MANAGEMENT COMMUNICATIONS

TOWN OF GRAND CHUTE, WISCONSIN

DECEMBER 31, 2012

TOWN OF GRAND CHUTE, WISCONSIN
December 31, 2012

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CPAs AND SO MUCH MORE.

To the Town Board
Town of Grand Chute, Wisconsin

We have completed our audit of the basic financial statements of the Town of Grand Chute (the "Town") as of and for the year ended December 31, 2012. The Town's financial statements, including our report thereon dated June 8, 2013, are presented in a separate audit report document. Professional standards require that we provide you with the following information related to our audit.

Our Responsibilities Under U.S. Generally Accepted Auditing Standards

As stated in our engagement letter, our responsibility, as described by professional standards, is to plan and perform our audit to obtain reasonable, but not absolute, assurance that the financial statements are free of material misstatement and are fairly presented in accordance with accounting principles generally accepted in the United States of America. Because an audit is designed to provide reasonable, but not absolute, assurance and because we did not perform a detailed examination of all transactions, there is a risk that material errors, fraud, noncompliance with the provisions of laws, regulations, contracts and grants or other illegal acts may exist and not be detected by us.

In planning and performing 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.

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. 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.

Planned Scope and Timing of the Audit

We performed the audit according to the planned scope and timing previously communicated to you in our correspondence about planning matters.

Significant Audit Findings

Consideration of Internal Control

In planning and performing our audit of the financial statements of the Town as of and for the year ended December 31, 2012, in accordance with auditing standards generally accepted in the United States of America, we considered the Town's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Town's internal control. Accordingly, we do not express an opinion on the effectiveness of the Town's internal control. Our report on internal control over financial reporting and on compliance and other matters is presented on pages 42 - 43 of the annual report.

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Our consideration of internal control was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the financial statements will not be prevented or detected and corrected on a timely basis. A significant deficiency is a control deficiency, or a combination of control deficiencies, that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the following deficiency to be a significant deficiency in internal control:

Finding 2012-01 Preparation of Annual Financial Report

A detailed explanation of the significant deficiency is included in the Town's Annual Financial Report on page 44.

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 A to the financial statements. The Town implemented GASB Statement No. 63 *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position* and GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities* for the year ended December 31, 2012. 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. The most sensitive estimate included in the financial statements was:

> Management's estimate of the depreciable life of the capital assets is based upon analysis of the expected useful life of the capital assets. We evaluated the key factors and assumptions and the consistency in these factors and assumptions used to develop the depreciable life in determining that it is reasonable in relation to the financial statements taken as a whole.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our 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 financial statements reflect all accounting adjustments proposed during our audit. Copies of the audit adjustments are available from 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 auditors' report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated June 8, 2013. The management representation letter follows this communication.

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 generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to conducting the audit. These discussions occurred in the normal course of our professional relationship and our responses were not a condition to completing the services as your auditor.

In addition, during our audit, we noted certain other matters that are presented for your consideration. We will review the status of these comments during our next audit engagement. Our comments and recommendations are intended to improve the internal control or result in other operating efficiencies. We will be pleased to discuss these matters in further detail at your convenience, perform any additional study of these matters, or assist you in implementing the recommendations. Our comments are summarized in the other comments and observations of this communication.

This communication, which does not affect our report dated June 8, 2013 on the financial statements of the Town, is intended solely for the information and use of the Town Board, management, and others within the Town, and is not intended to be and should not be used by anyone other than these specified parties.

Sincerely,

Schenck SC

Certified Public Accountants
Green Bay, Wisconsin
June 8, 2013

June 8, 2013

Schenck SC
2200 Riverside Drive
P.O. Box 23819
Green Bay, WI 54305-3819

This representation letter is provided in connection with your audit of the primary government financial statements of the Town of Grand Chute, (the "Town"), which comprise the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information as of December 31, 2012, and the respective changes in the financial position and where applicable, cash flows for the year then ended, and the related notes to the primary government financial statements for the purpose of expressing opinions as to whether the primary government financial statements are presented fairly, in all material respects, in accordance with accounting principles generally accepted in the United States of America.

Certain representations in this letter are described as being limited to matters that are material. Items are considered material, regardless of size, if they involve an omission or misstatement of accounting information that, in light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would be changed or influenced by the omission or misstatement. An omission or misstatement that is monetarily small in amount could be considered material as a result of qualitative factors.

