

**MANAGEMENT LETTER**  
**CITY OF MENASHA, WISCONSIN**  
**DECEMBER 31, 2008**

**CITY OF MENASHA, WISCONSIN**  
December 31, 2008

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**Schenck**

Corporation of America  
Schenck & Associates, Inc.

To the Honorable Mayor and Members of City Council  
City of Menasha, Wisconsin

We have completed our audit of the basic financial statements of the City of Menasha (the "City") for the year ended December 31, 2008. The City's financial statements, including our report thereon dated September 30, 2009, 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, OMB Circular A-133 and the State Single Audit Guidelines

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 City'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 major federal and state programs in order to determine our 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 and the State Single Audit Guidelines.

As part of obtaining reasonable assurance about whether the City'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 Guidelines, we examined, on a test basis, evidence about the City's compliance with the types of compliance requirements described in the "U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement" and the State Single Audit Guidelines applicable to each of its major federal and state programs for the purpose of expressing an opinion on the City's compliance with those requirements. While our audit provides a reasonable basis for our opinion, it does not provide a legal determination on the City'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 City as of and for the year ended December 31, 2008, in accordance with auditing standards generally accepted in the United States of America, we considered the City'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 City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

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. However, as discussed below, we identified certain deficiencies in internal control that we consider to be significant deficiencies.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or a combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the following deficiencies to be significant deficiencies in internal control:

Finding 2008-01	Year End Closing and Financial Reporting
Finding 2008-02	Assistance with Capital Assets Records
Finding 2008-03	Financial Reporting for Federal and State Financial Assistance

The complete report on internal control, including a detailed explanation of the finding is included in the Annual Financial 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 City are described in Note A to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2008. We noted no significant transactions entered into by the City 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. We are not aware of any particularly sensitive accounting estimates used by management in the preparation of the financial statements.

### *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. The adjustments included various end-of year payable, receivable and reclassification entries. These entries are considered routine in nature and normally do not vary significantly from year to year. 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 auditor's 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 September 30, 2009.

***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 City'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 memorandum attached to this letter.

This communication, which does not affect our report dated September 30, 2009 on the financial statements of the City, is intended solely for the information and use of the City Council, management, and others within the City, 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  
September 30, 2009

**GENERAL CITY  
FINANCIAL COMMENTS**

**1. City Fund Balances**

Presented below is a summary of the City's governmental fund balances on December 31, 2008 including a comparison to the prior year. This information is provided to assist management in assessing financial results for 2008 and for indicating financial resources available at the start of the 2009 budget year.

	12/31/08	12/31/07
<b>General Fund</b>		
Reserved for noncurrent assets	\$ 136,476	\$ 420,283
Unreserved		
Designated for subsequent years' expenditures	171,722	169,905
Designated for subsequent years' budget	400,000	1,450,000
Undesignated	1,915,864	1,880,680
<b>Total Fund Balance</b>	<b>2,624,062</b>	<b>3,920,868</b>
<b>Special Revenue Funds</b>		
Housing rehabilitation revolving loans	13,156	28,636
Community development block grant	84,931	14,799
Marina operations	48,902	29,755
TIF District No. 1	115,866	115,866
TIF District No. 2	4	2
TIF District No. 3	412,645	367,252
Park development	85,458	82,658
Law enforcement grant	-	9,755
Recycling	325,427	141,970
Post employment sick leave reserve	517,745	567,511
Library endowment	116,560	153,881
Hattie Minor Scholarship	46,785	48,471
Public safety donations	(1,243)	3,018
Heckrodt Nature Center	16,138	13,089
Senior Center memorials	4,188	2,885
Senior Center fund raising	4,521	3,449
<b>Total Special Revenue Funds</b>	<b>1,791,083</b>	<b>1,582,997</b>
<b>Debt Service Fund</b>		
Reserved	2,418,733	3,672,629
Unreserved - designated form subsequent year's budget	1,000,000	-
<b>Total Fund Balance</b>	<b>3,418,733</b>	<b>3,672,629</b>
<b>Capital Projects Funds</b>		
2002 Capital projects	655	655
2005 Capital projects	-	45,853
2006 Capital projects	-	15,287
2008 Capital projects	294,807	-
Capital facilities	260,656	254,242
Capital improvements	10,398	10,396
Tax Incremental District No. 4	(32,125)	(33,343)
Tax Incremental District No. 5	301,400	453,741
Tax Incremental District No. 6	(114,621)	(32,294)
Tax Incremental District No. 7	(102,767)	(166,816)
Tax Incremental District No. 8	(19,849)	(13,911)
Tax Incremental District No. 9	61,292	289,860
Tax Incremental District No. 10	12,567	(25,352)
Tax Incremental District No. 11	(30,175)	-
Roadways at River's Edge	68,183	68,183
<b>Total Capital Projects Funds</b>	<b>710,419</b>	<b>866,501</b>
<b>Total Governmental Fund Balances</b>	<b>\$ 8,544,297</b>	<b>\$ 10,042,995</b>

**1. City Fund Balances (Continued)**

The City's general fund decreased \$1,296,806 during the year resulting from the anticipated fund balance applied in the 2008 budget. The City's undesignated fund balance currently is \$1,915,864 or 11.5% of the City's 2009 general fund expenditure budget.

**2. City's Debt Position**

At December 31, 2008, the City has outstanding general obligation debt totaling \$47,032,296. Annual principal and interest maturities of the outstanding general obligation debt on December 31, 2008 are allocated as follows:

Year Ended December 31	General City		Menasha Utilities		Total G.O. Debt	
	Principal	Interest	Principal	Interest	Principal	Interest
2009	\$ 2,532,296	\$ 2,209,997	\$ -	\$ 919,180	\$ 2,532,296	\$ 3,129,177
2010	3,375,000	2,032,529	13,930,000	919,180	17,305,000	2,951,709
2011	2,545,000	1,673,128	2,675,000	139,100	5,220,000	1,812,228
2012	3,015,000	1,676,913	-	-	3,015,000	1,676,913
2013	7,535,000	1,479,678	-	-	7,535,000	1,479,678
2014-2018	10,945,000	1,806,240	-	-	10,945,000	1,806,240
2019-2021	480,000	87,980	-	-	480,000	87,980
	<u>\$ 30,427,296</u>	<u>\$ 10,966,465</u>	<u>\$ 16,805,000</u>	<u>\$ 1,977,460</u>	<u>\$ 47,032,296</u>	<u>\$ 12,943,925</u>

In addition, the City has issued bond and note anticipation notes totaling \$345,000 to finance costs associated with other City projects. The City expects to refinance this debt into general obligation debt upon maturity. Therefore, at December 31, 2008, the total outstanding debt relating to general City operations totals \$47,377,296. The City's tax incremental financing districts are responsible for outstanding debt of \$17,507,296 and these debt payments will be recovered from future tax increments generated.

**Legal Margin for New Debt**

The City's legal margin for creation of additional general obligation debt on December 31, 2008 was \$7,380,282 as follows:

Equalized valuation of the City		\$1,039,202,400
Statutory limitation percentage		<u>(x) 5%</u>
General obligation debt limitation, per Section 67.03 of the Wisconsin Statutes		51,960,120
Total outstanding general obligation debt applicable to debt limitation	\$ 47,032,296	
Less: Amounts available for financing general obligation debt		
Debt service fund	<u>2,452,458</u>	
Net outstanding general obligation debt applicable to debt limitation		<u>44,579,838</u>
Legal Margin for New Debt		<u>\$ 7,380,282</u>

**3. Tax Incremental Districts**

The City has created and recorded financial activity in ten tax incremental districts as of December 31, 2008. All project expenditures for TID No. 1, 2 and 3 have been completed; accordingly, financial transactions of the districts are recorded in special revenue funds. The remaining districts are still eligible to incur project expenditures and are therefore recorded in capital projects funds. A summary of the net unreimbursed project costs and outstanding long-term debt as of December 31, 2008 is presented below:

	Net Unreimbursed Project Costs	Outstanding Long-term Debt
Tax Incremental District No. 1	\$ 812,746	\$ -
Tax Incremental District No. 2	50,827	-
Tax Incremental District No. 3	404	1,190,000
Tax Incremental District No. 4	1,086,192	1,165,000
Tax Incremental District No. 5	3,690,794	4,052,296
Tax Incremental District No. 6	3,414,574	3,325,000
Tax Incremental District No. 7	1,841,437	1,760,000
Tax Incremental District No. 8	980,459	975,000
Tax Incremental District No. 9	4,541,472	4,665,000
Tax Incremental District No. 10	362,432	375,000
Tax Incremental District No. 11	30,175	-
	<u>\$ 16,811,512</u>	<u>\$ 17,507,296</u>

**4. City Garage**

Presented below is a summary of revenues, expenses and changes in retained earnings for the City garage internal service fund for the years ended December 31, 2008 and 2007.

	2008	2007
Operating Revenues		
Charges for services	<u>\$ 1,407,694</u>	<u>\$ 1,300,559</u>
Operating Expenses		
Operation and maintenance	913,603	792,166
Depreciation	221,734	283,283
Total Operating Expenses	<u>1,135,337</u>	<u>1,075,449</u>
Operating Income	<u>272,357</u>	<u>225,110</u>
Nonoperating Revenues (Expenses)		
Interest revenue	6,836	13,453
Gain (loss) on disposal of capital assets	5,580	2,878
Total Nonoperating Revenues (Expenses)	<u>12,416</u>	<u>16,331</u>
Capital Contributions	-	130,730
Changes in Net Assets	284,773	372,171
Net Assets - January 1	<u>2,475,203</u>	<u>2,103,032</u>
Net Assets - December 31	<u>\$ 2,759,976</u>	<u>\$ 2,475,203</u>

The City has used cash generated from operations to finance annual capital asset purchases. During 2008, capital assets of \$307,438 were acquired by the City.

**5. Property and Liability Insurance**

During 1987, the City, together with certain other units of government within the State of Wisconsin, created the Cities and Villages Mutual Insurance Company (CVMIC) to provide liability insurance services to its members. The City provided its share of the original financing for CVMIC by the issuance of general obligation bonds totaling \$1,031,220 on November 1, 1987. The 1987 bonds were fully retired in 2007.

