

MANAGEMENT COMMUNICATIONS
TOWN OF GRAND CHUTE, WISCONSIN
DECEMBER 31, 2015

TOWN OF GRAND CHUTE, WISCONSIN
December 31, 2015

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To the Town Board
Town of Grand Chute
Outagamie County, Wisconsin

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Town of Grand Chute, Outagamie County, Wisconsin (the "Town") for the year ended December 31, 2015. The Town's financial statements, including our report thereon dated June 6, 2016, 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 express opinions about whether the financial statements 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.

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. 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 governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town as of and for the year ended December 31, 2015, 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 auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Town's internal control. Accordingly, we do not express an opinion on the effectiveness of the Town's internal control. Our report on internal control over financial reporting and on compliance and other matters is presented on pages 51 - 52 of the annual report.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we identified a certain deficiency in internal control that we consider to be a significant deficiency.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency or a combination of deficiencies in internal control, such that there is a reasonable possibility that a material misstatement of the Town's financial statements will not be prevented, or detected and corrected, on a timely basis. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control, that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the following deficiency in the Town's internal control to be a significant deficiency:

Finding 2015-001 Adjustments to the Town's Financial Records

This finding is described in detail in the schedule of findings and questioned costs on page 53 of the annual report.

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. As described in Note D.4 to the financial statements, the Town changed accounting policies related to pension accounting by adopting Statement of Governmental Accounting Standards Board (GASB) No. 68, *Accounting and Financial Reporting for Pensions – An Amendment of GASB Statement No. 27* and Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – An Amendment of GASB Statement No. 68*, in 2015. We noted no transactions entered into by the Town during the year for which there is a lack of authoritative guidance or consensus. To the best of our knowledge, all significant transactions have been recognized in the financial statements in the proper period.

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 estimates included in the financial statements were:

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.

Management's estimate of the net pension asset and related deferred outflows of resources is based on information received from the Wisconsin Retirement System. We evaluated the key factors and assumptions used to develop the net pension asset and related deferred outflows of resources in determining that they are reasonable in relation to the financial statements taken as a whole.

The financial statement disclosures are neutral, consistent and clear.

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 clearly trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. Copies of the audit adjustments are available from management. The following material misstatements were detected as a result of audit procedures and were corrected by management:

- Tax Incremental District No. 1's portion of a construction project totaling \$1,440,900 was reclassified from Sanitary District No. 1 (\$64,810), Sanitary District No. 2 (\$63,251), Sanitary District No. 3 (\$484,799), and capital improvements (\$484,799). The information to record this adjustment was provided by Town personnel.
- Infrastructure assets donated totaled \$1,918,261 and were recorded in Sanitary District No. 1 (\$597,379), Sanitary District No. 2 (\$690,896), and Sanitary District No. 3 (\$629,986). The information to record this adjustment was provided by Town personnel.
- Land purchased as part of Tax Incremental District No. 2's project plan totaled \$2,488,500 and is held for resale as part of District. The Town offset this land held for resale by a deferred inflows of resources to recognize that the land will be sold in future years. The information to record this adjustment was provided by Town personnel.
- GASB Statement No. 68 implemented, increasing net pension asset by \$1,460,592, deferred outflows by \$1,548,131 and a cumulative adjustment of \$2,951,357. The information to record this adjustment was provided by the Wisconsin Retirement System.

Disagreements with Management

For purposes of this letter, a disagreement with management is 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. 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 6, 2016. 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 auditors' 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 retention as the Town's auditors. However, these discussions occurred in the normal course of our professional relationship and, to the best of our knowledge, our responses were not a condition to our retention.

Other Matters

We applied certain limited procedures to the schedules relating to pensions which are required supplementary information (RSI) that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

We were engaged to report on the nonmajor fund combining statements and detailed comparison of budget to actual general fund statements which accompany the financial statements but are not required supplementary information. With respect to this supplementary information, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

Restriction on Use

This information is intended solely for the 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,



Certified Public Accountants
Green Bay, Wisconsin
June 6, 2016

SUMMARY FINANCIAL INFORMATION

1. Town Governmental Fund Balances

Presented below is a summary of the various Town governmental fund balances on December 31, 2015 including a comparison to the prior year. This information is provided for assisting management in assessing financial results of 2015 and for indicating financial resources available at the start of the 2016 budget year.

