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**FEDERAL SINGLE AUDIT**  
**AND**  
**STATE SINGLE AUDIT**  
**OF THE**  
**TOWN OF EAST HAVEN, CONNECTICUT**

*FOR THE YEAR ENDED*  
*JUNE 30, 2010*

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**TOWN OF EAST HAVEN, CONNECTICUT**

FEDERAL SINGLE AUDIT  
AND  
STATE SINGLE AUDIT

FOR THE YEAR ENDED JUNE 30, 2010

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**Federal  
Single  
Audit**

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**TOWN OF EAST HAVEN, CONNECTICUT**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2010**

FEDERAL GRANTOR/PASS THROUGH GRANTOR/PROGRAM TITLE	FEDERAL CFDA NUMBER	STATE PROJECT NUMBER	EXPENDITURES
<b><u>U.S. DEPARTMENT OF AGRICULTURE</u></b>			
Passed through State Department of Education:			
School Breakfast Program.....	10.553	12060-20508-82079-2008-170005	\$ 93,672
School Breakfast Program.....	10.553	12060-20508-82079-2009-170005	10,202
National School Lunch Program.....	10.555	12060-20560-82079-2008-170005	431,611
National School Lunch Program.....	10.555	12060-20560-82079-2009-170005	60,879
National School Lunch Program - Commodities.....	10.555		51,843
School Milk Program for Children.....	10.556	12060-20500-82079-2008-170005	3,618
School Milk Program for Children.....	10.556	12060-20500-82079-2009-170005	438
<b>TOTAL U.S. DEPARTMENT OF AGRICULTURE.....</b>			<b>652,263</b>
<b><u>U.S. DEPARTMENT OF TRANSPORTATION</u></b>			
Passed through State Department of Transportation:			
Highway Planning & Construction.....	20.205		98,988
Alcohol Traffic Safety Grant.....	20.601		17,154
Safety Belt Performance Grant.....	20.609		2,500
<b>TOTAL U.S. DEPARTMENT OF TRANSPORTATION.....</b>			<b>118,642</b>
<b><u>U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT</u></b>			
Passed through State Department of Economic and Community Development:			
Community Development Block Grants/Small Cities Program.....	14.228		429,228
<b><u>U.S. DEPARTMENT OF JUSTICE</u></b>			
Direct Program:			
ARRA - Justice Assistance Grant.....	16.803		22,499
Federal Asset Forfeiture.....	16.		71,787
<b>TOTAL U.S. DEPARTMENT OF JUSTICE.....</b>			<b>94,286</b>
<b><u>U.S. DEPARTMENT OF EDUCATION</u></b>			
Passed through State Department of Education:			
Adult Education - Basic Grants to States.....		12060-20784-84002-2009-170015	12,227
Adult Education - Basic Grants to States.....		12060-20784-84002-2010-170015	48,993
<b>TOTAL ADULT EDUCATION - BASIC GRANTS TO STATES.....</b>	<b>84.002</b>		<b>61,220</b>
Title I Cluster:			
Title I Grants to Local Educational Agencies.....	84.010	12060-20679-82070-2009-170002	116,595
Title I Grants to Local Educational Agencies.....	84.010	12060-20679-82070-2010-170002	537,109
ARRA - Title I Grants to Local Educational Agencies, Recovery Act.....	84.389	12060-29010-82070-2009-170002	302,358
<b>TOTAL TITLE I CLUSTER.....</b>			<b>956,062</b>
Special Education - Cluster:			
Special Education - Preschool Grants.....	84.173	12060-20983-82032-2010-170002	37,202
Special Education - Grants to States.....	84.027	12060-20977-82032-2010-170002	282,838
Special Education - Grants to States.....	84.027	12060-20977-82032-2009-170002	237,493
<b>TOTAL SPECIAL EDUCATION - GRANTS TO STATES.....</b>			<b>557,533</b>
ARRA - Special Education - Grants to States (IDEA, Part B), Recovery Act.....	84.391	12060-29011-82032-2009-170002	418,598
ARRA - Special Education - Preschool Grants (IDEA Preschool), Recovery Act.....	84.392	12060-29012-82032-2009-170002	7,987
<b>TOTAL SPECIAL EDUCATION - CLUSTER.....</b>			<b>984,118</b>

(Continued)