The City has established a separate internal service fund to account for the operations of the property and liability insurance fund. The fund pays all liability claims owed by the City along with any premiums charged to the City by CVMIC. Revenues of the fund consist of charges to City departments covered by the insurance. A summary of the 2008 transactions, with a comparison to 2007, for the property and liability self-insurance fund follows:

	2008	2007
Operating Revenues		
Charges for services	\$ 96,825	\$ 96,825
Operating Expenses		
Insurance payments and claims	141,765	30,229
Operating Income (Loss)	(44,940)	66,596
Nonoperating Revenues (Expenses)		
Interest and fiscal charges	-	(4,847)
Dividends from CVMIC	-	69,837
Total Nonoperating Revenues (Expenses)	-	64,990
Changes in Net Assets	(44,940)	131,586
Net Assets (Deficit) - January 1	1,086,716	955,130
Net Assets (Deficit) - December 31	\$ 1,041,776	\$ 1,086,716

The liability self-insurance fund generated an operating loss of \$44,940 for 2008, compared to an operating income of \$66,596 for the prior year.

**6. Dental Insurance**

During 1997, the City became self-funded for dental insurance. An internal service fund was established to accumulate resources through department charges to pay dental claims of City employees, retirees and employee dependents and administrative fees. A summary of 2008 transactions with a comparison to 2007 is presented below:

	2008	2007
Operating Revenues		
Charges for services	\$ 108,792	\$ 109,538
Operating Expenses		
Dental insurance claims	105,676	106,694
Administrative fees	7,259	7,332
Total Operating Expenses	112,935	114,026
Changes in Net Assets	(4,143)	(4,488)
Net Assets - January 1	(2,809)	1,679
Net Assets - December 31	\$ (6,952)	\$ (2,809)

On December 31, 2008, the dental insurance internal service fund reported a claim liability of \$4,023 based on the requirements of GASB Statement No. 10.

## **CURRENT YEAR COMMENTS AND OBSERVATIONS**

### **1. Processing of Journal Entries**

During our audit, we noted instances where journal entries did not provide an adequate explanation for the purpose of the entry or contain other supporting documentation. We also noted that journal entries were not reviewed and approved by someone other than the individual preparing the entry. While all journal entries reviewed during our audit were appropriate, we believe supporting documentation and, if practical, evidence of review should accompany all journal entries entered into the City's general ledger.

We therefore recommend that the City develop a policy for processing journal entries that includes 1) adequate explanation and documentation and, 2) if practical, the review of all journal entries prior to the entering into the City's general ledger.

**Management's Response:** City Finance Department Management will take steps necessary to provide full documentation and review of all monthly and year end closing journal entries.

### **2. City Garage Receipting**

During our review of the City Garage receipting procedures, we noted that receipts are not issued when sales are made at the City Garage.

We consider this a weakness in the City's internal controls over the cash receipting process because there is no documentation to support the amount of collections the City Garage has received and subsequently the amount deposited with the City Treasurer.

We therefore recommend that the City implement a policy to begin issuing receipts for cash collections at the City Garage and reconcile the receipts to the deposit with the City Treasurer.

**Management's Response:** City Finance Department Management will investigate the cost and feasibility of providing the computer equipment necessary to allow for electronic receipting and cash accounting at the City Garage.

**CITY OF MENASHA, WISCONSIN**

**ANNUAL FINANCIAL REPORT**

**DECEMBER 31, 2008**

**CITY OF MENASHA, WISCONSIN**  
December 31, 2008

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**December 31, 2008**

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**Schenck**

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HELPING PEOPLE. SUSTAINING BUSINESSES.

## INDEPENDENT AUDITORS' REPORT ON BASIC FINANCIAL STATEMENTS

To the Honorable Mayor  
and Members of the City Council  
City of Menasha, Wisconsin

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Menasha, Wisconsin ("the City") as of and for the year ended December 31, 2008, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Menasha, Wisconsin's management. Our responsibility is to express opinions on these basic financial statements based on our audit.

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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall basic financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City as of December 31, 2008, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparison for the general fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 30, 2009, on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting and compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis is not a required part the basic financial statements but is supplemental information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplemental information. However, we did not audit the information and express no opinion on it.



Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The financial information listed in the table of contents as supplemental information, and the accompanying schedule of federal awards and schedule of state financial assistance, as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and the *State Single Audit Guidelines* issued by the Wisconsin Department of Administration, are presented for purposes of additional analysis and are 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.



Certified Public Accountants  
Green Bay, Wisconsin  
September 30, 2009

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

## **City of Menasha, Wisconsin Management's Discussion and Analysis**

As management of the City of Menasha, Wisconsin, we offer readers of the City's basic financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended December 31, 2008.

### **Financial Highlights**

- The City's assets exceeded its liabilities as of December 31, 2008 by \$60.6 million (net assets). Of this amount, \$10.6 million (unrestricted net assets) may be used to meet the City's ongoing obligations to citizens and creditors.
- The City's total net assets increased by \$3.5 million (decrease of \$0.2 million in governmental activities and an increase of \$3.7 million in business-type activities).
- Property taxes levied to finance general City operations totaled \$9,855,513, an increase of \$80,388 from the prior year. Tax increments generated by the City's ten tax incremental districts totaled \$1,338,748.
- As of December 31, 2008, the City's governmental funds reported combined ending fund balances of \$8.5 million, a decrease of \$1.5 million in comparison with the prior year. Approximately 70% of this total amount, \$6.0 million is available for spending at the City's discretion (unreserved fund balance).
- As of December 31, 2008, unreserved fund balance for the general fund was \$2.5 million, or approximately 15% of total general fund expenditures. The general fund balance decreased \$1,296,806 during 2008; however, the City had anticipated a \$1,619,905 reduction in its adopted budget for 2008. The City had a positive expenditure budget variance of \$141,733 for the current year.

### **Overview of the Basic Financial Statements**

This discussion and analysis is intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the basic financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

**Government-wide financial statements.** The government-wide financial statements are designed to provide readers with a broad overview of the City's finances, in a manner similar to a private-sector business.

The *statement of net assets* presents information on all of the City's assets and liabilities, with the difference between the two reported as *net assets*. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The *statement of activities* presents information showing how the City's net assets changed during the most recent year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the City include general government, public safety, public works, health and human services, culture and recreation, and conservation and development. The business-type activities of the City include Menasha Utilities (provides electric, water, steam and telecommunication services to City residents), the sewage treatment services.

The government-wide financial statements can be found on pages 10 - 12 of this report.

**Fund financial statements.** A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into three categories: governmental funds, proprietary funds and fiduciary funds.

**Governmental funds.** *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating the City's near-term financing requirements.

It is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the City's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The City maintains 36 individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures and changes in fund balances for the general fund and debt service fund both of which are considered to be major funds. Data from the other 34 governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of combining statements elsewhere in this report.

The City adopts an annual appropriated budget for its governmental funds. As part of the basic governmental fund financial statements, budgetary comparison statements have been provided for the general fund to demonstrate compliance with the budget.

The basic governmental fund financial statements can be found on pages 13 - 17 of this report.

**Proprietary funds.** The City maintains two different types of proprietary funds. *Enterprise funds* are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses enterprise funds to account for its electric, water, steam and telecommunications utilities (Menasha Utilities) and its sewerage system operations (reclassified from a special revenue fund in 2003). *Internal service funds* are an accounting device used to accumulate and allocate costs internally among the City's various functions. The City uses an internal service funds to account liability and dental insurance claims and the City's garage. Because these services predominantly benefits governmental rather than business-type functions, they have been included within *governmental activities* in the government-wide financial statements.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the Menasha Utilities which is considered to be a major fund of the City and the sewage treatment operations. The City's internal service funds are combined into a single, aggregated presentation in the proprietary fund financial statements.

The basic proprietary fund financial statements can be found on pages 18 - 20 of this report.

**Fiduciary fund.** The City accounts for tax collections of other taxing entities within an agency fund. The fiduciary fund financial statements can be found on page 21 of this report.

**Notes to the basic financial statements.** The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the basic financial statements can be found on pages 22 - 46 of this report.

**Other information.** The combining statements referred to earlier in connection with nonmajor governmental funds are presented immediately following notes to the basic financial statements.

**Government-wide Financial Analysis**

**Net assets.** As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the City, assets exceeded liabilities by \$60.6 million at the close of 2008.

<b>City of Menasha, Wisconsin's Net Assets</b>						
<b>(In thousands of dollars)</b>						
	<b>Governmental Activities</b>		<b>Business-type Activities</b>		<b>Totals</b>	
	<b>2008</b>	<b>2007</b>	<b>2008</b>	<b>2007</b>	<b>2008</b>	<b>2007</b>
Current and other assets	\$ 29,838	\$ 30,791	\$ 20,578	\$ 17,945	\$ 50,416	\$ 48,736
Capital assets	42,589	42,496	82,190	81,254	124,779	123,750
<b>Total Assets</b>	<b>72,427</b>	<b>73,287</b>	<b>102,768</b>	<b>99,199</b>	<b>175,195</b>	<b>172,486</b>
Long-term liabilities outstanding	32,557	33,888	63,255	62,106	95,812	95,994
Other liabilities	11,857	11,220	6,879	8,131	18,736	19,351
<b>Total Liabilities</b>	<b>44,414</b>	<b>45,108</b>	<b>70,134</b>	<b>70,237</b>	<b>114,548</b>	<b>115,345</b>
<b>Net Assets</b>						
Invested in capital assets, net of related debt	19,434	19,381	19,714	20,118	39,148	39,499
Restricted	2,674	3,736	7,235	4,388	9,909	8,124
Unrestricted	5,905	5,062	5,685	4,456	11,590	9,518
<b>Total Net Assets</b>	<b>\$ 28,013</b>	<b>\$ 28,179</b>	<b>\$ 32,634</b>	<b>\$ 28,962</b>	<b>\$ 60,647</b>	<b>\$ 57,141</b>

By far the largest portion of the City's net assets reflects its investment in capital assets (e.g. land, buildings, machinery and equipment, infrastructure, etc.) less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although, the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the City's net assets represents resources that are subject to external restrictions on how they may be used and consist of \$7.1 million restricted for debt service, \$1.2 million restricted for community development loans, and \$1.6 million restricted for capital projects. The remaining balance of unrestricted net assets (\$11,590,151) may be used to meet the City's ongoing obligations to citizens and creditors.

