FEDERAL SINGLE AUDIT

AND

STATE SINGLE AUDIT

OF THE

TOWN OF EAST HAVEN, CONNECTICUT

FOR THE YEAR ENDED
JUNE 30, 2010
### TOWN OF EAST HAVEN, CONNECTICUT

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

<table>
<thead>
<tr>
<th>FEDERAL GRANTOR/PASS THROUGH GRANTOR/PROGRAM TITLE</th>
<th>CFDA NUMBER</th>
<th>STATE CODE</th>
<th>EXPENDITURES</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>U.S. DEPARTMENT OF AGRICULTURE</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Passed through State Department of Education:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>School Breakfast Program</td>
<td>10.553</td>
<td>12060-20508-82079-2008-170005</td>
<td>$93,672</td>
</tr>
<tr>
<td>School Breakfast Program</td>
<td>10.553</td>
<td>12060-20508-82079-2009-170005</td>
<td>10,202</td>
</tr>
<tr>
<td>National School Lunch Program</td>
<td>10.555</td>
<td>12060-20560-82079-2008-170005</td>
<td>431,611</td>
</tr>
<tr>
<td>National School Breakfast Program</td>
<td>10.555</td>
<td>12060-20560-82079-2009-170005</td>
<td>60,879</td>
</tr>
<tr>
<td>School Milk Program for Children</td>
<td>10.556</td>
<td>12060-20500-82079-2008-170005</td>
<td>3,618</td>
</tr>
<tr>
<td>School Milk Program for Children</td>
<td>10.556</td>
<td>12060-20500-82079-2009-170005</td>
<td>438</td>
</tr>
<tr>
<td><strong>TOTAL U.S. DEPARTMENT OF AGRICULTURE</strong></td>
<td></td>
<td></td>
<td>652,263</td>
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<tr>
<td><strong>U.S. DEPARTMENT OF TRANSPORTATION</strong></td>
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<td></td>
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<tr>
<td>Passed through State Department of Transportation:</td>
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<tr>
<td>Highway Planning &amp; Construction</td>
<td>20.205</td>
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<td>98,988</td>
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<tr>
<td>Alcohol Traffic Safety Grant</td>
<td>20.609</td>
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<td>17,154</td>
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<tr>
<td>Safety Belt Performance Grant</td>
<td>20.609</td>
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<td>2,503</td>
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<td><strong>TOTAL U.S. DEPARTMENT OF TRANSPORTATION</strong></td>
<td></td>
<td></td>
<td>118,642</td>
</tr>
<tr>
<td><strong>U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Passed through State Department of Economic and Community Development:</td>
<td>14.228</td>
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<td></td>
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<tr>
<td>Community Development Block Grants/Small Cities Program</td>
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<td></td>
<td>429,228</td>
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<tr>
<td><strong>U.S. DEPARTMENT OF JUSTICE</strong></td>
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<tr>
<td>Direct Program:</td>
<td></td>
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<tr>
<td>ARRA - Justice Assistance Grant</td>
<td>16.803</td>
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<td>72,499</td>
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<tr>
<td>Federal Asset Forfeiture</td>
<td>16</td>
<td></td>
<td>71,787</td>
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<tr>
<td><strong>TOTAL U.S. DEPARTMENT OF JUSTICE</strong></td>
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<td>94,286</td>
</tr>
<tr>
<td><strong>U.S. DEPARTMENT OF EDUCATION</strong></td>
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</tr>
<tr>
<td>Passed through State Department of Education:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Adult Education - Basic Grants to States</td>
<td>12060-20784-84002-2009-170015</td>
<td>12,227</td>
<td></td>
</tr>
<tr>
<td>Adult Education - Basic Grants to States</td>
<td>12060-20784-84002-2010-170015</td>
<td>48,993</td>
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<tr>
<td><strong>TOTAL ADULT EDUCATION - BASIC GRANTS TO STATES</strong></td>
<td>84.002</td>
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<td>61,220</td>
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<tr>
<td>Title I Cluster:</td>
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</tr>
<tr>
<td>Title I Grants to Local Educational Agencies</td>
<td>84.010</td>
<td>12060-20679-82079-2009-170002</td>
<td>116,595</td>
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<tr>
<td>Title I Grants to Local Educational Agencies</td>
<td>84.010</td>
<td>12060-20679-82079-2010-170002</td>
<td>537,109</td>
</tr>
<tr>
<td>ARRA - Title I Grants to Local Educational Agencies, Recovery Act</td>
<td>84.389</td>
<td>12060-29010-82079-2009-170002</td>
<td>302,358</td>
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<tr>
<td><strong>TOTAL TITLE I CLUSTER</strong></td>
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<td>956,062</td>
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<tr>
<td>Special Education - Cluster:</td>
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<tr>
<td>Special Education - Preschool Grants</td>
<td>84.173</td>
<td>12060-20933-82032-2010-170002</td>
<td>37,202</td>
</tr>
<tr>
<td>Special Education - Grants to States</td>
<td>84.027</td>
<td>12060-20977-82032-2010-170002</td>
<td>282,838</td>
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<tr>
<td>Special Education - Grants to States</td>
<td>84.027</td>
<td>12060-20977-82032-2009-170002</td>
<td>237,493</td>
</tr>
<tr>
<td><strong>TOTAL SPECIAL EDUCATION - GRANTS TO STATES</strong></td>
<td></td>
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<td>557,333</td>
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<tr>
<td>ARRA - Special Education - Grants to States (IDEA Part B), Recovery Act</td>
<td>84.391</td>
<td>12060-29011-82032-2009-170002</td>
<td>418,598</td>
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<tr>
<td>ARRA - Special Education - Preschool Grants (IDEA Preschool), Recovery Act</td>
<td>84.392</td>
<td>12060-29012-82032-2005-170002</td>
<td>7,987</td>
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<tr>
<td><strong>TOTAL SPECIAL EDUCATION - CLUSTER</strong></td>
<td></td>
<td></td>
<td>584,118</td>
</tr>
</tbody>
</table>