We confirm, to the best of our knowledge and belief, as of June 8, 2013, the following representations made to you during your audit.

Financial Statements

1. We have fulfilled our responsibilities, as set out in the terms of the audit engagement letter dated January 30, 2013.

2. The primary government financial statements referred to above are fairly presented in conformity with accounting principles generally accepted in the United States of America and include all properly classified funds and other financial information of the primary government required by accounting principles generally accepted in the United States of America to be included in the financial reporting entity.

3. We acknowledge our responsibility for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

4. We acknowledge our responsibility for the design, implementation, and maintenance of internal control to prevent and detect fraud.

5. Significant assumptions we used in making accounting estimates are reasonable.

6. Related party relationships and transactions, including revenues, expenditures/expenses, loans, transfers, leasing arrangements, and guarantees, and amounts receivable from or payable to related parties have been appropriately accounted for and disclosed in accordance with the requirements of accounting principles generally accepted in the United States of America.

7. All events subsequent to the date of the financial statements and for which accounting principles generally accepted in the United States of America requires adjustment or disclosure have been adjusted or disclosed. No events, including instances of noncompliance, have occurred subsequent to the balance sheet date and through the date of this letter that would require adjustment to or disclosure in the aforementioned financial statements.

8. We are in agreement with the adjusting journal entries you have proposed, and they have been posted to the Town's accounts.

9. The effects of all known actual or possible litigation, claims, and assessments have been accounted for and disclosed in accordance with accounting principles generally accepted in the United States of America.

10. Guarantees, whether written or oral, under which the Town is contingently liable, if any, have been properly recorded or disclosed.

Information Provided

11. We have provided you with:

    a. Access to all information, of which we are aware, that is relevant to the preparation and fair presentation of the financial statements, such as records, documentation, and other matters.

    b. Additional information that you have requested from us for the purpose of the audit.

    c. Unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence.

    d. Minutes of the meetings of the Town Board or summaries of actions of recent meetings for which minutes have not yet been prepared.

12. All material transactions have been recorded in the accounting records and are reflected in the financial statements.

13. We made an assessment of the risk that the financial statements may be materially misstated as a result of fraud. We have disclosed the results of our assessment as follows:

    a. We have no knowledge of any fraud or suspected fraud that affects the Town and involves:

        i. Management,

        ii. Employees who have significant roles in internal control, or

        iii. Others where the fraud could have a material effect on the financial statements.

    b. We have no knowledge of any allegations of fraud or suspected fraud affecting the Town's financial statements communicated by employees, former employees, regulators, or others.

14. We have disclosed to you all known instances of noncompliance or suspected noncompliance with provisions of laws, regulations, contracts, or grant agreements, or abuse, whose effects should be considered when preparing financial statements.

15. We have disclosed to you all known actual or possible litigation, claims, and assessments whose effects should be considered when preparing the financial statements.

16. We have disclosed to you the identity of the Town's related parties and all the related party relationships and transactions of which we are aware.

Government - specific

17. We have made available to you all financial records and related data.

18. There have been no communications from regulatory agencies concerning noncompliance with, or deficiencies in, financial reporting practices.

19. We have a process to track the status of audit findings and recommendations.

20. We have identified to you any previous audits, attestation engagements, and other studies related to the audit objectives and whether related recommendations have been implemented.

21. We have provided our view on the reported finding, conclusion, and recommendation, as well as our planned corrective action, for the report.

22. The Town has no plans or intentions that may materially affect the carrying value or classification of assets, liabilities, or equity.

23. We are responsible for compliance with the laws, regulations, and provisions of contracts and grant agreements applicable to us, including tax or debt limits and debt contracts; and we have identified and disclosed to you all laws, regulations and provisions of contracts and grant agreements that we believe have a direct and material effect on the determination of financial statement amounts, or other financial data significant to the audit objectives, including legal and contractual provisions for reporting specific activities in separate funds.

24. There are no violations or possible violations of budget ordinances, laws and regulations (including those pertaining to adopting, approving, and amending budgets), provisions of contracts and grant agreements, tax or debt limits, and any related debt covenants whose effects should be considered for disclosure in the financial statements, or as a basis for recording a loss contingency, or for reporting on noncompliance.