Change in net assets. A summary of the City's change in net assets follows:

City of Menasha, Wisconsin's Change In Net Assets (In thousands of dollars)						
	Governmental Activities		Business-type Activities		Totals	
	2008	2007	2008	2007	2008	2007
<b>Revenues</b>						
<b>Program Revenues</b>						
Charges for services	\$ 1,856	\$ 3,373	\$ 60,381	\$ 55,073	\$ 62,237	\$ 58,446
Operating grants and contributions	1,821	2,009	-	-	1,821	2,009
Capital grants and contributions	200	391	169	702	369	1,093
<b>General Revenues</b>						
Property taxes	9,855	9,775	-	-	9,855	9,775
Other taxes	197	214	-	-	197	214
Grants and contributions not restricted to specific programs	4,574	5,340	-	-	4,574	5,340
Other	904	2,184	2,620	1,159	3,524	3,353
<b>Total Revenues</b>	<b>19,407</b>	<b>23,296</b>	<b>63,170</b>	<b>56,934</b>	<b>82,577</b>	<b>80,230</b>
<b>Expenses</b>						
General government	1,790	1,769	-	-	1,790	1,769
Public safety	7,193	6,984	-	-	7,193	6,984
Public works and sanitation	4,636	5,983	-	-	4,636	5,983
Health and human services	850	771	-	-	850	771
Culture and recreation	3,402	3,291	-	-	3,402	3,291
Conservation and development	397	990	-	-	397	990
Interest on long-term debt	2,402	2,033	-	-	2,402	2,033
Electric	-	-	39,611	36,792	39,611	36,792
Steam	-	-	13,628	13,748	13,628	13,748
Water	-	-	3,446	3,047	3,446	3,047
Telecommunications	-	-	87	83	87	83
Sewage treatment	-	-	1,629	1,404	1,629	1,404
<b>Total Expenses</b>	<b>20,670</b>	<b>21,821</b>	<b>58,401</b>	<b>55,074</b>	<b>79,071</b>	<b>76,895</b>
Change in Net Assets Before Transfers	(1,263)	1,475	4,769	1,860	3,506	3,335
Transfers	1,097	978	(1,097)	(978)	-	-
<b>Change in Net Assets</b>	<b>(166)</b>	<b>2,453</b>	<b>3,672</b>	<b>882</b>	<b>3,506</b>	<b>3,335</b>
Net Assets - January 1	28,179	25,726	28,962	28,080	57,141	53,806
<b>Net Assets - December 31</b>	<b>\$ 28,013</b>	<b>\$ 28,179</b>	<b>\$ 32,634</b>	<b>\$ 28,962</b>	<b>\$ 60,647</b>	<b>\$ 57,141</b>

The narrative that follows considers the operations of governmental and business-type activities separately.

**Governmental activities.** The change in net assets for 2008 was a decrease of \$0.2 million. The above transfer represents the payment in lieu of taxes that Menasha Utilities pays to the City.

**Business-type activities.** Menasha Utilities portion of the increase was \$3.7 million, primarily in the electric and water utilities, while the sewerage system services decrease was \$0.1 million. Capital contributions of \$0.2 million are primarily from work being completed in the new subdivisions in Calumet County which were financed by developers and capital paid by the municipality.

## **Financial Analysis of the City's Funds**

As noted earlier, the City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

**Governmental funds.** The focus of the City's *governmental funds* is to provide information on near-term inflows, outflows, and balances of *spendable* resources. Such information is useful in assessing the City's financing requirements. In particular, *unreserved fund balance* may serve as a useful measure of the City's net resources available for spending at the end of the fiscal year.

As of December 31, 2007, the City's governmental funds reported combined ending fund balances of \$8.5 million, a decrease of \$1.5 million in comparison with the prior year. \$2.6 million of the fund balance is *reserved* to indicate that it is not available for new spending because it has already been committed for current year purchases of items that benefit periods beyond the end of the current year. The remaining fund balance of \$6.0 million is available for spending at the City's discretion.

The general fund is the chief operating fund of the City. At the end of the current year, unreserved fund balance of the general fund was \$2,487,586, while total fund balance reached \$2,624,062. As a measure of the general fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures. Unreserved fund balance represents 15.0% of total general fund expenditures, while total fund balance represents 15.8% of that same amount.

The City's general fund balance decreased \$1,296,806 during the current year as positive expenditure variances of \$141,733 and positive revenue variances of \$122,987 were not sufficient to offset the anticipated reduction of \$1,619,905 and a small Other Financing Sources variance of \$58,379.

The debt service fund is used to retire long-term debt related to governmental activities and annually levies sufficient taxes, special assessment collections or anticipated transfers from the City's tax incremental districts to retire all obligations as they come due. The debt service fund balance totals \$3,418,733, a decrease of \$253,896 from the prior year.

**Proprietary funds.** The City's proprietary funds provide the same type of information found in the City's government-wide financial statements, but in more detail.

Total net assets of Menasha Utilities at the end of the year amounted to \$28,694,060 with \$16,322,743 invested in capital assets net of related debt, \$5,654,646 restricted for debt retirement, \$1,580,480 restricted for plant replacement and \$5,136,191 as unrestricted. The fund experienced an increase in net assets of \$3,759,409.

Total net assets of the sewage treatment operation at the end of the year amounted to \$3,940,011. Included in net assets is \$3,390,989 invested in capital assets and \$549,022 as unrestricted. The fund experienced a decrease in net assets of \$87,651.

### **General Fund Budgetary Highlights**

During the year, actual revenues were greater than budgeted revenues by \$122,987 with no one revenue source providing a major variation. Actual expenditures were less than budgeted expenditures by \$141,733.

**Capital Asset and Debt Administration**

**Capital assets.** The City's investment in capital assets for its governmental and business-type activities as of December 31, 2008 amounts to \$124.8 million (net of accumulated depreciation). This investment in capital assets includes land, land improvements, buildings, machinery and equipment, vehicles, public domain infrastructure (highways, sidewalks, parking facilities), and construction in progress. The total increase in the City's investment in capital assets for the current year was \$1 million or 0.8% over last year.

Major capital assets acquired, constructed or deleted during the year include:

**Governmental Activities**

- Infrastructure additions of \$1.1 million related to development.

**Business-Type Activities**

- During 2008 the electric utility had developer and customer contributions of \$166,266 with a total contributed plant of \$1,694,411. The water utility had developer contributions of \$840 during the year with a total contributed plant of \$1,193,606.

City of Menasha, Wisconsin's Capital Assets (net of accumulated depreciation)						
	Governmental Activities		Business-type Activities		Totals	
	2008	2007	2008	2007	2008	2007
Land	\$ 8,983,788	\$ 8,947,642	\$ 1,248,205	\$ 872,047	\$ 10,231,993	\$ 9,819,689
Buildings	10,538,215	10,538,215	20,837,644	16,119,431	31,375,859	26,657,646
Improvements other than buildings	-	-	43,441,083	42,224,867	43,441,083	42,224,867
Machinery and equipment	7,421,352	7,032,748	40,663,101	34,561,300	48,084,453	41,594,048
Infrastructure	37,335,318	36,246,282	-	-	37,335,318	36,246,282
Construction in progress	132,484	132,484	3,066,351	13,068,793	3,198,835	13,201,277
Other assets	-	-	393,520	471,657	393,520	471,657
Less: Accumulated depreciation	(21,821,929)	(20,401,544)	(27,459,235)	(26,064,111)	(49,281,164)	(46,465,655)
<b>Total</b>	<b>\$ 42,589,228</b>	<b>\$ 42,495,827</b>	<b>\$ 82,190,669</b>	<b>\$ 81,253,984</b>	<b>\$ 124,779,897</b>	<b>\$ 123,749,811</b>

**Long-term debt.** At the end of the current fiscal year, the City had total bonded debt outstanding of \$92,096,116. Of this amount, \$47,032,296 comprises debt backed by the full faith and credit of the government while the remainder of the City's debt represents bonds secured solely by specified revenue sources (i.e., revenue bonds).

City of Menasha, Wisconsin's Outstanding Debt						
General Obligation Debt, Revenue Bonds and Other Debt						
	Governmental Activities		Business-type Activities		Totals	
	2008	2007	2008	2007	2008	2007
General Obligation Debt						
Bonds	\$ 6,190,000	\$ 6,485,000	\$ -	\$ -	\$ 6,190,000	\$ 6,485,000
Notes	24,237,296	16,377,702	16,605,000	16,605,000	40,842,296	32,982,702
<b>Total General Obligation</b>	<b>30,427,296</b>	<b>22,862,702</b>	<b>16,605,000</b>	<b>16,605,000</b>	<b>47,032,296</b>	<b>39,467,702</b>
Bond anticipation notes	345,000	5,070,000	-	-	345,000	5,070,000
Note anticipation notes	-	4,345,000	-	-	-	4,345,000
Revenue bonds	-	-	20,497,137	18,932,019	20,497,137	18,932,019
Revenue bond anticipation notes	-	-	24,160,000	24,160,000	24,160,000	24,160,000
Promissory notes	-	-	61,683	277,047	61,683	277,047
<b>Total</b>	<b>\$ 30,772,296</b>	<b>\$ 32,277,702</b>	<b>\$ 61,323,820</b>	<b>\$ 59,974,066</b>	<b>\$ 92,096,116</b>	<b>\$ 92,251,768</b>

During the year, the City's long-term debt decreased \$0.2 million due primarily to repayment of governmental activities debt.

State statutes limit the amount of general obligation debt the City may issue to 5% of its total equalized valuation. The current debt limitation for the City is \$51,960,120.

**Economic Factors and Next Year's Budgets and Rates**

- The economic condition and outlook of the City has remained fairly stable based on a relatively healthy mix of manufacturing, tourism, service industry and retail activities which support our tax base.
- Inflationary trends in our region compare favorably to national indices.
- Operation of the Steam Utility as a profitable entity into the future remains a concern.

All of these factors were considered in preparing the City's budget for the 2009 year.

**Contacting the City's Financial Management**

This financial report is designed to provide a general overview of the City's finances for all those with an interest in the City's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to Mr. Thomas Stoffel, Comptroller/Treasurer, 140 Main Street, Menasha, WI 54952-3190.

