant	11000-SDE64370-17041-82164	424,467
Extended School Hours Program	11000-SDE64370-17043-82054	23,225
School Breakfast Match	11000-SDE64370-17046	11,547
Magnet Schools	11000-SDE64370-17057	24,600
Total Department of Education		1,954,473
DEPARTMENT OF TRANSPORTATION		
Direct:		
Town Aid Road Grants	12052-DOT57131-43455	72,406
Technology Park Road Bridge over the Quinebaug River Project	13019-DOT57191-41241	1,357,834
Airline Trail Grant	13019-DOT57191-41241	21,413
Total Department of Transportation		1,451,653
OFFICE OF POLICY AND MANAGEMENT		
Direct:		
Payment in Lieu of Taxes on State-owned Property	11000-OPM20600-17004	23,762
Payment in Lieu of Taxes on State-owned Property (PSSD)	11000-OPM20600-17004	9,547
Payment in Lieu of Taxes on Private Colleges and Hospitals	11000-OPM20600-17006	149,681
Payment in Lieu of Taxes on Private Colleges and Hospitals (PSSD)	11000-OPM20600-17006	82,724
Property Tax Relief for the Totally Disabled	11000-OPM20600-17011	1,253
Property Tax Relief for the Totally Disabled (PSSD)	11000-OPM20600-17011	563
Payment in Lieu of Taxes on Exempt Property in Distressed Municipalities	11000-OPM20600-17016	3,993
Property Tax Relief for Elderly and Disabled Homeowners	11000-OPM20600-17018	55,914
Property Tax Relief for Elderly and Disabled Homeowners (PSSD)	11000-OPM20600-17018	19,646
Property Tax Relief for Veterans	11000-OPM20600-17024	2,175
Property Tax Relief for Veterans (PSSD)	11000-OPM20600-17024	888
Regional Performance Incentive	12060-OPM20600-35457	21,461
Municipal Purposes & Projects Grants	12052-OPM20600-43587	13,049
Total Office of Policy and Management		384,656
OFFICE OF EARLY CHILDHOOD		
Direct:		
School Readiness and Child Day Care	11000-OEC64845-17101	476,770
School Readiness Quality Enhancement	11000-OEC64845-17097	6,447
Total Office of Early Childhood		483,217

(Continued)

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, 2015

State Grantor; Pass-Through Grantor; Program Title	State Grant Program Core - CT Number	Expenditures
NONEXEMPT PROGRAMS *(Continued)*		
DEPARTMENT OF ENERGY AND ENVIRONMENTAL PROTECTION		
Direct:		
Community Garden Grant	12060-DEP44420-35328	$ 5,551
Water Protection and Land Reuse/Remediation	13019-DEP43570-41239	73,498
Total Department of Energy and Environmental Protection		79,049
DEPARTMENT OF CONSUMER PROTECTION		
Direct:		
Off Track Betting Reimbursement	34004-DCP39930-40001	84,871
CONNECTICUT STATE LIBRARY		
Direct:		
Grants to Public Libraries	11000-CSL66051-17003	1,158
Connecticard Payments	11000-CSL66051-17010	10,297
Preservation of Historic Documents	12060-CSL66094-35150	5,000
Total Connecticut State Library		16,455
DEPARTMENT OF ECONOMIC AND COMMUNITY DEVELOPMENT		
Direct:		
Brownfield PILOT Program	12052-ECD46560-43236	41,152
Total State Assistance Before Exempt Programs		4,495,526
EXEMPT PROGRAMS		
DEPARTMENT OF EDUCATION		
Direct:		
Education Cost Sharing	11000-SDE64370-17041	8,057,144
Special Education: Excess Costs Student Based	11000-SDE64370-17047	440,788
Public School Transportation	11000-SDE64370-17027	152,895
Nonpublic School Transportation	11000-SDE64370-17049	2,038
Total Department of Education		8,652,865
DEPARTMENT OF ADMINISTRATIVE SERVICES		
Direct:		
School Construction Grants	13010-DAS27636-40901	5,567,891
OFFICE OF POLICY AND MANAGEMENT		
Direct:		
Mashantucket Pequot Grant	12009-OPM20600-17005	102,903
Mashantucket Pequot Grant (PSDD)	12009-OPM20600-17005	12,382
Total Office of Policy and Management		115,285
Total Exempt Programs		14,336,041
TOTAL STATE FINANCIAL ASSISTANCE		$ 18,831,567

The accompanying notes are an integral part of this schedule.

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 1 - 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 2 - 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, 2015.

Department of Public Health: Drinking Water Loan

Loan Number	Issue Date	Interest Rate	Original Amount	Balance, July 1, 2014	Loan Additions	Loan Repayments	Balance, June 30, 2015
2010-8011	2012	2.06%	$ 1,075,271	$ 887,098	$ -	$ 53,764	$ 833,334

TOWN OF PUTNAM, CONNECTICUT
SCHEDULE OF STATE FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2015

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

STATE FINANCIAL ASSISTANCE

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 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 Transportation:		
Technology Park Road Bridge over the Quinebaug River Project	13019-DOT57191-41241	$ 1,357,834
Department of Education:		
Priority School Districts	11000-SDE64370-17043-82052	1,233,319
Office of Policy and Management:		
Payment in Lieu of Taxes on Private Colleges and Hospitals	11000-OPM20600-17006	232,405
Department of Energy and Environmental Protection:		
Water Protection and Land Reuse/Remediation	13019-DEP43570-41239	73,498

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

SECTION II – FINANCIAL STATEMENT FINDINGS

Refer to financial statement findings 2015-1, 2015-2 and 2015-3 reported in the accompanying Schedule of Federal Findings and Questioned Costs.

SECTION III – STATE FINANCIAL ASSISTANCE FINDINGS AND QUESTIONED COSTS

No findings were reported.

SUMMARY SCHEDULE OF THE STATUS OF PRIOR AUDIT FINDINGS

Finding 2014-1, *Material Weakness in Internal Control over Financial Reporting,* has been repeated as Finding 2015-1.

Finding 2014-2, *Significant Deficiency over Tracking of Capital Projects*, has been repeated as Finding 2015-3.

Finding 2014-3, *Significant Deficiency over Capital Assets,* has been repeated as Finding 2015-3.

Finding 2014-4, *Significant Deficiency over Budgetary Monitoring,* is no longer considered to be a significant deficiency.

Finding 2014-6, *Significant Deficiency in Internal Control Over Major Program Reporting, Noncompliance – Major State Award Program*, is considered to be resolved.