**TOWN OF EAST HAVEN, CONNECTICUT**

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2010

FEDERAL GRANTOR/PASS THROUGH GRANTOR/PROGRAM TITLE	FEDERAL CFDA NUMBER	STATE PROJECT NUMBER	EXPENDITURES
<b><u>U.S. DEPARTMENT OF EDUCATION</u></b>			
Career and Technical Education - Basic Grants to States.....	84.048	12060-20742-84010-2010-170002	\$ 56,082
<b>ARRA - State Fiscal Stabilization Fund (SFSF) Cluster:</b>			
ARRA - State Fiscal Stabilization Fund (SFSF) - Educational State Grants, Recovery Act...	84.394	12060-29054-82010-2009-170002	1,725,578
ARRA - State Fiscal Stabilization Fund (SFSF) - Government Services, Recovery Act.....	84.397	12060-29053-82010-2009-170002	951,406
Total ARRA - State Fiscal Stabilization Fund (SFSF) Cluster.....			2,676,984
Safe and Drug-Free Schools and Communities - State Grants.....		12060-20873-84131-2010-170002	11,600
Safe and Drug-Free Schools and Communities - State Grants.....		12060-20873-84131-2009-170002	28
<b>TOTAL SAFE AND DRUG-FREE SCHOOLS AND COMMUNITIES - STATE GRANTS.....</b>	<b>84.186</b>		<b>11,628</b>
Title II, Part D Education Technology - State Grants.....	84.318	12060-20826-82079-2009-170002	840
ARRA - Title II, Part D, Education Technology - State Grants, Recovery Act.....	84.386	12060-29063-82079-2009-170002	484
ARRA - Title II, Part D, Education Technology - State Grants, Recovery Act.....	84.386	12060-29063-82079-2009-170003	104,136
<b>TOTAL EDUCATION TECHNOLOGY STATE GRANTS.....</b>			<b>105,460</b>
English Language Acquisition Grants.....		12060-20868-82075-2009-170002	452
English Language Acquisition Grants.....		12060-20868-82075-2010-170002	23,068
English Language Acquisition Grants (Immigrant and Youth Education).....		12060-20868-82076-2009-170002	6,665
<b>TOTAL ENGLISH LANGUAGE ACQUISITION GRANTS.....</b>	<b>84.365</b>		<b>30,185</b>
Improving Teacher Quality State Grants.....		12060-20858-84131-2010-170002	109,766
Improving Teacher Quality State Grants.....		12060-20858-84131-2009-170002	6,618
<b>TOTAL IMPROVING TEACHER QUALITY STATE GRANTS.....</b>	<b>84.367</b>		<b>116,384</b>
<b>TOTAL U.S. DEPARTMENT OF EDUCATION.....</b>			<b>4,998,123</b>
<b><u>ELECTION ASSISTANCE COMMISSION:</u></b>			
Passed through Secretary of the State:			
Help America Vote Act Requirements Payments.....	90.401		1,200
<b>TOTAL FEDERAL AWARDS.....</b>			<b>\$ 6,293,742</b>

(Concluded)

**TOWN OF EAST HAVEN, CONNECTICUT**

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2010

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**1. SIGNIFICANT ACCOUNTING POLICIES**

The accounting policies of the Town of East Haven, Connecticut, conform to accounting principles generally accepted in the United States of America promulgated by the Governmental Accounting Standards Board. The following is the significant policy relating to federal awards:

**Basis of Presentation**

The accompanying Schedule of Expenditures of Federal Awards is presented on the modified accrual basis of accounting and a current financial resources measurement focus. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations.

**2. NONCASH FEDERAL AWARDS**

The Town received and expended \$51,843 of USDA donated commodities under the National School Lunch Program.

**TOWN OF EAST HAVEN, CONNECTICUT**

**SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS  
FOR THE YEAR ENDED JUNE 30, 2010**

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**Summary Schedule of Prior Audit Financial Statement Findings**

**Finding 2008-1**

**Condition:**

The bank reconciliations for the Board of Education operating and payroll bank accounts were not reconciled in a regular and timely manner during the year.

**Current Status:**

Finding has not been adequately addressed and is repeated in the Schedule of Findings and Questioned Costs.

**Finding 2008-2**

**Condition:**

Certain journal entries, cash receipts and cash disbursements were not posted timely in the general ledger for certain Board of Education accounts.

**Current Status:**

Finding has not been adequately addressed and is repeated in the Schedule of Findings and Questioned Costs.

**Finding 2008-3**

**Condition:**

The bank reconciliations for the Board of Education's Education Grants and School Lunch bank accounts were not reconciled in a regular and timely manner during the year.

**Current Status:**

Finding has not been adequately addressed and is repeated in the Schedule of Findings and Questioned Costs.

**Finding 2008-4**

**Condition:**

Certain journal entries, cash receipts and cash disbursements were not posted timely in the general ledger for the Board of Education's Education Grants and School Lunch funds.

**Current Status:**

Finding has not been adequately addressed and is repeated in the Schedule of Findings and Questioned Costs.

**TOWN OF EAST HAVEN, CONNECTICUT**

**SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS  
FOR THE YEAR ENDED JUNE 30, 2010**

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**Summary Schedule of Prior Audit Federal Award Findings**

**Finding 2008-5**

**Condition:**

The bank reconciliations for the Board of Education's Education Grants and School Lunch bank accounts were not reconciled in a regular and timely manner during the year.

**Current Status:**

Finding has not been adequately addressed and is repeated in the Schedule of Findings and Questioned Costs.