## **BASIC FINANCIAL STATEMENTS**

**CITY OF MENASHA, WISCONSIN**  
**Statement of Net Assets**  
**December 31, 2008**

	Governmental Activities	Business-type Activities	Totals
<b>ASSETS</b>			
Cash and investments	\$ 9,760,310	\$ 1,815,944	\$ 11,576,254
Receivables			
Taxes	6,062,649	-	6,062,649
Accounts	1,758,644	4,774,253	6,532,897
Special assessments	5,188,104	-	5,188,104
Loans	3,095,247	-	3,095,247
Internal balances	1,937,953	(1,937,953)	-
Due from other governments	458,599	31,819	490,418
Inventories and prepaid items	50,568	662,368	712,936
Deferred charges	378,312	1,085,387	1,463,699
Restricted assets			
Cash and investments	-	8,173,793	8,173,793
Other assets	1,147,780	5,869,281	7,017,061
Interest receivable	-	102,869	102,869
Capital assets, nondepreciable			
Land	8,983,788	1,248,205	10,231,993
Other assets	-	393,520	393,520
Construction in progress	132,484	3,066,351	3,198,835
Capital assets, depreciable			
Buildings and improvements	10,538,215	20,837,644	31,375,859
Improvements other than buildings	-	43,441,083	43,441,083
Machinery and equipment	7,421,352	40,663,101	48,084,453
Infrastructure	37,335,318	-	37,335,318
Less: Accumulated depreciation	(21,821,929)	(27,459,235)	(49,281,164)
<b>TOTAL ASSETS</b>	<b>72,427,394</b>	<b>102,768,430</b>	<b>175,195,824</b>
<b>LIABILITIES</b>			
Accounts payable	689,875	3,692,000	4,381,875
Accrued and other current liabilities	35,907	1,859,405	1,895,312
Accrued interest payable	597,431	104,838	702,269
Due to other governments	1,109	-	1,109
Unearned revenues	10,532,463	1,223,412	11,755,875
Long-term obligations			
Due within one year	2,900,816	25,821,171	28,721,987
Due in more than one year	29,656,290	37,433,533	67,089,823
<b>TOTAL LIABILITIES</b>	<b>44,413,891</b>	<b>70,134,359</b>	<b>114,548,250</b>
<b>NET ASSETS</b>			
Invested in capital assets, net of related debt	19,434,103	19,713,732	39,147,835
Restricted for			
Debt service	1,452,458	5,654,646	7,107,104
Capital projects	-	1,580,480	1,580,480
Community development loans	1,222,004	-	1,222,004
Unrestricted	5,904,938	5,685,213	11,590,151
<b>TOTAL NET ASSETS</b>	<b>\$ 28,013,503</b>	<b>\$ 32,634,071</b>	<b>\$ 60,647,574</b>

The notes to the basic financial statements are an integral part of this statement.

**CITY OF MENASHA, WISCONSIN**  
**Statement of Activities**  
**For the Year Ended December 31, 2008**

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
<b>Primary Government</b>				
<b>Governmental Activities</b>				
General government	\$ 1,790,274	\$ 241,905	\$ -	\$ -
Public safety	7,193,205	467,399	84,139	-
Public works	4,636,357	412,771	1,054,821	200,237
Health and human services	849,476	289,073	135,374	-
Culture and recreation	3,401,933	439,390	458,775	-
Conservation and development	396,830	5,358	88,420	-
Interest on debt	2,402,130	-	-	-
<b>Total Governmental Activities</b>	<u>20,670,205</u>	<u>1,855,896</u>	<u>1,821,529</u>	<u>200,237</u>
<b>Business-type Activities</b>				
Electric utility	39,610,595	41,173,833	-	166,266
Steam utility	13,628,306	12,811,840	-	-
Water utility	3,445,779	4,661,337	-	840
Telecommunication utility	86,900	72,254	-	1,685
Sewerage system	1,628,540	1,661,309	-	-
<b>Total Business-type Activities</b>	<u>58,400,120</u>	<u>60,380,573</u>	<u>-</u>	<u>168,791</u>
<b>Total</b>	<u>\$ 79,070,325</u>	<u>\$ 62,236,469</u>	<u>\$ 1,821,529</u>	<u>\$ 369,028</u>

General revenues  
 Taxes  
   Property taxes levied for general purposes  
   Property taxes levied for debt service  
   Tax increments  
   Other taxes  
 Federal and state grants and other contributions  
   not restricted to specific functions  
 Interest and investment earnings  
 Miscellaneous  
 Special item - gain on sale of asset  
 Transfers  
 Total general revenues, special item and transfers

Change in net assets

Net assets - January 1

Net assets - December 31

The notes to the basic financial statements are an integral part of this statement.

Net (Expense) Revenue and Changes in Net Assets		
Governmental Activities	Business-type Activities	Totals

\$ (1,548,369)	\$ -	\$ (1,548,369)
(6,641,667)	-	(6,641,667)
(2,968,528)	-	(2,968,528)
(425,029)	-	(425,029)
(2,503,768)	-	(2,503,768)
(303,052)	-	(303,052)
(2,402,130)	-	(2,402,130)
<u>(16,792,543)</u>	<u>-</u>	<u>(16,792,543)</u>

-	1,729,504	1,729,504
-	(816,466)	(816,466)
-	1,216,398	1,216,398
-	(12,961)	(12,961)
-	32,769	32,769
<u>-</u>	<u>2,149,244</u>	<u>2,149,244</u>
<u>(16,792,543)</u>	<u>2,149,244</u>	<u>(14,643,299)</u>

6,286,132	-	6,286,132
2,230,633	-	2,230,633
1,338,748	-	1,338,748
196,972	-	196,972
4,573,837	-	4,573,837
475,801	1,021,958	1,497,759
154,912	1,597,694	1,752,606
272,931	-	272,931
1,097,138	(1,097,138)	-
<u>16,627,104</u>	<u>1,522,514</u>	<u>18,149,618</u>
(165,439)	3,671,758	3,506,319
<u>28,178,942</u>	<u>28,962,313</u>	<u>57,141,255</u>
<u>\$ 28,013,503</u>	<u>\$ 32,634,071</u>	<u>\$ 60,647,574</u>

**CITY OF MENASHA, WISCONSIN**

Balance Sheet  
Governmental Funds  
December 31, 2008

	General	Debt Service	Other Governmental Funds	Total Governmental Funds
<b>ASSETS</b>				
Cash and investments	\$ 7,640,300	\$ -	\$ 1,837,777	\$ 9,478,077
Receivables				
Taxes	3,907,299	1,064,000	1,037,117	6,008,416
Delinquent personal property taxes	54,233	-	-	54,233
Accounts	1,753,844	-	4,800	1,758,644
Special assessments	3,863	5,184,241	-	5,188,104
Loans	-	-	3,095,247	3,095,247
Due from other funds	2,569,801	3,229,398	2,071,593	7,870,792
Due from other governments	436,833	-	21,766	458,599
Inventories and prepaid items	50,568	-	-	50,568
Other assets	-	-	116,560	116,560
Advance to other funds	-	966,275	-	966,275
<b>TOTAL ASSETS</b>	<b>\$ 16,416,741</b>	<b>\$ 10,443,914</b>	<b>\$ 8,184,860</b>	<b>\$ 35,045,515</b>
<b>LIABILITIES AND FUND BALANCES</b>				
<b>Liabilities</b>				
Accounts payable	\$ 652,638	\$ -	\$ 1,030	\$ 653,668
Accrued and other current liabilities	35,907	-	-	35,907
Due to other funds	6,167,912	-	870,554	7,038,466
Deferred revenues	6,936,222	7,025,181	4,811,774	18,773,177
<b>Total Liabilities</b>	<b>13,792,679</b>	<b>7,025,181</b>	<b>5,683,358</b>	<b>26,501,218</b>
<b>Fund Balances</b>				
<b>Reserved for</b>				
Inventories and prepaid items	50,568	-	-	50,568
Delinquent personal property taxes	54,233	-	-	54,233
Long-term receivable	31,675	-	-	31,675
Retirement of long-term debt	-	1,452,458	-	1,452,458
Long-term advance	-	966,275	-	966,275
<b>Unreserved</b>				
<b>Designated, reported in</b>				
<b>General fund</b>				
Subsequent year's expenditures	171,722	-	-	171,722
Subsequent year's budget	400,000	1,000,000	-	1,400,000
<b>Special revenue funds</b>				
Subsequent year's expenditures	-	-	1,692,326	1,692,326
Subsequent year's budget	-	-	100,000	100,000
<b>Capital projects funds</b>				
Subsequent year's expenditures	-	-	1,009,956	1,009,956
<b>Undesignated, reported in</b>				
<b>General fund</b>				
Subsequent year's expenditures	1,915,864	-	-	1,915,864
Subsequent year's budget	-	-	(1,243)	(1,243)
Capital projects funds	-	-	(299,537)	(299,537)
<b>Total Fund Balances</b>	<b>2,624,062</b>	<b>3,418,733</b>	<b>2,501,502</b>	<b>8,544,297</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 16,416,741</b>	<b>\$ 10,443,914</b>	<b>\$ 8,184,860</b>	<b>\$ 35,045,515</b>

(Continued)

**CITY OF MENASHA, WISCONSIN**  
**Balance Sheet (Continued)**  
**Governmental Funds**  
**December 31, 2008**

**Reconciliation to the Statement of Net Assets**

Total Fund Balances as shown on previous page **\$ 8,544,297**

Amounts reported for governmental activities in the statement of net assets are different because:

Capital assets used in governmental activities are not current financial resources and therefore are not reported in the funds. **40,209,917**

Other long-term assets are not available to pay current period expenditures and therefore are deferred in the funds.

Special assessments **5,205,467**  
Loans receivable **3,035,247**

Internal service funds reported in the statement of net assets as governmental activities (see page 19) **3,794,800**

Some liabilities are not due and payable in the current period and, therefore, are not reported in the funds.

Bonds and notes payable	<b>\$(30,772,296)</b>	
Debt premium	<b>(164,150)</b>	
Loss on advance refunding	<b>17,655</b>	
Compensated absences	<b>(1,638,315)</b>	
Deferred charges - bond issues	<b>378,312</b>	
Accrued interest on long-term obligations	<b>(597,431)</b>	<b><u>(32,776,225)</u></b>

Net Assets of Governmental Activities as Reported on the Statement of Net Assets (see page 10) **\$ 28,013,503**

The notes to the basic financial statements are an integral part of this statement.