25. As part of your audit, you assisted with preparation of the financial statements and related notes, state financial report, and Public Service Commission annual report. We have designated an individual with suitable skill, knowledge, or experience to oversee your services and have made all management decisions and performed all management functions. We have reviewed, approved, and accepted responsibility for those financial statements and related notes, state financial report, and Public Service Commission annual report.

26. The Town has satisfactory title to all owned assets, and there are no liens or encumbrances on such assets nor has any asset been pledged as collateral.

27. The Town has complied with all aspects of contractual agreements that would have a material effect on the financial statements in the event of noncompliance.

28. We have followed all applicable laws and regulations in adopting, approving, and amending budgets.

29. The financial statements include all component units as well as joint ventures with an equity interest, and properly disclose all other joint ventures and other related organizations.

30. The financial statements properly classify all funds and activities.

31. All funds that meet the quantitative criteria in GASB Statement Nos. 34 and 37 for presentation as major are identified and presented as such and all other funds that are presented as major are particularly important to financial statement users.

32. Components of net position (net investment in capital assets, restricted, and unrestricted) and components of fund balance (nonspendable, restricted, committed, assigned and unassigned) are properly classified and, if applicable, approved.

33. Provisions for uncollectible receivables have been properly identified and recorded.

34. Expenses have been appropriately classified in or allocated to functions and programs in the statement of activities, and allocations have been made on a reasonable basis.

35. Revenues are appropriately classified in the statement of activities within program revenues or general revenues.

36. Interfund, internal, and intra-entity activity and balances have been appropriately classified and reported.

37. Deposits and investment securities and derivative transactions are properly classified as to risk and are properly disclosed.

38. Capital assets, including infrastructure and intangible assets, are properly capitalized, reported, and, if applicable, depreciated.

39. We have appropriately disclosed the Town's policy regarding whether to first apply restricted or unrestricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position are available and have determined that net position were properly recognized under the policy.

40. We acknowledge our responsibility for presenting the nonmajor fund combining statements and individual fund statements (the supplementary information) in accordance with accounting principles generally accepted in the United States of America, and we believe the supplementary information, including its form and content, is fairly presented in accordance with accounting principles generally accepted in the United States of America. The methods of measurement and presentation of the supplementary information have not changed from those used in the prior period, and we have disclosed to you any significant assumptions or interpretations underlying the measurement and presentation of the supplementary information.

41. The fact that the amount of "uncollateralized" deposits or "uninsured, unregistered securities held by the counterparty, or by its trust department or agent but not in the Town's name" during the period significantly exceeded the amounts in those categories as of the balance sheet was properly disclosed in the financial statements.

42. Arrangements with financial institutions involving repurchase, reverse repurchase, or securities lending agreements, compensating balances, or other arrangements involving restrictions on cash balances and line-of-credit or similar arrangements, have been properly recorded or disclosed in the financial statements.

43. The methods and significant assumptions used to determine fair values of financial instruments are as follows: Fair value is the amount at which a financial instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. The methods and significant assumptions used result in a measure of fair value appropriate for financial statement measurement and disclosure purposes.

44. Receivables recorded in the financial statements represent valid claims against debtors for transactions arising on or before the balance sheet date and have been appropriately reduced to their estimated net realizable value.

45. Capital assets have been evaluated for impairment as a result of significant and unexpected decline in service utility.

46. Expenditures of federal awards were below the $500,000 threshold in the year ended December 31, 2012, and we were not required to have an audit in accordance with *OMB Circular A-133*.

47. We have evaluated and classified any subsequent events as recognized or nonrecognized through the date of this letter. No events, including instances of noncompliance, have occurred subsequent to the balance sheet date and through the date of this letter that would require adjustment to or disclosure in the aforementioned financial statements.

Signed: James March, Town Administrator

Signed: Amy Wallace,
Finance Director / Treasurer

SUMMARY FINANCIAL INFORMATION

1. Town Governmental Fund Balances

Presented below is a summary of the various Town governmental fund balances on December 31, 2012 including a comparison to the prior year. This information is provided for assisting management in assessing financial results of 2012 and for indicating financial resources available at the start of the 2013 budget year.