**Finding 2008-6**

**Condition:**

Certain journal entries, cash receipts and cash disbursements were not posted timely in the general ledger for the Board of Education's Education Grants and School Lunch funds.

**Current Status:**

Finding has not been adequately addressed and is repeated in the Schedule of Findings and Questioned Costs.

**Finding 2009-1**

**Condition:**

Excess monies were drawn down by the Board of Education for the Special Education Cluster and Title I Grants to Local Educational Agencies during the fiscal year.

**Current Status:**

Finding has not been adequately addressed and is repeated in the Schedule of Findings and Questioned Costs.

**TOWN OF EAST HAVEN, CONNECTICUT**

SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2010

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I - SUMMARY OF AUDITORS' RESULTS

Financial Statements

Type of auditors' report issued: Unqualified

Internal control over financial reporting:

Material weakness(es) identified?   x   yes        no  
Significant deficiency(ies) identified?        yes   x   none reported

Noncompliance material to financial statements noted?        yes   x   no

Federal Awards

Internal control over major programs:

Material weakness(es) identified?   x   yes        no  
Significant deficiency(ies) identified?        yes   x   none reported

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

Any audit findings disclosed that are required  
to be reported in accordance with  
Circular A-133, Section .510(a)?   x   yes        no

Identification of major programs:

<u>CFDA NUMBER</u>	<u>NAME OF FEDERAL PROGRAM</u>
10.553/10.555/10.556	Child Nutrition Cluster
14.228	Community Development Block Grant – Small Cities
84.027/84.173/84.391/84.392	Special Education Cluster
84.010/84.389	Title I Grants to Local Educational Agencies
84.394/84.397	ARRA - State Fiscal Stabilization Fund (SFSF) – Cluster

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

Auditee qualified as low-risk auditee?        yes   x   no

TOWN OF EAST HAVEN, CONNECTICUT

SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2010

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II - FINANCIAL STATEMENT FINDINGS

Finding

2008-1 Bank Reconciliations - General Fund:

Condition

The bank reconciliations for the Board of Education operating and payroll bank accounts were not reconciled in a regular and timely manner during the year. As a result, the Town and Board of Education did not reconcile disbursement activity/expenditures during the year.

Criteria

Effective internal control over cash requires monthly reconciliations to be performed on a timely basis.

Questioned Cost

There were no questioned costs.

Context

The deficiency was identified during the fiscal year.

Effect

All transactions and activity were not recorded on a timely basis and, therefore, general ledger cash balances were not reconciled to the bank statement.

Cause

The cause is unknown.

Recommendation

We recommend that bank reconciliations be performed on a monthly basis within thirty days of month end and that balances are agreed and reconciled to the general ledger.

**TOWN OF EAST HAVEN, CONNECTICUT**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2010**

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**II - FINANCIAL STATEMENT FINDINGS**

**Finding**

2008-2 **General Ledger Maintenance:**

**Condition**

Certain journal entries, cash receipts, and cash disbursements were not posted timely in the general ledger for certain Board of Education accounts.

**Criteria**

Effective internal control over the general ledger requires all activity to be posted timely to the general ledger.

**Questioned Cost**

There were no questioned costs.

**Context**

The deficiency was identified during the fiscal year.

**Effect**

Cash balances and other general ledger accounts (Board of Education receivables and liabilities) as well as revenues and expenditures were not accurate at year end.

**Cause**

The cause is unknown.

**Recommendation**

We recommend that all activity of the Board of Education be recorded in the general ledger as it occurs.

TOWN OF EAST HAVEN, CONNECTICUT

SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2010

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II - FINANCIAL STATEMENT FINDINGS

Finding

2008-3 Bank Reconciliations - Board of Education Special Revenue Funds:

Condition

The bank reconciliations for the Board of Education's Education Grants and School Lunch bank accounts were not reconciled in a regular and timely manner during the year.

Criteria

Effective internal control over cash requires monthly reconciliations to be performed on a timely basis.

Questioned Cost

There were no questioned costs.

Context

The deficiency was identified during the fiscal year.

Effect

All transactions and activity were not recorded on a timely basis in a general ledger and, therefore, general ledger cash balances were not reconciled to the bank statement.

Cause

The cause is unknown.

Recommendation

The bank reconciliations for the Board of Education's Education Grants and School Lunch bank accounts were not reconciled in a regular and timely manner during the year.

TOWN OF EAST HAVEN, CONNECTICUT

SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2010

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II - FINANCIAL STATEMENT FINDINGS

Finding

2008-4 General Ledger Maintenance - Board of Education Special Revenue Funds:

Condition

Certain journal entries, cash receipts, and cash disbursements were not posted in the general ledger for the Board of Education's Education Grants and School Lunch funds.

Criteria

Effective internal control over the general ledger requires all activity to be posted timely to the general ledger.

Questioned Cost

There were no questioned costs.

Context

The deficiency was identified during the fiscal year.