**CITY OF MENASHA, WISCONSIN**  
**Statement of Revenues, Expenditures and Changes in Fund Balances -**  
**Governmental Funds**  
**Year Ended December 31, 2008**

	General	Debt Service	Other Governmental Funds	Total Governmental Funds
<b>Revenues</b>				
Taxes	\$ 6,014,044	\$ 2,230,633	\$ 1,807,808	\$ 10,052,485
Special assessments	-	372,132	-	372,132
Intergovernmental	5,292,067	-	465,856	5,757,923
Licenses and permits	419,654	-	-	419,654
Fines and forfeits	152,852	-	-	152,852
Public charges for services	314,088	-	245,525	559,613
Intergovernmental charges for services	1,252,371	-	79,423	1,331,794
Miscellaneous	469,238	123,288	388,186	980,712
<b>Total Revenues</b>	<b>13,914,314</b>	<b>2,726,053</b>	<b>2,986,798</b>	<b>19,627,165</b>
<b>Expenditures</b>				
<b>Current</b>				
General government	1,678,323	-	175	1,678,498
Public safety	6,872,201	-	152,414	7,024,615
Public works	3,432,287	-	519,168	3,951,455
Health and human services	803,571	-	12,597	816,168
Culture and recreation	2,957,140	-	231,826	3,188,966
Conservation and development	277,234	-	49,627	326,861
<b>Debt service</b>				
Principal	-	11,500,406	-	11,500,406
Interest and fiscal charges	-	2,119,942	147,855	2,267,797
Capital outlay	581,526	-	881,709	1,463,235
<b>Total Expenditures</b>	<b>16,602,282</b>	<b>13,620,348</b>	<b>1,995,371</b>	<b>32,218,001</b>
<b>Excess of Revenues Over (Under)</b>				
Expenditures	(2,687,968)	(10,894,295)	991,427	(12,590,836)
<b>Other Financing Sources (Uses)</b>				
Long-term debt issued	-	-	9,995,000	9,995,000
Transfers in	1,391,162	10,640,399	30,000	12,061,561
Transfers out	-	-	(10,964,423)	(10,964,423)
<b>Total Other Financing Sources (Uses)</b>	<b>1,391,162</b>	<b>10,640,399</b>	<b>(939,423)</b>	<b>11,092,138</b>
<b>Net Change in Fund Balances</b>	<b>(1,296,806)</b>	<b>(253,896)</b>	<b>52,004</b>	<b>(1,498,698)</b>
<b>Fund Balances - January 1</b>	<b>3,920,868</b>	<b>3,672,629</b>	<b>2,449,498</b>	<b>10,042,995</b>
<b>Fund Balances - December 31</b>	<b>\$ 2,624,062</b>	<b>\$ 3,418,733</b>	<b>\$ 2,501,502</b>	<b>\$ 8,544,297</b>

(Continued)

**CITY OF MENASHA, WISCONSIN**  
**Statement of Revenues, Expenditures and Changes in Fund Balances (Continued)**  
**Year Ended December 31, 2008**

**Reconciliation to the Statement of Activities**

Net Change in Fund Balances from previous page	\$ (1,498,698)
<p>Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.</p>	
Capital outlay reported in governmental fund statements	\$ 1,275,311
Depreciation expense reported in the statement of activities	<u>(1,256,192)</u>
Amount by which capital outlays are greater than depreciation in current period	19,119
<p>In governmental funds the entire proceeds, if any, from the disposal of capital assets is reported as an other financing source. In the statement of activities, only the gain (or loss) on the disposal is reported.</p>	
	(6,790)
<p>Certain employee benefits are reported in the governmental funds when amounts are paid. The statement of activities reports the value of benefits earned during the year. This year the accrual of these benefits increased by:</p>	
	(122,280)
<p>Some capital assets acquired and other development expenditures incurred during the year were financed with debt. Debt issued is reported in the governmental funds as an other financing source. In the statement of net assets, however, debt constitutes a long-term liability. The amount of debt proceeds reported in the governmental fund statements is:</p>	
	(9,995,000)
<p>Repayment of principal on long-term debt is reported in the governmental funds as an expenditure, but is reported as a reduction in long-term debt in the statement of net assets and does not affect the statement of activities. The amount of long-term obligation payments in the current year is:</p>	
	11,500,406
<p>Interest payments on outstanding debt are reported in the governmental funds as an expenditure when paid; in the statement of activities interest is reported as it accrues.</p>	
	(156,036)
<p>Governmental funds report the effect of issuance costs, premiums, and discounts when the debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. The issuance costs paid in excess of the amortization is:</p>	
	21,703
<p>The net revenue of certain activities of internal service funds is reported with governmental activities.</p>	
	235,690
<p>Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.</p>	
	<u>(163,553)</u>
Change in Net Assets of Governmental Activities as Reported in the Statement of Activities (see pages 11 - 12)	<u>\$ (165,439)</u>

The notes to the basic financial statements are an integral part of this statement.

**CITY OF MENASHA, WISCONSIN**  
**Statement of Revenues, Expenditures and Changes in Fund Balance -**  
**Budget and Actual**  
**General Fund**  
**Year Ended December 31, 2008**

	Budgeted Amounts		Actual Amounts	Variance Final Budget - Positive (Negative)
	Original	Final		
<b>Revenues</b>				
Taxes	\$ 6,016,405	\$ 6,016,405	\$ 6,014,044	\$ (2,361)
Intergovernmental	5,262,093	5,262,093	5,292,067	29,974
Licenses and permits	379,280	379,280	419,654	40,374
Fines and forfeits	160,000	160,000	152,852	(7,148)
Public charges for services	345,550	345,550	314,088	(31,462)
Intergovernmental charges for services	1,196,894	1,196,894	1,252,371	55,477
Miscellaneous	431,105	431,105	469,238	38,133
<b>Total Revenues</b>	<b>13,791,327</b>	<b>13,791,327</b>	<b>13,914,314</b>	<b>122,987</b>
<b>Expenditures</b>				
<b>Current</b>				
General government	1,717,019	1,717,019	1,678,323	38,696
Public safety	7,043,744	7,043,744	6,872,201	171,543
Public works and sanitation	3,131,198	3,131,198	3,432,287	(301,089)
Health and human services	875,689	875,689	803,571	72,118
Culture and recreation	2,957,861	2,957,861	2,957,140	721
Conservation and development	321,394	321,394	277,234	44,160
Capital outlay	697,110	697,110	581,526	115,584
<b>Total Expenditures</b>	<b>16,744,015</b>	<b>16,744,015</b>	<b>16,602,282</b>	<b>141,733</b>
<b>Excess of Revenues Over (Under) Expenditures</b>	<b>(2,952,688)</b>	<b>(2,952,688)</b>	<b>(2,687,968)</b>	<b>264,720</b>
<b>Other Financing Sources</b>				
Transfers in	1,332,783	1,332,783	1,391,162	58,379
<b>Net Change in Fund Balance</b>	<b>(1,619,905)</b>	<b>(1,619,905)</b>	<b>(1,296,806)</b>	<b>323,099</b>
<b>Fund Balance - January 1</b>	<b>3,920,868</b>	<b>3,920,868</b>	<b>3,920,868</b>	<b>-</b>
<b>Fund Balance - December 31</b>	<b>\$ 2,300,963</b>	<b>\$ 2,300,963</b>	<b>\$ 2,624,062</b>	<b>\$ 323,099</b>

The notes to the basic financial statements are an integral part of this statement.

**CITY OF MENASHA, WISCONSIN**  
**Statement of Net Assets**  
**Proprietary Funds**  
**December 31, 2008**

	Business-type Activities - Enterprise Funds			Governmental Activities - Internal Service Funds
	Menasha Utilities	Sewage Treatment	Totals	
<b>ASSETS</b>				
Cash and investments	\$ 299,408	\$ 1,516,536	\$ 1,815,944	\$ 282,233
Receivables				
Accounts	4,774,253	-	4,774,253	-
Inventories and prepaid expenses	662,368	-	662,368	-
Due from other funds	-	-	-	786,387
Due from other governments	-	31,819	31,819	-
Restricted assets				
Cash and investments	8,133,793	40,000	8,173,793	-
Other assets	5,869,281	-	5,869,281	1,031,220
Interest receivable	102,869	-	102,869	-
Deferred charges	1,085,387	-	1,085,387	-
Capital assets, nondepreciable				
Land	1,248,205	-	1,248,205	44,216
Other assets	393,520	-	393,520	-
Construction in progress	1,164,531	1,901,820	3,066,351	132,484
Capital assets, depreciable				
Buildings	20,837,644	-	20,837,644	928,181
Improvements other than buildings	38,357,905	5,083,178	43,441,083	-
Machinery and equipment	40,663,101	-	40,663,101	5,474,407
Less: Accumulated depreciation	(26,745,080)	(714,155)	(27,459,235)	(4,199,977)
<b>TOTAL ASSETS</b>	<b>96,847,185</b>	<b>7,859,198</b>	<b>104,706,383</b>	<b>4,479,151</b>
<b>LIABILITIES</b>				
Accounts payable	3,635,696	56,304	3,692,000	37,316
Accrued and other current liabilities	1,859,405	-	1,859,405	-
Accrued interest payable	93,487	11,351	104,838	-
Due to other funds	-	971,678	971,678	647,035
Unearned revenue	1,223,412	-	1,223,412	-
Advance from other funds	966,275	-	966,275	-
Long-term obligations				
Due within one year	25,691,094	130,077	25,821,171	-
Due in more than one year	34,683,756	2,749,777	37,433,533	-
<b>TOTAL LIABILITIES</b>	<b>68,153,125</b>	<b>3,919,187</b>	<b>72,072,312</b>	<b>684,351</b>
<b>NET ASSETS</b>				
Invested in capital assets, net of related debt	16,322,743	3,390,989	19,713,732	2,379,311
Restricted for				
Debt service	5,654,646	-	5,654,646	-
Plant replacement	1,580,480	-	1,580,480	-
Unrestricted	5,136,191	549,022	5,685,213	1,415,489
<b>TOTAL NET ASSETS</b>	<b>\$ 28,694,060</b>	<b>\$ 3,940,011</b>	<b>\$ 32,634,071</b>	<b>\$ 3,794,800</b>

The notes to the basic financial statements are an integral part of this statement.

