

BlumShapiro

To the Board of Finance
Town of East Haddam, 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 Haddam, Connecticut (the Town) for the year ended June 30, 2008 and have issued our report thereon dated November 3, 2008. Professional standards require that we provide you with the following information related to our audit.

Our Responsibilities Under Auditing Standards Generally Accepted in the United States of America, OMB Circular A-133 and the State Single Audit Act

As stated in our engagement letter dated July 28, 2008, our responsibility, as described by professional standards, is to express opinions about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with accounting principles generally accepted in the United States of America. Our audit of the financial statements does not relieve you or management of your responsibilities.

As part of our audit, we considered the Town's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide assurance on the internal control over financial reporting. We also considered internal control over compliance with requirements that could have a direct and material effect on a major federal or state program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and not to test and report on internal control over compliance in accordance with OMB Circular A-133 and the State Single Audit Act.

Our responsibility is to plan and perform the audit to obtain reasonable, but not absolute, assurance that the financial statements are free of material misstatement. 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 grants, 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. Also in accordance with OMB Circular A-133 and the State Single Audit Act, we examined, on a test basis, evidence about the Town's compliance with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* applicable to each of its major federal programs, and the compliance requirements described in the *Compliance Supplement to the State Single Audit Act* applicable to each of its major state programs for the

purpose of expressing an opinion on the Town's compliance with those requirements. While our audit provides a reasonable basis for our opinion, it does not provide a legal determination on the Town's compliance with those requirements.

We are responsible for communicating significant matters related to the audit that are, in our professional judgment, relevant to your responsibilities in overseeing the financial reporting process. However, we are not required to design procedures specifically to identify such matters.

Other Information in Documents Containing Audited Financial Statements

Management may include the audited financial statements in an official statement for the sale of debt and/or other documents such as an annual report. Our responsibility for the other information in these documents containing the Town's financial statements does not extend beyond the financial information identified in this report. We do not have an obligation to perform any procedures to corroborate other information contained in these documents. We have not performed any additional procedures with respect to these documents.

Planned Scope and Timing of the Audit

We performed the audit according to the planned scope and timing previously communicated to you in our meeting about planning matters on August 6, 2008.

Significant Audit Findings

In the Town's Independent Auditors' Report on Internal Control over Financial Reporting, we have identified a material weakness in internal control over general ledger maintenance. A detailed account of the material weakness can be reviewed within the federal and state single audit reports.

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by the Town are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the year. We noted no transactions entered into by the Town during the year for which there is a lack of authoritative guidance or consensus. There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and

assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. There were no sensitive estimates significant to the financial statements.

The disclosures in the financial statements are neutral, consistent and clear. Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. There were no sensitive disclosures affecting the financial statements.

Difficulties Encountered in Performing the Audit

We encountered some difficulties in dealing with management in performing and completing our audit. The records of the Town were not completely reviewed prior to the start of our audit. As a result, adjustments were being posted by the Town during the first week of our fieldwork. These adjustments became so numerous in nature that we needed to request a revised trial balance to audit after the first week of fieldwork. We were required to redo much of the trial balance work again after receiving the revised trial balances. We expended a significant amount of time in reviewing the adjustments and discussing the adjustments that should have already been recorded prior to the start of the audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. The attached Schedule A summarizes uncorrected misstatements of the financial statements. Management has determined that their effects are immaterial, both individually and in the aggregate, to the financial statements taken as a whole. The attached Schedule B outlines material misstatements detected as a result of audit procedures which were corrected by management.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Independence

There are no relationships between any of our representatives and the Town that in our professional judgment may reasonably be thought to bear on our independence.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated November 3, 2008.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Town's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We have issued a separate report containing management recommendations and comments.

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Town's auditor's. However, these discussions occurred in the normal course of our professional relationship, and our responses were not a condition to our retention.

This information is intended solely for the use of the Board of Finance and management of the Town of East Haddam, Connecticut, and is not intended to be and should not be used by anyone other than these specified parties.

Blum, Shapiro & Company, P.C.

November 3, 2008

DESCRIPTION OF UNCORRECTED IMMATERIAL MISSTATEMENTS

Description (Nature) Of Misstatement	Amount	Adjustment to correct Dr/(Cr)			
		Total Assets	Net Assets	Revenues	Change in Net Assets
R&T Funds not recorded	\$ 40,758	\$ 40,758	\$ (40,758)	\$ (40,758)	\$ (40,758)

DESCRIPTION OF CORRECTED MATERIAL MISSTATEMENTS

Adjusting Journal Entry JE

to properly record open space bond proceeds and receivable transactions posted incorrectly by client.

0001-70-786-578606-	PATRELL PROPERTY PURCHASE	\$ 11,800.00	\$
0001-70-786-578606-	PATRELL PROPERTY PURCHASE	393,900.00	
0001-70-786-578607-	SABINE PROPERTY PURCHASE	500,000.00	
0001-70-786-410111BSC	BOND PROCEEDS - OPEN SPACE PROPERTIES		500,000.00
0001-70-786-410112BSC	STATE REVENUE - OPEN SPACE GRANT		405,700.00
Total		<u>\$ 905,700.00</u>	<u>\$ 905,700.00</u>

Adjusting Journal Entry JE

to correctly record the bond/BAN sale including premiums □

0059-00-000-240450-	BAN PRINCIPAL DUE 5-15-08	\$ 16,150,000.00	\$
0059-00-000-587712-	4-8 SCH BAN/BOND INTEREST	110,192.00	
0059-00-000-456000-	BAN PREMIUMS		12,173.00
0059-00-000-456001	BOND PREMIUMS		98,019.00
0059-00-000-45700	BOND PRINCIPAL		16,150,000.00
Total		<u>\$ 16,260,192.00</u>	<u>\$ 16,260,192.00</u>

Adjusting Journal Entry JE

to write off State of Connecticut receivables for the bridge projects. No more state funds expected.

066-AR-BLUM	WRITE OFF OF BRIDGE RECEIVABLE	\$ 46,433.00	\$
067-AR-BLUM	WRITE OFF OF BRIDGE RECEIVABLE	108,470.00	
0066-00-000-120210-	ACCOUNTS RECEIVABLE		46,433.00
0067-00-000-120210-	ACCOUNTS RECEIVABLE		108,470.00
Total		<u>\$ 154,903.00</u>	<u>\$ 154,903.00</u>

Adjusting Journal Entry JE

to record State of Connecticut School Construction receivable at 6/30/08.

0059-00-000-120210-	ACCOUNTS RECEIVABLE	\$ 3,500,000.00	\$
0059-00-000-417000-	INTERGOVERNMENTAL REVENUE		3,500,000.00
Total		<u>\$ 3,500,000.00</u>	<u>\$ 3,500,000.00</u>