Effect

Cash balances and other general ledger accounts (receivables and liabilities) as well as revenues and expenditures were not accurate at year end.

Cause

The cause is unknown.

Recommendation

We recommend that all activity be recorded in the general ledger as it occurs.

TOWN OF EAST HAVEN, CONNECTICUT

SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2010

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III - FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS

Finding

2008-5 Bank Reconciliations - Board of Education Special Revenue Funds:

Condition

The bank reconciliations for the Board of Education's Education Grants and School Lunch bank accounts were not reconciled in a regular and timely manner during the year.

Criteria

Effective internal control over cash requires monthly reconciliations to be performed on a timely basis.

Questioned Cost

There were no questioned costs.

Context

The deficiency was identified during the fiscal year.

Effect

All transactions and activity were not recorded on a timely basis in a general ledger and, therefore, general ledger cash balances were not reconciled to the bank statement.

Cause

The cause is unknown.

Recommendation

We recommend that bank reconciliations be performed on a monthly basis within thirty days of month end and that balances are agreed and reconciled to the general ledger.

TOWN OF EAST HAVEN, CONNECTICUT

SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2010

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III - FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS

Finding

2008-6 General Ledger Maintenance - Board of Education Special Revenue Funds:

Condition

Certain journal entries, cash receipts, and cash disbursements were not posted in the general ledger for the Board of Education's Education Grants and School Lunch funds.

Criteria

Effective internal control over the general ledger requires all activity to be posted timely to the general ledger.

Questioned Cost

There were no questioned costs.

Context

The deficiency was identified during the fiscal year.

Effect

Cash balances and other general ledger accounts (receivables and liabilities) as well as revenues and expenditures were not accurate at year end.

Cause

The cause is unknown.

Recommendation

We recommend that all activity be recorded in the general ledger as it occurs.

TOWN OF EAST HAVEN, CONNECTICUT

SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2010

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III - FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS

Finding

2009-1 Cash Management - Special Education Cluster and Title I Grants to Local Educational Agencies:

Condition

Excess monies were drawn down by the Board of Education for the Special Education Cluster and Title I Grants to Local Educational Agencies during the last two months of the fiscal year.

Criteria

Federal cash management regulations require that only immediate cash requirements should be drawn down by the grantee.

Questioned Cost

There were no questioned costs.

Context

In the prior year, the deficiency occurred in the last month of the fiscal year in which the balance of the grant award was drawn down. The other 19 draw downs were done in accordance with the federal requirements.

In the current year, the Board of Education requested funds based on one-tenth of anticipated revenue without regard to the amounts actually spent during the corresponding time period. The Board of Education was requesting funds to cover actual payroll costs but applied the ARRA monies to those payroll expenditures first.

Effect

Amounts were drawn down in excess of immediate cash requirements.

Cause

In the prior year, the cause is due to the Board of Education being without a Business Manager during that period. In the current year, the cause is due to the Board of Education requesting funds based on budgeted revenue, without considering the ARRA monies that were used to fund those expenditures.

Recommendation

We recommend that all cash drawn down requests be based upon actual immediate cash needed in accordance with federal regulations.



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INDEPENDENT AUDITORS' 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

Town Council  
Town of East Haven, Connecticut

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Town of East Haven, Connecticut, as of and for the year ended June 30, 2010, which collectively comprise the Town's basic financial statements and have issued our report thereon dated February 17, 2011. 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Town's internal control over financial reporting as a basis for designing our auditing procedures 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 over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Town's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying schedule of findings and questions costs, we identified certain deficiencies in internal control over financial reporting that we consider to be 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 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 deficiencies described in the accompanying schedule of findings and questions costs to be material weaknesses (Findings 2008-1 through 2008-4).



Town of East Haven, Connecticut  
Page Two

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town's financial statements are free of 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 we reported to management of the Town in a separate letter dated February 17, 2011.

This report is intended solely for the information and use of management, the Town Council, Federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

*Kostin, Ruffkess & Company, LLC*

Farmington, Connecticut  
February 17, 2011



Business Advisors and Certified Public Accountants

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INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS  
THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR  
PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN  
ACCORDANCE WITH OMB CIRCULAR A-133

Town Council  
Town of East Haven, Connecticut

Compliance

We have audited the Town of East Haven, Connecticut's compliance with the types of compliance requirements described in the U. S. Office of Management and Budget (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, 2010. The Town's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the Town's management. Our responsibility is to express an opinion on the Town's compliance based on our audit.

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. Our audit does not provide a legal determination on the Town's compliance with those requirements.

In our opinion, the Town complied, in all material respects, with the 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, 2010. However, the results of our auditing procedures disclosed an instance of noncompliance with those requirements, which is required to be reported in accordance with OMB Circular A-133, and which is described in the accompanying schedule of findings and questioned costs as Finding 2009-1.



Town of East Haven, Connecticut  
Page Two

### Internal Control Over Compliance

Management of the Town is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the Town's internal control over compliance with requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance 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.