**CITY OF MENASHA, WISCONSIN**  
**Statement of Revenues, Expenses and Changes in Net Assets**  
**Proprietary Funds**  
**Year Ended December 31, 2008**

	Business-type Activities - Enterprise Funds			Governmental Activities - Internal Service Funds
	Menasha Utilities	Sewage Treatment	Totals	
<b>Operating Revenues</b>				
Charges for services	\$ 57,869,571	\$ 1,661,309	\$ 59,530,880	\$ 1,613,311
Other	849,693	-	849,693	-
<b>Total Operating Revenues</b>	<b>58,719,264</b>	<b>1,661,309</b>	<b>60,380,573</b>	<b>1,613,311</b>
<b>Operating Expenses</b>				
Operation and maintenance	50,480,181	1,525,830	52,006,011	913,603
Insurance payments and claims	-	-	-	254,700
Depreciation and amortization	2,940,688	61,462	3,002,150	221,734
Taxes	313,147	-	313,147	-
<b>Total Operating Expenses</b>	<b>53,734,016</b>	<b>1,587,292</b>	<b>55,321,308</b>	<b>1,390,037</b>
<b>Operating Income (Loss)</b>	<b>4,985,248</b>	<b>74,017</b>	<b>5,059,265</b>	<b>223,274</b>
<b>Nonoperating Revenues (Expenses)</b>				
Investment income	1,006,278	15,680	1,021,958	6,836
Merchandising and jobbing	6,106	-	6,106	-
Interest and fiscal charges	(3,037,564)	(41,248)	(3,078,812)	-
Gain (loss) on disposal of capital assets	-	-	-	5,580
Miscellaneous	1,591,588	-	1,591,588	-
<b>Total Nonoperating Revenues (Expenses)</b>	<b>(433,592)</b>	<b>(25,568)</b>	<b>(459,160)</b>	<b>12,416</b>
<b>Income Before Contributions and Transfers</b>	<b>4,551,656</b>	<b>48,449</b>	<b>4,600,105</b>	<b>235,690</b>
Capital contributions	168,791	-	168,791	-
Transfers out	(961,038)	(136,100)	(1,097,138)	-
<b>Change in Net Assets</b>	<b>3,759,409</b>	<b>(87,651)</b>	<b>3,671,758</b>	<b>235,690</b>
<b>Net Assets - January 1</b>	<b>24,934,651</b>	<b>4,027,662</b>	<b>28,962,313</b>	<b>3,559,110</b>
<b>Net Assets - December 31</b>	<b>\$ 28,694,060</b>	<b>\$ 3,940,011</b>	<b>\$ 32,634,071</b>	<b>\$ 3,794,800</b>

The notes to the basic financial statements are an integral part of this statement.

**CITY OF MENASHA, WISCONSIN**  
**Statement of Cash Flows**  
**Proprietary Funds**  
**Year Ended December 31, 2008**

	Enterprise Funds			Governmental Activities - Internal Service Funds
	Menasha Utilities	Sewage Treatment	Totals	
<b>Cash Flows from Operating Activities</b>				
Cash received from customers	\$ 60,425,430	\$ 1,661,309	\$ 62,086,739	\$ 1,613,311
Cash paid to suppliers	(47,410,961)	(1,369,282)	(48,780,243)	(791,471)
Cash paid to employees	(4,443,779)	(100,244)	(4,544,023)	(364,570)
<b>Net Cash Provided by Operating Activities</b>	<u>8,570,690</u>	<u>191,783</u>	<u>8,762,473</u>	<u>457,270</u>
<b>Cash Flows from Noncapital and Related Financing Activities</b>				
Transfers to general fund	(961,038)	(136,100)	(1,097,138)	-
Advances to (from) other governments	-	(14,618)	(14,618)	-
Advances to (from) other funds	-	1,365,608	1,365,608	(160,043)
<b>Net Cash Used by Noncapital and Related Financing Activities</b>	<u>(961,038)</u>	<u>1,214,890</u>	<u>253,852</u>	<u>(160,043)</u>
<b>Cash Flows from Capital and Related Financing Activities</b>				
Acquisition of capital assets	(2,054,121)	(1,830,583)	(3,884,704)	(307,438)
Debt proceeds	809,736	2,040,878	2,850,614	-
Principal payments on long-term debt	(1,665,032)	(42,740)	(1,707,772)	-
Advances to (from) other funds	(70,789)	-	(70,789)	-
Interest payments on capital debt	(2,863,581)	(33,372)	(2,896,953)	-
Asset disposal costs and salvage	13,536	-	13,536	5,580
Contributions from property owners	168,791	-	168,791	-
<b>Net Cash Used by Capital and Related Financing Activities</b>	<u>(5,661,460)</u>	<u>134,183</u>	<u>(5,527,277)</u>	<u>(301,858)</u>
<b>Cash Flows from Investing Activities</b>				
Interest received on investments	1,010,790	15,680	1,026,470	11,468
Cash paid to ATC LLC	(259,236)	-	(259,236)	-
<b>Cash Provided by Investing Activities</b>	<u>751,554</u>	<u>15,680</u>	<u>767,234</u>	<u>11,468</u>
<b>Change in Cash and Cash Equivalents</b>	<u>2,699,746</u>	<u>1,556,536</u>	<u>4,256,282</u>	<u>6,837</u>
<b>Cash and Cash Equivalents - January 1</b>	<u>5,733,455</u>	<u>-</u>	<u>5,733,455</u>	<u>275,398</u>
<b>Cash and Cash Equivalents - December 31</b>	<u>\$ 8,433,201</u>	<u>\$ 1,556,536</u>	<u>\$ 9,989,737</u>	<u>\$ 282,233</u>
<b>Reconciliation of Operating Income to Net Cash Provided by Operating Activities:</b>	8,433,201			
Operating income	\$ 4,985,248	\$ 74,017	\$ 5,059,265	\$ 223,274
Adjustments to reconcile operating income to net cash provided by operating activities:				
Depreciation and amortization	2,940,688	61,462	3,002,150	221,734
Merchandising and jobbing	6,106	-	6,106	-
Miscellaneous	1,591,588	-	1,591,588	-
Changes in assets and liabilities				
Accounts receivable	339,312	-	339,312	-
Inventories and prepaid expenses	5,901	-	5,901	-
Deferred debits	9,919	-	9,919	-
Accounts payable	(532,417)	56,304	(476,113)	12,262
Accrued and other liabilities	61,132	-	61,132	-
Deferred credits	(836,787)	-	(836,787)	-
<b>Net Cash Provided by Operating Activities</b>	<u>\$ 8,570,690</u>	<u>\$ 191,783</u>	<u>\$ 8,762,473</u>	<u>\$ 457,270</u>
<b>Noncash Investing, Capital and Financing Activities</b>				
None	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
<b>Reconciliation of cash and cash equivalents</b>				
Cash and investments	\$ 299,408	\$ 1,516,536	\$ 1,815,944	\$ 282,233
Restricted and other cash and investments	8,133,793	40,000	8,173,793	-
<b>Total Cash and Cash Equivalents</b>	<u>\$ 8,433,201</u>	<u>\$ 1,556,536</u>	<u>\$ 9,989,737</u>	<u>\$ 282,233</u>

The notes to the basic financial statements are an integral part of this statement.

**CITY OF MENASHA, WISCONSIN**  
**Statement of Net Assets**  
**Agency Fund**  
**December 31, 2008**

	<u>Agency Fund</u>
<b>ASSETS</b>	
Cash and investments	\$ 6,340,473
Taxes receivable	<u>9,049,669</u>
<b>TOTAL ASSETS</b>	<u>\$ 15,390,142</u>
<b>LIABILITIES</b>	
Due to other governments	<u>\$ 15,390,142</u>

The notes to the basic financial statements are an integral part of this statement.

**CITY OF MENASHA, WISCONSIN**  
Notes to Basic Financial Statements  
December 31, 2008

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The basic financial statements of the City of Menasha, Wisconsin ("the City"), have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The significant accounting principles and policies utilized by the City are described below:

1. Reporting Entity

The City of Menasha is a municipal corporation governed by an elected eight member council. In accordance with GAAP, the basic financial statements are required to include the City (the primary government) and any separate component units that have a significant operational or financial relationship with the City. The City has not identified any component units that are required to be included in the basic financial statements in accordance with standards established by GASB Statement Nos. 14 and 39.

2. Joint Venture

The City of Menasha is a participant with six other area municipalities in a joint venture to operate a wastewater treatment facility. The Neenah-Menasha Sewerage Commission was created for that purpose. The Commission is governed by a seven-member board composed of appointed members from the various municipalities. The Commission is designed to be a self-supporting entity, deriving its revenues from sewage treatment user fees from the various municipalities and industries it serves. The Commission has not been created for profit, and no part of the net income or profit shall accrue to the benefit of any private individual or any organization created for profit. Complete financial statements for the Neenah-Menasha Sewerage Commission can be obtained from the Commission's office at 101 Garfield Avenue, Menasha, Wisconsin 54952.

3. Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the City. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which are primarily supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Governmental funds include general, special revenue, debt service and capital projects funds. Proprietary funds include enterprise and internal services funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

**CITY OF MENASHA, WISCONSIN**  
Notes to Basic Financial Statements  
December 31, 2008

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

The City reports the following major governmental funds:

**GENERAL FUND**

This is the City's main operating fund. It accounts for all financial resources of the general government, except those accounted for in another fund.

**DEBT SERVICE FUND**

This fund accounts for the resources accumulated and payments made for principal and interest on long-term general obligation debt of governmental funds.

The City reports the following major enterprise funds:

**MENASHA UTILITIES FUND**

This fund is used to account for the operating activities of the Menasha Water, Steam and Electric operations.

**SEWAGE TREATMENT FUND**

This fund is used to account for the operating activities of the Menasha Sewage Treatment operations.

Additionally, the government reports the following fund types:

*Internal service funds* account for fleet maintenance and insurance services provided to other departments of the City on a cost reimbursement basis.

The City accounts for property taxes collected on behalf of other governments in an *agency fund*.

**4. Measurement Focus and Basis of Accounting**

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary fund and fiduciary fund (other than agency funds) financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenues as soon as all eligibility requirements imposed by the provider have been met. Agency funds follow the accrual basis of accounting, and do not have a measurement focus.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Revenues susceptible to accrual include intergovernmental grants, intergovernmental charges for services, public charges for services and interest. Other revenues such as licenses and permits, fines and forfeits and miscellaneous revenues are recognized when received in cash or when measurable and available.

**CITY OF MENASHA, WISCONSIN**  
Notes to Basic Financial Statements  
December 31, 2008

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Certain private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the *option* of following certain subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The City has elected not to follow subsequent private-sector guidance.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments-in-lieu of taxes and other charges between the City's water and electric functions and various other functions of the City. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as *program revenues* include 1) charges to customers or applicants for goods, services, or privileges provided, and fees and fines, 2) operating grants and contributions, and 3) capital grants and contributions. Internally dedicated resources are reported as *general revenues* rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the City's enterprise funds are charges to customers for services. Operating expenses for enterprise funds include the cost of services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, then unrestricted resources, as they are needed.