See notes to Schedule of Expenditures of Federal Awards

(Continued)
**TOWN OF EAST HAVEN, CONNECTICUT**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

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

<table>
<thead>
<tr>
<th>FEDERAL GRANTOR/PASS THROUGH GRANTOR/PROGRAM TITLE</th>
<th>FEDERAL CFDA NUMBER</th>
<th>STATE PROJECT NUMBER</th>
<th>EXPENDITURES</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>U.S. DEPARTMENT OF EDUCATION</strong></td>
<td></td>
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<td></td>
</tr>
<tr>
<td>Career and Technical Education - Basic Grants to States</td>
<td>84.048</td>
<td>12060-20742-84010-2010-170002</td>
<td>$ 56,082</td>
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<tr>
<td>ARRA - State Fiscal Stabilization Fund (SFSF) Cluster:</td>
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<td>ARRA - State Fiscal Stabilization Fund (SFSF) - Educational State Grants, Recovery Act...</td>
<td>84.394</td>
<td>12060-25054-82010-2009-170002</td>
<td>1,725,578</td>
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<tr>
<td>ARRA - State Fiscal Stabilization Fund (SFSF) - Government Services, Recovery Act ...</td>
<td>84.397</td>
<td>12060-26053-82010-2009-170002</td>
<td>951,406</td>
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<tr>
<td>Total ARRA - State Fiscal Stabilization Fund (SFSF) Cluster</td>
<td></td>
<td></td>
<td>2,676,984</td>
</tr>
<tr>
<td>Safe and Drug-Free Schools and Communities - State Grants</td>
<td>12060-20873-84131-2010-170002</td>
<td></td>
<td>11,600</td>
</tr>
<tr>
<td>Safe and Drug-Free Schools and Communities - State Grants</td>
<td>12060-20873-84131-2009-170002</td>
<td></td>
<td>28</td>
</tr>
<tr>
<td>TOTAL SAFE AND DRUG-FREE SCHOOLS AND COMMUNITIES - STATE GRANTS</td>
<td>84.186</td>
<td></td>
<td>11,628</td>
</tr>
<tr>
<td>Title II, Part D Education Technology - State Grants</td>
<td>84.318</td>
<td>12060-20826-82079-2009-170002</td>
<td>840</td>
</tr>
<tr>
<td>ARRA - Title II, Part D, Education Technology - State Grants, Recovery Act ...</td>
<td>84.386</td>
<td>12060-29063-82079-2009-170002</td>
<td>484</td>
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<tr>
<td>ARRA - Title II, Part D, Education Technology - State Grants, Recovery Act ...</td>
<td>84.386</td>
<td>12060-29063-82079-2009-170003</td>
<td>104,135</td>
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<tr>
<td>TOTAL EDUCATION TECHNOLOGY STATE GRANTS</td>
<td></td>
<td></td>
<td>105,460</td>
</tr>
<tr>
<td>English Language Acquisition Grants</td>
<td>12060-20868-82075-2009-170002</td>
<td>109,766</td>
<td></td>
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<tr>
<td>English Language Acquisition Grants</td>
<td>12060-20868-82075-2010-170002</td>
<td>23,068</td>
<td></td>
</tr>
<tr>
<td>English Language Acquisition Grants (Immigrant and Youth Education)</td>
<td>12060-20868-82076-2009-170002</td>
<td>6,665</td>
<td></td>
</tr>
<tr>
<td>TOTAL ENGLISH LANGUAGE ACQUISITION GRANTS</td>
<td>84.365</td>
<td></td>
<td>30,185</td>
</tr>
<tr>
<td>Improving Teacher Quality State Grants</td>
<td>12060-20858-84131-2010-170002</td>
<td>109,766</td>
<td></td>
</tr>
<tr>
<td>Improving Teacher Quality State Grants</td>
<td>12060-20858-84131-2009-170002</td>
<td>6,618</td>
<td></td>
</tr>
<tr>
<td>TOTAL IMPROVING TEACHER QUALITY STATE GRANTS</td>
<td>84.367</td>
<td></td>
<td>116,384</td>
</tr>
<tr>
<td>TOTAL U.S. DEPARTMENT OF EDUCATION</td>
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<td></td>
<td>4,998,123</td>
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<tr>
<td><strong>ELECTION ASSISTANCE COMMISSION:</strong></td>
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<tr>
<td>Passed through Secretary of the State:</td>
<td>90.401</td>
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<td>1,200</td>
</tr>
<tr>
<td>Help America Vote Act Requirements Payments</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>TOTAL FEDERAL AWARDS</td>
<td></td>
<td></td>
<td>$ 6,293,742</td>
</tr>
</tbody>
</table>