Our consideration of internal control over compliance was for the limited purpose described in the preceding was not designed to identify all deficiencies in internal control over compliance that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying schedule of findings and questions costs, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses.

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. We consider the deficiencies described in the accompanying schedule of findings and questions costs to be material weaknesses (Findings 2008-5 and 2008-6).

### Schedule of Expenditures of Federal Awards

We have audited the basic financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Town, as of and for the year ended June 30, 2010, and have issued our report thereon dated February 17, 2011. Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise the Town's 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 has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.



Town of East Haven, Connecticut  
Page Three

This report is intended solely for the information and use of management, the Town Council, Federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than those specified parties.

*Kostin, Ruffkes & Company, LLC*

Farmington, Connecticut  
February 17, 2011

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**State  
Single  
Audit**

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**TOWN OF EAST HAVEN, CONNECTICUT**

SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE  
FOR THE YEAR ENDED JUNE 30, 2010

STATE GRANTOR/PASS-THROUGH GRANTOR/PROGRAM TITLE	STATE GRANT PROGRAM CORE CT NUMBER	STATE PROJECT NUMBER	EXPENDITURES
<b>DEPARTMENT OF EDUCATION:</b>			
School Readiness and Child Care in Competitive Grant Municipalities.....	11000-SDE64000-12113	11000-12113-82079-2009-170003	\$ 107,000
Healthy Food Certification.....	11000-SDE64000-16072	11000-16072-82010-2009-170005	31,388
Child Nutritional Program (School Lunch State Match).....	11000-SDE64000-16072	11000-16072-82051-2009-170005	14,425
Family Resource Centers.....	11000-SDE64000-16110	11000-16110-82079-2009-170003	92,325
Adult Education.....	11000-SDE64000-17030	11000-17030-84002-2009-170013	492,133
Health Services.....	11000-SDE64000-17034	11000-17034-82010-2009-170006	17,344
School Breakfast.....	11000-SDE64000-17046	11000-17046-82057-2009	27,000
School Breakfast.....	11000-SDE64000-17046	11000-17046-82058-2009	2,627
Youth Services Bureau Enhancement.....	11000-SDE64000-16201	11000-16201-82079-2009-170002	6,250
Youth Services Bureau.....	11000-SDE64000-17052	11000-17052-82079-2009-170002	22,069
Open Choice.....	11000-SDE64000-17053	11000-17053-82060-2009	32,500
Magnet School Transportation.....	11000-SDE64000-17057	11000-17057-82061-2009	5,642
Passed through A.C.E.S.: Open Choice.....	11000-SDE64000-17053	11000-17053-82060-2009	1,553
<b>DEPARTMENT OF TRANSPORTATION:</b>			
Town Aid Road Grants Transportation Fund.....	12001-DOT57000-17036		203,614
<b>DEPARTMENT OF PUBLIC UTILITY CONTROL:</b>			
Public, Educational and Governmental Programming and Educational Technology Investment Account (PEGPETIA).....	12060-PUC39170-35363		2,706
<b>DEPARTMENT OF PUBLIC SAFETY:</b>			
State Assets Forfeiture Revolving Fund.....	12060-DPS32155-35142		15,165
State Assets Forfeiture Revolving Fund.....	12060-DPS32155-35142		2,838
Telecommunications Fund.....	12060-DPS32740-35190		1,116
<b>DIVISION OF SPECIAL REVENUE:</b>			
Payments to Municipalities - Parimutuels.....	34004-DSR18307-29109		68,899
<b>OFFICE OF POLICY AND MANAGEMENT:</b>			
Property Tax Relief for Elderly and Totally Disabled Homeowners.....	11000-OPM20600-17018		339,453
Property Tax Relief for Totally Disabled Homeowners.....	11000-OPM20600-17011		4,348
Property Tax Relief for Elderly Homeowners - Freeze Program.....	11000-OPM20600-17021		25,166
Property Tax Relief for Veterans.....	11000-OPM20600-17024		82,497
Property Tax Relief for Manufacturing Machinery and Equipment and Commercial Vehicles.....	11000-OPM20600-17031		38,360
Local Capital Improvement Program.....	12050-OPM20600-40254		342,823
Municipal Video Competition Trust Acct Grant.....	12060-35362-2008-13046		30,042
Juvenile Justice System Grant.....	12060-21676-13008-2008		4,500
<b>CONNECTICUT STATE LIBRARY:</b>			
State Grants to Public Libraries.....	11000-CSL66051-17003		2,494
State Grants to Public Libraries.....	11000-CSL66051-17003		15,400
Connecticard.....	11000-CSL66051-17010		7,909
Historical Preservation Grant.....	12060-CSL66094-35150		10,000
<b>OFFICE OF STATE COMPROLLER:</b>			
Payment in Lieu of Taxes (PILOT) on State Owned Property.....	11000-OSC15910-17004		241,705
Boat Grant.....	12027-OSC15910-40211		4,399
TOTAL STATE ASSISTANCE BEFORE EXEMPT PROGRAMS.....			<u>2,295,690</u>