**5. Assets, Liabilities and Net Assets or Equity**

**a. Cash and Investments**

Cash and investments are combined in the financial statements. Cash deposits consist of demand and time deposits with financial institutions and are carried at cost. Investments are stated at fair value. 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. For purposes of the statement of cash flows, all cash deposits and highly liquid investments (including restricted assets) with a maturity of three months or less are considered to be cash equivalents.

**b. Accounts Receivable**

Accounts receivable are recorded at gross amount with uncollectible amounts recognized under the direct write-off method. No allowance for uncollectible accounts has been provided since it is believed that the amount of such allowance would not be material to the basic financial statements.

**c. Interfund Receivables and Payables**

During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. These receivables and payables are classified as "due from other funds" and "due to other funds" in the fund financial statements. Noncurrent portions of the interfund receivables for the governmental funds are reported as "advances to other funds" and are offset by a reservation of fund balance since they do not constitute expendable available financial resources and therefore are not available for appropriation.

The amount reported on the statement of net assets for internal balances represents the residual balance outstanding between the governmental activities and business-type activities.

**CITY OF MENASHA, WISCONSIN**  
**Notes to Basic Financial Statements**  
**December 31, 2008**

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**d. Inventories**

Inventories are recorded at cost, which approximates market, using the first-in, first-out method. Inventories consist of expendable supplies held for consumption. The cost is recorded as an expenditure at the time individual inventory items are consumed rather than when purchased.

Inventories of governmental funds in the fund financial statements are offset by fund balance reserve amounts to indicate that they do not represent spendable available financial resources.

**e. Prepaid Items**

Payments made to vendors that will benefit periods beyond the end of the current fiscal year are recorded as prepaid items.

Prepaid items of governmental funds in the fund financial statements are offset by fund balance reserve amounts to indicate that they do not represent spendable available financial resources.

**f. Capital Assets**

Capital assets, which include property, plant, equipment, and infrastructure assets, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the City as assets with an initial, individual cost of \$5,000 or higher and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Capital assets of the City are depreciated using the straight-line method over the following estimated useful lives:

	Governmental	Business-type
	Activities	Activities
	Years	
<b>Assets</b>		
Buildings	30 - 40	25 - 50
Improvements other than buildings	-	25 - 100
Machinery and equipment	3 - 20	3 - 10
Infrastructure	10 - 100	-

**g. Compensated Absences**

It is the City's policy to permit employees to accumulate earned but unused vacation and sick leave benefits in accordance with bargaining unit agreements. All vacation and sick leave is accrued when incurred in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in the governmental funds in the fund financial statements only if they have matured, for example, as a result of employee resignations and retirements.

The Menasha Utilities Enterprise Fund has recorded a liability for accrued employee vacation leave at December 31, 2008. Employees are not granted a specific number of sick days, rather they may use as many as needed in each particular instance. Employees are not allowed to accumulate sick leave. Therefore, no liability for accumulated sick leave is recorded at December 31, 2008.

**CITY OF MENASHA, WISCONSIN**  
**Notes to Basic Financial Statements**  
**December 31, 2008**

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**h. Deferred Revenue**

Governmental funds report deferred revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period or for resources that have been received, but not yet recognizable.

**i. Long-term Obligations**

In the government-wide financial statements, and proprietary funds in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental funds recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

**j. Fund Equity**

**FUND FINANCIAL STATEMENTS**

Governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

**GOVERNMENT-WIDE AND PROPRIETARY FUND STATEMENTS**

Equity is classified as net assets and displayed in three components:

- Invested in capital assets, net of related debt - Amount of capital assets, net of accumulated depreciation, less outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- Restricted net assets - Amount of net assets that are subject to restrictions that are imposed by 1) external groups, such as creditors, grantors, contributors or laws or regulations of other governments or 2) law through constitutional provisions or enabling legislation.
- Unrestricted net assets - Net assets that are neither classified as restricted nor as invested in capital assets, net of related debt.

**k. Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

**CITY OF MENASHA, WISCONSIN**  
**Notes to Basic Financial Statements**  
**December 31, 2008**

**NOTE B - STEWARDSHIP AND COMPLIANCE**

1. Budgets and Budgetary Accounting

The City follows these procedures in establishing the budgetary data reflected in the basic financial statements:

- a. During October, City management submits to the City Council a proposed operating budget for the calendar year commencing the following January 1. The operating budget includes proposed expenditures and the means of financing them. After submission to the governing body, public hearings are held to obtain taxpayer comments. Following the public hearings, the proposed budget, including authorized additions and deletions, is legally enacted by City Council action.
- b. Budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America for the governmental funds. Budget is defined as the originally approved budget plus or minus approved amendments. Individual amendments throughout the year were not material in relation to the original budget. Budget appropriations not expended during the year are closed to fund balance unless authorized by the governing body to be forwarded into the succeeding year's budget.
- c. During the year, formal budgetary integration is employed as a management control device for the governmental funds.
- d. The legal level of budgetary control is by activity or department. Expenditures may not exceed budgeted appropriations provided in accounts maintained for each activity or department of the City. Amendments to the budget during the year require initial approval by management and are subsequently authorized by the City Council. Management does not have authority to amend activity or department budget accounts.
- e. Encumbrance accounting is not used by the City to record commitments related to unperformed contracts for goods or services.

The City did not have any material violation of legal or contractual provisions for the fiscal year ended December 31, 2008.

2. Deficit Fund Equity

The following funds had deficit fund equity as of December 31, 2008:

Funds	Deficit Fund Balance
Special Revenue Fund	
Public safety donations	\$ 1,243
Capital Projects Funds	
Tax incremental district #4	32,125
Tax incremental district #6	114,621
Tax incremental district #7	102,767
Tax incremental district #8	19,849
Tax incremental district #11	30,175
Internal Service Fund	
Dental insurance	6,952

The City anticipates funding the above deficit from future operations of the funds.

**CITY OF MENASHA, WISCONSIN**  
**Notes to Basic Financial Statements**  
**December 31, 2008**

**NOTE C - DETAILED NOTES ON ALL FUNDS**

**1. Cash and Investments**

The City maintains various cash and investment accounts, including pooled funds that are available for use by all funds. Each fund's portion of these accounts is displayed on the financial statements as "Cash and investments."

The City is authorized by Wisconsin Statute 66.0603 to invest in the following instruments:

- a. Time deposits in any credit union, bank, savings bank, trust company or savings and loan association which is authorized to transact business in this state if the time deposits mature in not more than three years.
- b. Bonds or securities issued or guaranteed as to principal and interest by the federal government, or by a commission, board or other instrumentality of the federal government.
- c. Bonds or securities of any county, city, drainage district, technical college district, village, town or school district of this state. Also, bonds issued by a local exposition district, local professional baseball park district, local professional football stadium district, local cultural arts district, or the University of Wisconsin Hospitals and Clinics Authority.
- d. Any security which matures or which may be tendered for purchase at the option of the holder within not more than 7 years of the date on which it is acquired, if that security has a rating which is the highest or second highest rating category assigned by Standard & Poor's Corporation, Moody's Investor Service or other similar nationally recognized rating agency or if that security is senior to, or on a parity with, a security of the same issuer which has such a rating.
- e. The Local Government Pooled Investment Fund.
- f. Repurchase agreements with public depositories, if the agreement is secured by federal bonds or securities.
- g. Securities of open-end management investment companies or investment trusts (mutual funds) if the portfolio is limited to (a) bonds and securities issued by the federal government or a commission, board or other instrumentality of the federal government, (b) bonds that are guaranteed as to principal and interest by the federal government or a commission, board or other instrumentality of the federal government, and (c) repurchase agreements that are fully collateralized by these bonds or securities.

In addition to the foregoing, the City may have investments in shares of common stock and mutual funds held for specific endowment funds. The carrying amount of the City's cash and investments, including the separate accounts noted above, totaled \$26,090,520 on December 31, 2008 as summarized below:

Petty cash funds	\$ 3,855
Deposits with financial institutions	20,960,689
Investments	5,125,976
	\$ 26,090,520

**CITY OF MENASHA, WISCONSIN**  
**Notes to Basic Financial Statements**  
**December 31, 2008**

**NOTE C - DETAILED NOTES ON ALL FUNDS (Continued)**

Reconciliation to the basic financial statements:

Basic financial statements	
Cash and investments	\$ 11,576,254
Restricted cash and investments	8,173,793
Fiduciary fund	
Agency fund	6,340,473
	<u>\$ 26,090,520</u>

Deposits and investments of the City are subject to various risks. Presented below is a discussion of the specific risks and the City's policy related to the risk.

**Custodial Credit Risk**

Custodial credit risk for *deposits* is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for *investments* is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. Wisconsin statutes require repurchase agreements to be fully collateralized by bonds or securities issued or guaranteed by the federal government or its instrumentalities. The City does not have an additional custodial credit risk policy.

Deposits with financial institutions are insured by the Federal Deposit Insurance Corporation (FDIC) in the amount of \$250,000 per official custodian through December 31, 2013. In addition, the City's non-interest bearing transaction accounts are fully insured under the Temporary Liquidity Guarantee Program through December 31, 2009. On January 1, 2014, the coverage limit for all accounts will return to \$100,000 for interest bearing accounts and \$100,000 for non-interest bearing accounts. In addition, the State of Wisconsin has a State Guarantee Fund which provides a maximum of \$400,000 per public depository above the amount provided by an agency of the U.S. Government. However, due to the relatively small size of the State Guarantee Fund in relation to the Fund's total coverage, total recovery of insured losses may not be available.

As of December 31, 2008, \$14,583,989 of the City's deposits with financial institutions were in excess of federal depository insurance limits and uncollateralized.

**Credit Risk**

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. Wisconsin statutes limit investments in securities to the top two ratings assigned by nationally recognized statistical rating organizations. The City does not have an additional credit risk policy. Presented below is the actual rating as of year end for each investment type.