	12/31/12	12/31/11
Governmental Funds		
General Fund		
Nonspendable		
Prepaid items	$ 203,873	$ 195,150
Assigned		
Equipment replacement	490,900	590,900
Dental insurance	33,696	27,438
Unassigned	3,947,405	3,039,485
Total General Fund	4,675,874	3,852,973
Special Revenue Funds		
Restricted		
Fire impact fees	95,746	59,424
Assigned		
Room tax	75,245	68,165
Park development	165,263	95,366
Fire donations	1,041	2,172
K-9 Unit	5,223	5,451
Total Special Revenue Funds	342,518	230,578
Debt Service Fund		
Restricted for debt service		
Special assessment	5,512,042	5,635,666
Debt service	296,204	178,188
Total	5,808,246	5,813,854
Capital Project Fund		
Capital outlay	7,349,061	4,136,535
Total Governmental Fund Balances	$ 18,175,699	$ 14,033,940

Additional observations and comments follow:

General Fund
The Town's general fund increased from $3,852,973 to $4,675,874 during 2012. At December 31, 2012, the Town's unassigned general fund totaled $3,947,405. This balance represents approximately 30% of the total 2013 budgeted general fund expenditures. This indicates the general fund is in excellent financial position as it enters the 2013 fiscal year.

Special Assessment Special Revenue Fund
The Town's special assessment fund balance decreased $123,624 during the current fiscal year. Expenditures of this fund consist of transfers to the Town's debt service fund to finance principal and interest maturities on the Town's outstanding general obligation debt. At December 31, 2012, the Town has available financial resources of $5,512,042.

Debt Service Fund
The Town's debt service balance totaled $296,204 at December 31, 2012.

2. Sanitary District No. 1 Enterprise Fund

Presented below are financial analyses to assist management in monitoring water utility operations.

Water Utility Income Account

Comparative income accounts for the years ended December 31, 2012 and 2011 follows:

	2012	2011
Operating Revenues		
General customers	$ 4,809,108	$ 4,731,515
Other	208,444	153,501
Total Operating Revenues	5,017,552	4,885,016
Operating Expenses		
Operation and maintenance	4,736,852	4,573,146
Depreciation	441,963	439,519
Taxes	29,501	29,590
Total Operating Expenses	5,208,316	5,042,255
Operating Income (Loss)	(190,764)	(157,239)
Nonoperating Revenues (Expenses)		
Tax exempt computer aid	315	403
Gain on disposal of capital assets	-	250
Interest income	12,480	11,303
Interest charges	(121,259)	(130,772)
Amortization of debt premium (discount)	806	(17)
Total Nonoperating Revenues (Expenses)	(107,658)	(118,833)
Net Loss	$ (298,422)	$ (276,072)

The water utility reported a net operating loss of $190,764 in 2012 compared to a net operating loss of 157,239 for the prior year. The primary reason for the decrease in operating results is the increasing purchased water costs.

3. Sanitary District No. 2 Enterprise Fund

Presented below are financial analyses to assist management in monitoring sewer utility operations.

Sewer Utility Income Account

Comparative income accounts for the years ended December 31, 2012 and 2011 follows:

	2012	2011
Operating Revenues		
General customers	$ 2,615,256	$ 2,537,796
Other	288,538	271,994
Total Operating Revenues	2,903,794	2,809,790
Operating Expenses		
Operation and maintenance	2,413,069	2,077,886
Depreciation	487,894	481,568
Taxes	14,120	13,889
Total Operating Expenses	2,915,083	2,573,343
Operating Income (Loss)	(11,289)	236,447
Nonoperating Revenues (Expenses)		
Gain on disposal of capital assets	7,659	250
Interest income	107,685	95,520
Interest charges	(34,384)	(46,712)
Amortization of debt premium (discount)	1,281	(826)
Total Nonoperating Revenues (Expenses)	82,241	48,232
Net Income	$ 70,952	$ 284,679

The Sanitary District reported an operating loss of $11,289 for 2012 compared to operating income of $236,447 in 2011. The decrease in operating income was due primarily to increased operating costs.

To evaluate the Sanitary District's operations, it is important to review their available cash and investments in relation to future debt maturities and anticipated plant improvements. At December 31, 2012, total cash and investments of Sanitary District No. 2 totaled $9,477,039 with undesignated cash and investments totaling $7,676,473. Outstanding general obligation debt of Sanitary District No. 2 currently totals $740,428. Because the Town is a member of the Grand Chute-Menasha West Sewerage Commission, the Town is generally only responsible for a portion of any plant upgrade costs incurred by the Commission. These costs are currently included in the monthly contracted treatment charges and collected from customers as part of the sewer rates. In addition, sewer mains and services connected to the system are generally financed by developer or customer contributions.