(Continued)

**TOWN OF EAST HAVEN, CONNECTICUT**

SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE  
FOR THE YEAR ENDED JUNE 30, 2010

STATE GRANTOR/PASS-THROUGH GRANTOR/PROGRAM TITLE	STATE GRANT PROGRAM CORE CT NUMBER	STATE PROJECT NUMBER	EXPENDITURES
EXEMPT PROGRAMS:			
<u>DEPARTMENT OF EDUCATION:</u>			
Public School Transportation.....	11000-SDE64000-17027	11000-17027-82010-2009-170005	\$ 247,839
Equalization Cost Sharing.....	11000-SDE64000-17041	11000-17041-82010-2009-170002	16,095,097
Special Education: Excess Costs Student Based and Equity.....	11000-SDE64000-17047	11000-17047-82016-2009	164,591
Special Education: Excess Costs Student Based and Equity.....	11000-SDE64000-17047	11000-17047-82016-2009	234,070
Special Education: Excess Costs Student Based and Equity.....	11000-SDE64000-17047	11000-17047-82018-2009	62,213
Special Education: Excess Costs Student Based and Equity.....	11000-SDE64000-17047	11000-17047-82019-2009	383,733
Nonpublic School Transportation.....	11000-SDE64000-17049	11000-17049-82010-2009-170006	43,276
School Construction Project - Interest.....	13009-SDE64000-40896	13009-40896-82004-2008-170063	242,973
School Construction Project - Interest.....	13009-SDE64000-40896	13009-40896-82004-2009-170063	276,825
School Construction Project - Principal.....	13010-SDE64000-40901	13010-40901-82003-2008-170001	1,397,373
School Construction Project - Principal.....	13010-SDE64000-40901	13010-40901-82003-2009-170001	438,079
School Construction Project - Progress Payments.....	13010-SDE64000-40901	13010-40901-82006-2009-170001	852,546
<u>OFFICE OF STATE COMPTROLLER:</u>			
Mashantucket Pequot/Mohegan Fund.....	12009-OSC15910-17005		<u>155,757</u>
TOTAL EXEMPT PROGRAMS.....			<u>20,594,372</u>
TOTAL STATE FINANCIAL ASSISTANCE.....			<u>\$ 22,890,062</u>

(Concluded)

**TOWN OF EAST HAVEN, CONNECTICUT**

NOTE TO SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE  
FOR THE YEAR ENDED JUNE 30, 2010

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Various departments and agencies of the State of Connecticut have provided financial assistance to the Town of East Haven through grants and other authorizations in accordance with the General Statutes of the State of Connecticut. These financial assistance programs fund several programs including Department of Education, Department of Transportation, Department of Environmental Protection, Office of Policy and Management, Connecticut State Library, Office of State Comptroller, Division of Special Revenue, and Department of Public Safety.

**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The accounting policies of the Town of East Haven, Connecticut, conform to accounting principles generally accepted in the United States of America promulgated by the Governmental Accounting Standards Board. The following is the significant policy relating to State financial assistance:

**Basis of Presentation**

The accompanying Schedule of Expenditures of State Financial Assistance is presented on the modified accrual basis of accounting and a current financial resources measurement focus.

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 grants are not dependent on expenditure activity and, accordingly, are considered to be expended in the fiscal year of receipt. These grant program receipts are reflected in the expenditures column of the Schedule of Expenditures of State Financial Assistance.

**TOWN OF EAST HAVEN, CONNECTICUT**

**SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS  
FOR THE YEAR ENDED JUNE 30, 2010**

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**Summary Schedule of Prior Audit Financial Statement Findings**

**Finding 2008-1**

**Condition:**

The bank reconciliations for the Board of Education operating and payroll bank accounts were not reconciled in a regular and timely manner during the year.

**Current Status:**

Finding has not been adequately addressed and is repeated in the Schedule of Findings and Questioned Costs.

**Finding 2008-2**

**Condition:**

Certain journal entries, cash receipts and cash disbursements were not posted timely in the general ledger for certain Board of Education accounts.

**Current Status:**

Finding has not been adequately addressed and is repeated in the Schedule of Findings and Questioned Costs.

**Finding 2008-3**

**Condition:**

The bank reconciliations for the Board of Education's Education Grants and School Lunch bank accounts were not reconciled in a regular and timely manner during the year.

**Current Status:**

Finding has not been adequately addressed and is repeated in the Schedule of Findings and Questioned Costs.

**Finding 2008-4**

**Condition:**

Certain journal entries, cash receipts and cash disbursements were not posted timely in the general ledger for the Board of Education's Education Grants and School Lunch funds.

**Current Status:**

Finding has not been adequately addressed and is repeated in the Schedule of Findings and Questioned Costs.