(Cconcluded)

See notes to Schedule of Expenditures of Federal Awards
TOWN OF EAST HAVEN, CONNECTICUT

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

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.
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.
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.
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  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:

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

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

Auditee qualified as low-risk auditee?  Yes  No
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.
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.
II - FINANCIAL STATEMENT FINDINGS

Finding

2008-3  Bank Reconciliation - 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.
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.
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.
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.
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.
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).
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.

Farmington, Connecticut
February 17, 2011
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.
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.

Farmington, Connecticut
February 17, 2011
State
Single
Audit
<table>
<thead>
<tr>
<th>STATE GRANTOR/PASS-THROUGH</th>
<th>STATE GRANT PROGRAM</th>
<th>STATE GRANTOR/PROGRAM TITLE</th>
<th>STATE PROGRAM CORE CT</th>
<th>STATE PROJECT NUMBER</th>
<th>EXPENDITURES</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>TOWN OF EAST HAVEN, CONNECTICUT</td>
<td>SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE</td>
<td>FOR THE YEAR ENDED JUNE 30, 2010</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
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<td></td>
</tr>
<tr>
<td>DEPARTMENT OF EDUCATION:</td>
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<tr>
<td>School Readiness and Child Care in Competitive Grant Municipalities</td>
<td>11000-SDE64000-12113</td>
<td>11000-12113-82079-2009-170003</td>
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<td>Healthy Food Certification</td>
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<td>Child Nutritional Program (School Lunch State Match)</td>
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<td>11000-16072-82051-2009-170005</td>
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<td>Family Resource Centers</td>
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<tr>
<td>Adult Education</td>
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<td>11000-17030-84002-2009-170013</td>
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<td>Health Services</td>
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<tr>
<td>School Breakfast</td>
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<td>11000-17046-82057-2009</td>
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<tr>
<td>School Breakfast</td>
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<tr>
<td>Youth Services Bureau Enhancement</td>
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<td>Youth Services Bureau</td>
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<td>11000-17052-82079-2009-170002</td>
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<td>Open Choice</td>
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<td>11000-17053-82060-2009</td>
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<td>Magnet School Transportation</td>
<td>11000-SDE64000-17057</td>
<td>11000-17057-82061-2009</td>
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<td>Passed through A.C.E.S: Open Choice</td>
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<td>Town Aid Road Grants Transportation Fund</td>
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<td>Public, Educational and Governmental Programming and Educational Technology Investment Account (PEGPETIA)</td>
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<td>State Assets Forfeiture Revolving Fund</td>
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<td>Telecommunications Fund</td>
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<td>DIVISION OF SPECIAL REVENUE:</td>
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<td>Payments to Municipalities - Parimutuels</td>
<td>34004-DSR18307-29109</td>
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<td>Property Tax Relief for Elderly and Totally Disabled Homeowners</td>
<td>11000-OPM20600-17011</td>
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<td>Property Tax Relief for Totally Disabled Homeowners</td>
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<td>Property Tax Relief for Elderly Homeowners - Freeze Program</td>
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<td>Property Tax Relief for Veterans</td>
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<td>Property Tax Relief for Manufacturing Machinery and Equipment and Commercial Vehicles</td>
<td>11000-OPM20600-17031</td>
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<td>Local Capital Improvement Program</td>
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<td>Municipal Video Competition Trust Account Grant</td>
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<td>Juvenile Justice System Grant</td>
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<td>CONNECTICUT STATE LIBRARY:</td>
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<td>State Grants to Public Libraries</td>
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<td>State Grants to Public Libraries</td>
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<td>Connecticut</td>
<td>11000-CSL66051-17010</td>
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<td>Historical Preservation Grant</td>
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<td>OFFICE OF STATE COMPTROLLER:</td>
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<td>Payment in Lieu of Taxes (PILOT) on State Owned Property</td>
<td>11000-OSC15910-17004</td>
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<td>Boat Grant</td>
<td>12027-OSC15910-40211</td>
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<td>TOTAL STATE ASSISTANCE BEFORE EXEMPT PROGRAMS:</td>
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<td>2,295,690</td>
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</tbody>
</table>