	12/31/15	12/31/14
Governmental Funds		
General Fund		
Nonspendable		
Prepaid items	\$ 200,512	\$ 198,326
Assigned		
Equipment replacement	-	21,749
Dental insurance	14,789	38,251
Tax incremental district	-	2,000,000
Unassigned	2,557,080	4,350,539
Total General Fund	<u>2,772,381</u>	<u>6,608,865</u>
Special Revenue Funds		
Restricted		
Fire impact fees	31,183	164,348
Assigned		
Room tax	75,486	75,490
Park development	10,272	193,780
Fire donations	3,722	3,477
K-9 Unit	4,839	7,179
Total Special Revenue Funds	<u>125,502</u>	<u>444,274</u>
Debt Service Fund		
Restricted for debt service		
Special assessment	5,138,417	4,356,879
Debt service	739,231	181,829
Total	<u>5,877,648</u>	<u>4,538,708</u>
Capital Project Funds		
Capital Projects		
Restricted for capital outlay	-	1,511,318
Unassigned	(3,941,613)	-
Tax Incremental District No. 1		
Unassigned	(1,211,882)	(27,461)
Tax Incremental District No. 2		
Unassigned	(12,185)	-
Total	<u>(5,165,680)</u>	<u>1,483,857</u>
Total Governmental Fund Balances	<u>\$ 3,609,851</u>	<u>\$ 13,075,704</u>

Additional observations and comments follow:

General Fund

The Town's general fund decreased from \$6,608,865 to \$2,772,381 during 2015. At December 31, 2015, the Town's unassigned general fund totaled \$2,557,080, which represents approximately 19% of the total 2015 budgeted general fund expenditures. This indicates the general fund is in good financial position as it enters the 2016 fiscal year.

Special Assessment Special Revenue Fund

The Town's special assessment fund balance increased \$781,538 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, 2015, the Town has available financial resources of \$5,138,417.

Debt Service Fund

The Town's debt service fund balance totaled \$739,231 at December 31, 2015.

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, 2015 and 2014 follows:

	2015	2014
Operating Revenues		
General customers	\$ 5,505,476	\$ 5,491,566
Other	229,202	246,416
Total Operating Revenues	<u>5,734,678</u>	<u>5,737,982</u>
Operating Expenses		
Operation and maintenance	5,205,260	4,748,033
Depreciation	593,635	581,883
Taxes	23,412	22,836
Total Operating Expenses	<u>5,822,307</u>	<u>5,352,752</u>
Operating Income (Loss)	<u>(87,629)</u>	<u>385,230</u>
Nonoperating Revenues (Expenses)		
Tax exempt computer aid	4,706	-
Gain on disposal of capital assets	5,101	-
Interest income	(17,851)	17,413
Interest charges	(41,435)	(86,002)
Amortization of debt premium (discount)	3,485	3,485
Total Nonoperating Revenues (Expenses)	<u>(45,994)</u>	<u>(65,104)</u>
Net Income (Loss)	<u>\$ (133,623)</u>	<u>\$ 320,126</u>

The water utility reported a net operating loss of \$87,629 in 2015 compared to a net operating income of \$385,230 for the prior year. The rate of return for the water utility for 2015 was 1.93%.

Cash advanced from the sewer utility to the water utility was \$2,407,079 as of December 31, 2015, which increased in 2015 due to the operating loss and capital improvements acquired.

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, 2015 and 2014 follows:

	2015	2014
Operating Revenues		
General customers	\$ 2,781,227	\$ 2,734,768
Other	178,587	140,202
Total Operating Revenues	<u>2,959,814</u>	<u>2,874,970</u>
Operating Expenses		
Operation and maintenance	2,224,969	2,181,635
Depreciation	543,527	525,517
Total Operating Expenses	<u>2,768,496</u>	<u>2,707,152</u>
Operating Income	<u>191,318</u>	<u>167,818</u>
Nonoperating Revenues (Expenses)		
Gain on sale of capital assets	75	35,036
Interest income	93,144	129,813
Interest charges	(9,357)	(16,762)
Amortization of debt premium	1,405	1,405
Total Nonoperating Revenues (Expenses)	<u>85,267</u>	<u>149,492</u>
Net Income	<u>\$ 276,585</u>	<u>\$ 317,310</u>

The Sanitary District reported net operating income of \$191,318 for 2015 compared to operating income of \$167,818 in 2014.