**TOWN OF EAST HAVEN, CONNECTICUT**

**SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS  
FOR THE YEAR ENDED JUNE 30, 2010**

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**Summary Schedule of Prior Audit Federal Award Findings**

**Finding 2008-5**

**Condition:**

The bank reconciliations for the Board of Education's Education Grants and School Lunch bank accounts were not reconciled in a regular and timely manner during the year.

**Current Status:**

Finding has not been adequately addressed and is repeated in the Schedule of Findings and Questioned Costs.

**Finding 2008-6**

**Condition:**

Certain journal entries, cash receipts and cash disbursements were not posted timely in the general ledger for the Board of Education's Education Grants and School Lunch funds.

**Current Status:**

Finding has not been adequately addressed and is repeated in the Schedule of Findings and Questioned Costs.

**TOWN OF EAST HAVEN, CONNECTICUT**

SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2010

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**I - SUMMARY OF AUDITORS' RESULTS**

**Financial Statements**

Type of auditors' report issued: Unqualified

Internal control over financial reporting:

Material weakness(es) identified?   x   yes        no  
Significant deficiency(ies) identified?        yes   x   none reported

Noncompliance material to financial statements noted?        yes   x   no

**State Financial Assistance**

Internal control over major programs:

Material weakness(es) identified?   x   yes        no  
Significant deficiency(ies) identified?        yes   x   none reported

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

Any audit findings disclosed that are required  
to be reported in accordance with Section  
4-236-24 of the Regulations of the  
State Single Audit Act        yes   x   no

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

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

<u>State Grantor and Program</u>	<u>State Core-CT Number</u>	<u>Expenditures</u>
DEPARTMENT OF EDUCATION: Adult Education	11000-SDE64000-17030	\$ 492,133
DEPARTMENT OF TRANSPORTATION: Town Aid Road Grants Transportation Fund	12001-DOT57000-17036	203,614
OFFICE OF POLICY AND MANAGEMENT: Property Tax Relief for Elderly and Totally Disabled Homeowners	11000-OPM20600-17018	339,453
Local Capital Improvement Program	12050-OPM20600-40254	342,823
OFFICE OF STATE COMPTROLLER: Payment in Lieu of Taxes (PILOT) on State-Owned Property	11000-OSC15910-17004	241,705

TOWN OF EAST HAVEN, CONNECTICUT

SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2010

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II. FINANCIAL STATEMENT FINDINGS

Finding

2008-1 Bank Reconciliations - General Fund:

Condition

The bank reconciliations for the Board of Education operating and payroll bank accounts were not reconciled in a regular and timely manner during the year. As a result, the Town and Board of Education did not reconcile disbursement activity/expenditures during the year.

Criteria

Effective internal control over cash requires monthly reconciliations to be performed on a timely basis.

Questioned Cost

There were no questioned costs.

Context

The deficiency was identified during the fiscal year.

Effect

All transactions and activity were not recorded on a timely basis and, therefore, general ledger cash balances were not reconciled to the bank statement.

Cause

The cause is unknown.

Recommendation

We recommend that bank reconciliations be performed on a monthly basis within thirty days of month end and that balances are agreed and reconciled to the general ledger.

TOWN OF EAST HAVEN, CONNECTICUT

SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2010

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II. FINANCIAL STATEMENT FINDINGS

Finding

2008-2 General Ledger Maintenance:

Condition

Certain journal entries, cash receipts, and cash disbursements were not posted timely in the general ledger for certain Board of Education accounts.

Criteria

Effective internal control over the general ledger requires all activity to be posted timely to the general ledger.

Questioned Cost

There were no questioned costs.

Context

The deficiency was identified during the fiscal year.

Effect

Cash balances and other general ledger accounts (Board of Education receivables and liabilities) as well as revenues and expenditures were not accurate at year end.

Cause

The cause is unknown.

Recommendation

We recommend that all activity of the Board of Education be recorded in the general ledger as it occurs.

**TOWN OF EAST HAVEN, CONNECTICUT**

SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2010

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II - FINANCIAL STATEMENT FINDINGS

Finding

2008-3 Bank Reconciliations - Board of Education Special Revenue Funds:

Condition

The bank reconciliations for the Board of Education's Education Grants and School Lunch bank accounts were not reconciled in a regular and timely manner during the year.

Criteria

Effective internal control over cash requires monthly reconciliations to be performed on a timely basis.

Questioned Cost

There were no questioned costs.

Context

The deficiency was identified during the fiscal year.

Effect

All transactions and activity were not recorded on a timely basis in a general ledger and, therefore, general ledger cash balances were not reconciled to the bank statement.

Cause

The cause is unknown.

Recommendation

The bank reconciliations for the Board of Education's Education Grants and School Lunch bank accounts were not reconciled in a regular and timely manner during the year.