See note to Schedule of Expenditures of State Financial Assistance

19
## TOWN OF EAST HAVEN, CONNECTICUT
### SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE
FOR THE YEAR ENDED JUNE 30, 2010

<table>
<thead>
<tr>
<th>STATE GRANTOR/PASS-THROUGH GRANTOR/PROGRAM TITLE</th>
<th>STATE GRANT PROGRAM NUMBER</th>
<th>STATE PROJECT NUMBER</th>
<th>EXPENDITURES</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>STATE GRANT/PROGRAM</strong></td>
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<tr>
<td><strong>CORE CT NUMBER</strong></td>
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<tr>
<td><strong>PROJECT NUMBER</strong></td>
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<tr>
<td><strong>EXEMPT PROGRAMS:</strong></td>
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<tr>
<td><strong>DEPARTMENT OF EDUCATION:</strong></td>
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</tr>
<tr>
<td>Public School Transportation</td>
<td>11000-SDE64000-17027</td>
<td>11000-17027-82010-2009-170005</td>
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<td>Equalization Cost Sharing</td>
<td>11000-SDE64000-17041</td>
<td>11000-17041-82010-2009-170002</td>
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<td>Special Education: Excess Costs Student Based and Equity</td>
<td>11000-SDE64000-17047</td>
<td>11000-17047-82016-2009</td>
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<tr>
<td>Special Education: Excess Costs Student Based and Equity</td>
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<td>11000-17047-82016-2009</td>
<td>234,070</td>
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<tr>
<td>Special Education: Excess Costs Student Based and Equity</td>
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<tr>
<td>Special Education: Excess Costs Student Based and Equity</td>
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<td>11000-17047-82019-2009</td>
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<tr>
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<td>11000-17049-82010-2009-170006</td>
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<td>School Construction Project - Interest</td>
<td>13009-SDE64000-40896</td>
<td>13009-40896-82004-2008-170063</td>
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<tr>
<td>School Construction Project - Interest</td>
<td>13009-SDE64000-40896</td>
<td>13009-40896-82004-2009-170063</td>
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<td>School Construction Project - Principal</td>
<td>13010-SDE64000-40901</td>
<td>13010-40901-82003-2008-170001</td>
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<td>School Construction Project - Principal</td>
<td>13010-SDE64000-40901</td>
<td>13010-40901-82003-2009-170001</td>
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<td>School Construction Project - Progress Payments</td>
<td>13010-SDE64000-40901</td>
<td>13010-40901-82006-2009-170001</td>
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<td><strong>OFFICE OF STATE COMPTROLLER:</strong></td>
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<tr>
<td>Mashantucket Pequot/Mohegan Fund</td>
<td>12009-OSC15910-17065</td>
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<tr>
<td><strong>TOTAL EXEMPT PROGRAMS:</strong></td>
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<td>20,594,372</td>
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<tr>
<td><strong>TOTAL STATE FINANCIAL ASSISTANCE:</strong></td>
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<td>$22,890,062</td>
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</table>

See note to Schedule of Expenditures of State Financial Assistance
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.
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.
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

I - SUMMARY OF AUDITORS' RESULTS

Financial Statements

Type of auditors' report issued: Unqualified

Internal control over financial reporting:
- Material weakness(es) identified? Yes
- Significant deficiency(ies) identified? Yes
- Noncompliance material to financial statements noted? Yes

State Financial Assistance

Internal control over major programs:
- Material weakness(es) identified? Yes
- Significant deficiency(ies) identified? Yes

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

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

<table>
<thead>
<tr>
<th>State Grantor and Program</th>
<th>State Core-CT Number</th>
<th>Expenditures</th>
</tr>
</thead>
</table>
| 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  
  Local Capital Improvement Program           | 11000-OPM20600-17018     | 339,453      |
  |                                               | 12050-OPM20600-40254     | 342,823      |
| OFFICE OF STATE COMPTROLLER:  
  Payment in Lieu of Taxes (PILOT) on State-Owned Property | 11000-OSC15910-17004     | 241,705      |
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.
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.
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.
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.
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.
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.
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).
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.

Farmington, Connecticut
February 17, 2011
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.
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.
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.

Farmington, Connecticut
February 17, 2011