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, 2015, total cash and investments of Sanitary District No. 2 totaled \$11,195,344 with unrestricted cash and investments totaling \$9,084,387. Outstanding general obligation debt of Sanitary District No. 2 currently totals \$125,000. 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, 2015 and 2014 follows:

	2015	2014
Operating Revenues		
General customers	\$ 2,901,727	\$ 2,875,567
Other	17,956	23,782
Total Operating Revenues	2,919,683	2,899,349
Operating Expenses		
Operation and maintenance	533,135	378,144
Depreciation	440,892	428,623
Total Operating Expenses	974,027	806,767
Operating Income	1,945,656	2,092,582
Nonoperating Revenues (Expenses)		
Interest income	95,420	132,243
Interest charges	(90,436)	(124,323)
Amortization of debt premium (discount)	7,833	7,833
Total Nonoperating Revenues (Expenses)	12,817	15,753
Net Income	\$ 1,958,473	\$ 2,108,335

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 2015, the fund made principal and interest payments of \$1,093,353.

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, 2015 and 2014 follows:

	2015	2014
Operating Revenues		
General customers	\$ 20,468	\$ 21,188
Other	135	273
Total Operating Revenues	<u>20,603</u>	<u>21,461</u>
Operating Expenses		
Operation and maintenance	23,105	22,038
Depreciation	10,228	10,228
Total Operating Expenses	<u>33,333</u>	<u>32,266</u>
Operating Loss	<u>(12,730)</u>	<u>(10,805)</u>
Nonoperating Revenues		
General property taxes	20,035	19,696
Interest income	2,719	3,724
Total Nonoperating Revenues	<u>22,754</u>	<u>23,420</u>
Net Income	<u>\$ 10,024</u>	<u>\$ 12,615</u>

East Side Utility currently has unrestricted cash and investment balances of \$342,828.

6. Restricted and Designated Cash and Investments

The Town reported restricted and other cash and investments totaling \$2,511,014 at December 31, 2015 held for the following purposes:

Funds	Amount	Purpose
Sanitary District No. 1		
Restricted Assets		
Impact fees	<u>\$ 335,366</u>	Impact fees collected for future purchases
Sanitary District No. 2		
Other Assets		
Depreciation fund	<u>458,504</u>	To be used for additions and betterments of the District's capital assets.
Restricted Assets		
Service availability charges	1,326,689	To account for SAC fees collected to be used for future sewerage plant expansion
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.
	<u>1,652,453</u>	
Total Sanitary District No. 2	<u>2,110,957</u>	
Sanitary District No. 3		
Forest View Estates	<u>64,691</u>	Support and maintenance of stormwater management infrastructure located in and serving the Forest View Estates Subdivision
Total	<u>\$ 2,511,014</u>	

APPENDIX

June 6, 2016

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 financial statements of the Town of Grand Chute, Wisconsin, (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, 2015, and the respective changes in the financial position and where applicable, cash flows for the year then ended, and the related notes to the financial statements for the purpose of expressing opinions as to whether the financial statements are presented fairly, in all material respects, in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP).

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 6, 2016, 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 7, 2016, including our responsibility for the preparation and fair presentation of the financial statements in accordance with U.S. GAAP and for preparation of the supplementary information in accordance with the applicable criteria.
2. The financial statements referred to above are fairly presented in conformity with U.S. GAAP and include all properly classified funds and other financial information of the primary government required by generally accepted accounting principles to be included in the financial reporting entity.
3. In regards to accounting estimates:
 - The measurement processes used by management in determining accounting estimates is appropriate and consistent.
 - The assumptions appropriately reflect management's intent and ability to carry out specific courses of action.
 - The disclosures related to accounting estimates are complete and appropriate.

- No subsequent event has occurred that would require adjustment to the accounting estimates or disclosures included in the financial statements.
4. 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.
 5. We acknowledge our responsibility for the design, implementation, and maintenance of internal control to prevent and detect fraud.
 6. Significant assumptions we used in making accounting estimates, including those measured at fair value, are reasonable.
 7. 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 U.S. GAAP.
 8. Adjustments or disclosures have been made for all events, including instances of noncompliance, subsequent to the date of the financial statements that would require adjustment to or disclosure in the financial statements.
 9. We are in agreement with the adjusting journal entries you have proposed, and they have been posted to the Town's accounts.
 10. The effects of all known actual or possible litigation, claims, and assessments have been accounted for and disclosed in accordance with U.S. GAAP.
 11. Guarantees, whether written or oral, under which the Town is contingently liable, if any, have been properly recorded or disclosed.