TOWN OF EAST HAVEN, CONNECTICUT

SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2010

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II. FINANCIAL STATEMENT FINDINGS

Finding

2008-4 General Ledger Maintenance - Board of Education Special Revenue Funds:

Condition

Certain journal entries, cash receipts, and cash disbursements were not posted in the general ledger for the Board of Education's Education Grants and School Lunch funds.

Criteria

Effective internal control over the general ledger requires all activity to be posted timely to the general ledger.

Questioned Cost

There were no questioned costs.

Context

The deficiency was identified during the fiscal year.

Effect

Cash balances and other general ledger accounts (receivables and liabilities) as well as revenues and expenditures were not accurate at year end.

Cause

The cause is unknown.

Recommendation

We recommend that all activity be recorded in the general ledger as it occurs.

TOWN OF EAST HAVEN, CONNECTICUT

SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2010

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III - FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS

Finding

2008-5 Bank Reconciliations - Board of Education Special Revenue Funds:

Condition

The bank reconciliations for the Board of Education's Education Grants and School Lunch bank accounts were not reconciled in a regular and timely manner during the year.

Criteria

Effective internal control over cash requires monthly reconciliations to be performed on a timely basis.

Questioned Cost

There were no questioned costs.

Context

The deficiency was identified during the fiscal year.

Effect

All transactions and activity were not recorded on a timely basis in a general ledger and, therefore, general ledger cash balances were not reconciled to the bank statement.

Cause

The cause is unknown.

Recommendation

We recommend that bank reconciliations be performed on a monthly basis within thirty days of month end and that balances are agreed and reconciled to the general ledger.

TOWN OF EAST HAVEN, CONNECTICUT

SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2010

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III. STATE FINANCIAL ASSISTANCE FINDINGS AND QUESTIONED COSTS

Finding

2008-6 General Ledger Maintenance - Board of Education Special Revenue Funds:

Condition

Certain journal entries, cash receipts, and cash disbursements were not posted in the general ledger for the Board of Education's Education Grants and School Lunch funds.

Criteria

Effective internal control over the general ledger requires all activity to be posted timely to the general ledger.

Questioned Cost

There were no questioned costs.

Context

The deficiency was identified during the fiscal year.

Effect

Cash balances and other general ledger accounts (receivables and liabilities) as well as revenues and expenditures were not accurate at year end.

Cause

The cause is unknown.

Recommendation

We recommend that all activity be recorded in the general ledger as it occurs.



Business Advisors and Certified Public Accountants

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INDEPENDENT AUDITORS' 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

Town Council  
Town of East Haven, Connecticut

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Town of East Haven, Connecticut, as of and for the year ended June 30, 2010, which collectively comprise the Town's basic financial statements and have issued our report thereon dated February 17, 2011. 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Town's internal control over financial reporting as a basis for designing our auditing procedures 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 over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Town's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying schedule of findings and questions costs, we identified certain deficiencies in internal control over financial reporting that we consider to be 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 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 deficiencies described in the accompanying schedule of findings and questions costs to be material weaknesses (Findings 2008-1 through 2008-4).



Town of East Haven, Connecticut  
Page Two

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town's financial statements are free of 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 we reported to management of the Town in a separate letter dated February 17, 2011.

This report is intended solely for the information and use of management, the Town Council, others within the entity, the Office of Policy and Management, State awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than those specified parties.

*Kostin, Ruffkess & Company, LLC*

Farmington, Connecticut  
February 17, 2011



Business Advisors and Certified Public Accountants

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INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS  
THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR  
PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN  
ACCORDANCE WITH THE STATE SINGLE AUDIT ACT

Town Council  
Town of East Haven, Connecticut

Compliance

We have audited the Town of East Haven, Connecticut's compliance with the types of compliance requirements described in the Office of Policy and Management Compliance Supplement that could have a direct and material effect on each of its major state programs for the year ended June 30, 2010. The major state programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major state programs is the responsibility of the Town's management. Our responsibility is to express an opinion on compliance based on our audit.

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. Our audit does not provide a legal determination on the Town's compliance with those requirements.

In our opinion, the Town complied, in all material respects, with the 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, 2010.

Town of East Haven, Connecticut  
Page Two

### Internal Control over Compliance

Management of the Town is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the Town's internal control over compliance with requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance 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.

Our consideration of internal control over compliance was for the limited purpose described in the preceding was not designed to identify all deficiencies in internal control over compliance that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying schedule of findings and questions costs, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses.

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. We consider the deficiencies described in the accompanying schedule of findings and questions costs to be material weaknesses (Findings 2008-5 and 2008-6).

### Schedule of Expenditures of State Financial Assistance

We have audited the basic financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Town, as of and for the year ended June 30, 2010, and have issued our report thereon dated February 17, 2011. Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise the Town's 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 has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.



Town of East Haven, Connecticut  
Page Three

This report is intended solely for the information and use of management, the Town Council, others within the entity, the Office of Policy and Management, State awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than those specified parties.

*Kostin, Ruffkess & Company, LLC*

Farmington, Connecticut  
February 17, 2011