4. Sanitary District No. 3 Enterprise Fund

Presented below are financial analyses to assist management in monitoring storm water utility operations.

Storm Water Utility Income Account

Income accounts for the years ended December 31, 2012 and 2011 follows:

	2012	2011
Operating Revenues		
General customers	$ 2,834,620	$ 2,720,313
Other	28,424	19,128
Total Operating Revenues	2,863,044	2,739,441
Operating Expenses		
Operation and maintenance	359,632	331,535
Depreciation	392,164	344,505
Total Operating Expenses	751,796	676,040
Operating Income	2,111,248	2,063,401
Nonoperating Revenues (Expenses)		
Interest income	74,196	62,113
Interest charges	(192,464)	(241,024)
Amortization of debt premium (discount)	865	(1,719)
Total Nonoperating Revenues (Expenses)	(117,403)	(180,630)
Net Income	$ 1,993,845	$ 1,882,771

The fund transferred $40,194 to the general fund for administrative expenses.

Because the storm water utility has significant capital expenditures each year which are financed by debt or special assessments, the charges for services is designed to retire debt service obligations in addition to operating costs. In 2012, the fund made principal and interest payments of $1,534,140.

5. East Side Utility Enterprise Fund

Presented below are financial analyses to assist management in monitoring utility operations.

East Side Utility Income Account

Comparative income accounts for the years ended December 31, 2012 and 2011 follows:

	2012	2011
Operating Revenues		
General customers	$ 21,016	$ 17,360
Other	102	903
Total Operating Revenues	21,118	18,263
Operating Expenses		
Operation and maintenance	23,378	23,174
Depreciation	19,242	19,242
Total Operating Expenses	42,620	42,416
Operating Loss	(21,502)	(24,153)
Nonoperating Revenues		
General property taxes	19,550	19,400
Interest income	2,978	2,362
Total Nonoperating Revenues	22,528	21,762
Net Income (Loss)	$ 1,026	$ (2,391)

East Side Utility currently has unrestricted cash and investment balances of $278,473.

6. Restricted and Designated Cash and Investments

The Town reported restricted and other cash and investments totaling $2,818,023 at December 31, 2012 held for the following purposes:

Funds	Amount	Purpose
Sanitary District No. 1		
Other Assets		
General obligation debt		
Water tower	$ 351,361	To be used for maintenance on the Sanitary District's water tower.
Restricted Assets		
Depreciation fund	496,010	To be used for additions and betterments of the District's capital assets.
Impact fees	170,086	Impact fees collected for future purchases
	666,096	
Total Sanitary District No. 1	1,017,457	
Sanitary District No. 2		
Other Assets		
Depreciation fund	447,616	To be used for additions and betterments of the District's capital assets.
Service availability charges	1,027,186	To account for SAC fees collected to be used for future sewerage plant expansion.
	1,474,802	
Restricted Assets		
DNR replacement fund	325,764	To be used for the replacement of certain equipment of the District in accordance with the Wisconsin Department of Natural Resources requirements.
	325,764	
Total Sanitary District No. 2	1,800,566	
Total	$ 2,818,023	

OTHER COMMENTS AND OBSERVATIONS

GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position* and Statement No. 65, *Items Previously Reported as Assets and Liabilities*

For the year ended December 31, 2012, the Town implemented Governmental Accounting Standards Board (GASB) Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position* and Statement No. 65, *Items Previously Reported as Assets and Liabilities.* These statements are intended to provide users of financial statements with information on how past transactions will impact the Town's future financial statements.

The effects on the current year financial statements are to change the classification of "Net Assets" to "Net Position" and to create two additional categories on the Statement of Net Position and the Balance Sheet for deferred outflows and deferred inflows.

A deferred outflow of resources is a consumption of net assets that is applicable to a future reporting period. The Town reports the deferred loss on refunding in this category.

A deferred inflow of resources is an acquisition of net assets that is applicable to a future reporting period. The government-wide and proprietary funds Statements of Net Position and the governmental funds Balance Sheet report a deferred inflow for the 2013 property tax levy. Since the governmental fund financial statements use the modified accrual basis of accounting, there is an additional item reported in those balance sheets for unavailable revenues. The unavailable revenue reported is for special assessment receivables.

These items have been previously reported in the Town's financial statements under "Assets" or "Liabilities", so there is no change to fund balance or net position.