Information Provided

12. 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 Town 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.
13. All material transactions have been recorded in the accounting records and are reflected in the financial statements.
14. 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 entity 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. Except as made known to you, 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.
15. Except as made known to you, we have no knowledge of 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.
16. We have disclosed to you all known actual or possible litigation, claims, and assessments whose effects should be considered when preparing the financial statements.
17. 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

18. There have been no communications from regulatory agencies concerning noncompliance with, or deficiencies in, financial reporting practices.
19. 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.
20. The Town has no plans or intentions that may materially affect the carrying value or classification of assets, liabilities, deferred inflows/outflows of resources, or equity.
21. 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 legal and contractual provisions for reporting specific activities in separate funds.
22. We have identified and disclosed to you all instances, which have occurred or are likely to have occurred, of fraud and noncompliance with provisions of laws and regulations that we believe have a material effect on the financial statements or other financial data significant to the audit objectives, and any other instances that warrant the attention of those charged with governance.
23. We have identified and disclosed to you all instances, which have occurred or are likely to have occurred, of noncompliance with provisions of contracts and grant agreements that we believe have a material effect on the determination of financial statement amounts or other financial data significant to the audit objectives.
24. We have identified and disclosed to you all instances that have occurred or are likely to have occurred, of abuse that could be quantitatively or qualitatively material to the financial statements or other financial data significant to the audit objectives.
25. 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.

26. 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 acknowledge our responsibility as it relates to those nonaudit services, including that we assume all management responsibilities; oversee the services by designating an individual, preferably within senior management, who possesses suitable skill, knowledge, or experience; evaluate the adequacy and results of the services performed; and accept responsibility for the results of the services. We have reviewed, approved, and accepted responsibility for those financial statements and related notes, state financial report, and Public Service Commission annual report.
27. In regard to the capital asset depreciation services performed by you, we have –
 - a. Assumed all management responsibilities.
 - b. Designated an individual (within senior management) with suitable skill, knowledge, or experience to oversee the services.
 - c. Evaluated the adequacy and results of the services performed.
 - d. Accepted responsibility for the results of the services.
28. 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.
29. 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.
30. We have followed all applicable laws and regulations in adopting, approving, and amending budgets.
31. 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.
32. The financial statements properly classify all funds and activities, in accordance with GASB Statement No. 34.
33. 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.
34. 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.
35. Provisions for uncollectible receivables have been properly identified and recorded.
36. 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.
37. Revenues are appropriately classified in the statement of activities within program revenues and general revenues.
38. Interfund, internal, and intra-entity activity and balances have been appropriately classified and reported.

39. Deposits and investment securities and derivative transactions are properly classified as to risk and are properly disclosed.
40. Capital assets, including infrastructure and intangible assets, are properly capitalized, reported, and, if applicable, depreciated.
41. Joint ventures, jointly governed organizations, and other related organizations have been properly disclosed in the financial statements.
42. 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 is available and have determined that net position is properly recognized under the policy.
43. We are following GASB Statement No. 54, paragraph 18, to determine the fund balance classifications for financial reporting purposes.
44. We acknowledge our responsibility for the required supplementary information (RSI). The RSI is measured and presented within prescribed guidelines and the methods of measurement and presentation have not changed from those used in the prior period. We have disclosed to you any significant assumptions and interpretations underlying the measurement and presentation of the RSI.
45. We acknowledge our responsibility for presenting the nonmajor fund combining statements and detailed comparison of budget to actual general 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.
46. We agree with the findings of specialists in evaluating the pension benefits and have adequately considered the qualifications of the specialist in determining the amounts and disclosures used in the financial statements and underlying accounting records. We did not give or cause any instructions to be given to specialists with respect to the values or amounts derived in an attempt to bias their work, and we are not otherwise aware of any matters that have had an impact on the independence or objectivity of the specialists.
47. 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.
48. 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.
49. 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.

50. Receivables recorded in the financial statements represent valid claims against debtors for transactions arising on or before the balance sheet date and have been reduced to their estimated net realizable value.
51. Capital assets have been evaluated for impairment as a result of significant and unexpected decline in service utility.
52. We believe that the actuarial assumptions and methods used to measure pension liabilities and costs for financial accounting purposes are appropriate in the circumstances.
53. We do not plan to make frequent amendments to our pension benefit plans.
54. We have not completed the process of evaluating the impact that will result from adopting Governmental Accounting Standards Board (GASB) Statements No. 72, *Fair Value Measurement and Application* and No. 77, *Tax Abatement Disclosures*, as discussed in Note D.5. The Town is therefore unable to disclose the impact that adopting these GASB Statements will have on its financial position and the results of its operations when the Statements are adopted.
55. 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 or in the schedule of findings and questioned costs.

Signed: 
James March, Town Administrator

Signed: 
Julie Wahlen, Finance Director/
Treasurer