Investment Type	Amount	Exempt From Disclosure	AAA	Aa	Not Rated
Commercial paper	\$ 1,163,317	\$ -	\$ 1,163,317	\$ -	\$ -
Common stock	1,644	-	-	-	1,644
Wisconsin local government investment pool	3,961,015	-	-	-	3,961,015
<b>Totals</b>	<b>\$ 5,125,976</b>	<b>\$ -</b>	<b>\$ 1,163,317</b>	<b>\$ -</b>	<b>\$ 3,962,659</b>

**CITY OF MENASHA, WISCONSIN**  
**Notes to Basic Financial Statements**  
**December 31, 2008**

**NOTE C - DETAILED NOTES ON ALL FUNDS (Continued)**

**Interest Rate Risk**

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The City does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Information about the sensitivity of the fair values of the City's investments to market interest rate fluctuations is provided by the following table that shows the distribution of the City's investments by maturity:

Investment Type	Amount	Remaining Maturity (In Months)			
		12 Months or Less	13 to 24 Months	25 to 60 Months	More Than 60 Months
Federal agency securities	\$ 1,163,317	\$ -	\$ -	\$ 1,163,317	\$ -
Wisconsin local government investment pool	3,961,015	3,961,015	-	-	-
<b>Totals</b>	<b>\$ 5,124,332</b>	<b>\$ 3,961,015</b>	<b>\$ -</b>	<b>\$ 1,163,317</b>	<b>\$ -</b>

**Investment in Wisconsin Local Government Investment Pool**

The City has investments in the Wisconsin local government investment pool of \$3,961,015 at year-end. The Wisconsin local government investment pool (LGIP) is part of the State Investment Fund (SIF), and is managed by the State of Wisconsin Investment Board. The SIF is not registered with the Securities and Exchange Commission, but operates under the statutory authority of Wisconsin Chapter 25. The SIF reports the fair value of its underlying assets annually. Participants in the LGIP have the right to withdraw their funds in total on one day's notice. At December 31, 2008, the fair value of the City's share of the LGIP's assets was substantially equal to the carrying value.

Investments in the Wisconsin Local Government Investment Pool are covered under a surety bond issued by Financial Security Assurance, Inc., which is in effect through February 15, 2009. The bond insures against losses arising from principal defaults on substantially all types of securities acquired by the pool. The bond provides unlimited coverage on principal losses, reduced by any FDIC, State of Wisconsin Guarantee Fund insurance, and income on the investment during the calendar quarter a loss occurs.

**2. Property Taxes**

Property taxes consist of taxes on real estate and personal property. They are levied during December of the prior year and become an enforceable lien on property the following January 1. Property taxes are payable in various options depending on the type and amount. Personal property taxes are payable on or before January 31 in full. Real estate taxes are payable in full by January 31 or in four equal installments on or before January 31, March 31, May 31 and July 31. Real estate taxes not paid by July 31 are purchased by the County as part of the August tax settlement. Delinquent personal property taxes remain the collection responsibility of the City.

The City bills and collects its own property taxes and also levies and collects taxes for the Menasha School District, Appleton Area School District, Winnebago and Calumet Counties, Fox Valley Technical College and the State of Wisconsin. Collections and remittances of taxes for other entities are accounted for in the property tax agency fund.

**CITY OF MENASHA, WISCONSIN**  
**Notes to Basic Financial Statements**  
**December 31, 2008**

**NOTE C - DETAILED NOTES ON ALL FUNDS (Continued)**

**3. Restricted and Other Assets**

Restricted assets on December 31, 2008 totaled \$15,293,723 as detailed below:

<b>Governmental Activities</b>	
Capitalization deposit with CVMIC	\$ 1,031,220
Beneficial interest in library endowment funds held by the Community Foundation	<u>116,560</u>
<b>Total Governmental Activities</b>	<u><u>1,147,780</u></u>
<b>Business-type Activities</b>	
<b>Menasha Utilities</b>	
Cash and investments	8,132,149
Other cash and investments	1,644
Investment in ATC LLC	2,497,506
Generation investment in steam utility	3,371,775
Interest accrued	<u>102,869</u>
<b>Total Menasha Utilities</b>	<u><u>14,105,943</u></u>
<b>Sewage System</b>	
Equipment replacement	<u>40,000</u>
<b>Total Restricted and Other Assets</b>	<u><u>\$ 15,293,723</u></u>

Restricted cash and investments of Menasha Utilities are held for the following purposes:

Debt reserve fund	\$ 595,418
Bond redemption fund	3,229,228
Depreciation fund	1,721,422
Transmission reserve fund	435,203
Utility reserve fund	244,480
Steam Utility reserve fund	1,830,000
Post Employment Health Benefits Fund	<u>76,398</u>
<b>Total Cash and Investments</b>	<u><u>\$ 8,132,149</u></u>

Restricted assets of the Electric and Water Utilities enterprise fund consist of a debt reserve fund, a bond redemption fund, and a depreciation fund required by the City revenue bond ordinance. The debt reserve fund requires a balance of the lesser of \$840,000 or the highest outstanding principal and interest requirements on all bond issues. The depreciation fund is required to have \$1,000,000 set aside for additions to and betterments of the system.

**CITY OF MENASHA, WISCONSIN**  
**Notes to Basic Financial Statements**  
**December 31, 2008**

**NOTE C - DETAILED NOTES ON ALL FUNDS (Continued)**

**4. Capital Assets**

Capital asset activity for the year ended December 31, 2008 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
<b>Governmental activities:</b>				
<b>Capital assets, not being depreciated:</b>				
Land	\$ 8,947,642	\$ 36,146	\$ -	\$ 8,983,788
Construction in progress	132,484	-	-	132,484
<b>Total capital assets, not being depreciated</b>	<b>9,080,126</b>	<b>36,146</b>	<b>-</b>	<b>9,116,272</b>
<b>Capital assets, being depreciated:</b>				
Buildings and improvements	10,538,215	-	-	10,538,215
Machinery and equipment	7,032,748	457,568	68,964	7,421,352
Infrastructure	36,246,282	1,089,036	-	37,335,318
<b>Subtotals</b>	<b>53,817,245</b>	<b>1,546,604</b>	<b>68,964</b>	<b>55,294,885</b>
<b>Less accumulated depreciation for:</b>				
Buildings and improvements	4,548,064	217,039	-	4,765,103
Machinery and equipment	4,575,111	351,063	57,541	4,868,633
Infrastructure	11,278,369	909,824	-	12,188,193
<b>Subtotals</b>	<b>20,401,544</b>	<b>1,477,926</b>	<b>57,541</b>	<b>21,821,929</b>
<b>Total capital assets, being depreciated, net</b>	<b>33,415,701</b>	<b>68,678</b>	<b>11,423</b>	<b>33,472,956</b>
<b>Governmental activities capital assets, net</b>	<b>\$ 42,495,827</b>	<b>\$ 104,824</b>	<b>\$ 11,423</b>	<b>42,589,228</b>
<b>Less: related long-term debt outstanding related to capital assets net of unamortized premium of \$164,150 and loss on advance refunding of (\$17,655)</b>				<b>23,155,125</b>
<b>Invested in capital assets, net of related debt</b>				<b>\$ 19,434,103</b>

**CITY OF MENASHA, WISCONSIN**  
**Notes to Basic Financial Statements**  
**December 31, 2008**

**NOTE C - DETAILED NOTES ON ALL FUNDS (Continued)**

	Beginning Balance	Increases	Decreases	Ending Balance
<b>Business-type activities:</b>				
<b>Capital assets, not being depreciated:</b>				
Land	\$ 872,047	\$ 376,158	\$ -	\$ 1,248,205
Other assets	471,657	-	78,137	393,520
Construction in progress	13,068,793	1,943,498	11,945,940	3,066,351
<b>Total capital assets, not being depreciated</b>	<b>14,412,497</b>	<b>2,319,656</b>	<b>12,024,077</b>	<b>4,708,076</b>
<b>Capital assets, being depreciated:</b>				
Buildings and improvements	16,119,431	4,896,962	178,749	20,837,644
Improvements other than buildings	42,224,867	1,359,130	142,914	43,441,083
Machinery and equipment	34,561,300	7,457,530	1,355,729	40,663,101
Subtotals	92,905,598	13,713,622	1,677,392	104,941,828
<b>Less accumulated depreciation for:</b>				
Steam utility	8,658,142	1,274,493	91,528	9,841,107
Electric distribution utility	10,604,708	1,435,364	502,079	11,537,993
Energy services utility	64,345	9,265	-	73,610
Telecommunications utility	227,601	38,465	-	266,066
Water utility	5,856,622	578,666	1,408,984	5,026,304
Sewage treatment utility	652,693	61,462	-	714,155
Subtotals	26,064,111	3,397,715	2,002,591	27,459,235
<b>Total capital assets, being depreciated, net</b>	<b>66,841,487</b>	<b>10,315,907</b>	<b>(325,199)</b>	<b>77,482,593</b>
<b>Business-type activities capital assets, net</b>	<b>\$ 81,253,984</b>	<b>\$ 12,635,563</b>	<b>\$ 11,698,878</b>	<b>82,190,669</b>
<b>Less: related long-term debt outstanding related to capital assets</b>				<b>62,476,937</b>
<b>Invested in capital assets, net of related debt</b>				<b>\$ 19,713,732</b>

**CITY OF MENASHA, WISCONSIN**  
**Notes to Basic Financial Statements**  
**December 31, 2008**

**NOTE C - DETAILED NOTES ON ALL FUNDS (Continued)**

Depreciation expense was charged to functions of the City as follows:

<b>Governmental activities</b>	
General government	\$ 48,558
Public safety	113,719
Public works	1,138,790
Health and human services	10,617
Culture and recreation	166,005
Conservation and development	237
Total depreciation expense - governmental activities	\$ 1,477,926
<b>Business-type activities</b>	
Steam utility	\$ 1,274,493
Electric distribution utility	1,435,364
Energy services utility	9,265
Telecommunications utility	38,465
Water utility	578,666
Sewage treatment utility	61,462
Total depreciation expense - business-type activities	\$ 3,397,715

**5. Interfund Receivable, Payables, and Transfers**

Interfund receivables and payables between individual funds of the City, as reported in the fund financial statements, as of December 31, 2008 are detailed below:

	Interfund Receivables	Interfund Payables
General fund	\$ 2,569,801	\$ 6,167,912
Debt service fund	3,229,398	-
Sewage treatment fund	-	971,678
Non-major governmental funds	2,071,593	870,554
Internal service funds	783,458	644,106
<b>Totals</b>	<b>\$ 8,654,250</b>	<b>\$ 8,654,250</b>

The city uses interfund receivables and payables to balance each fund for receipts and disbursements recorded by the general fund on behalf of each fund. The city's operating cash accounts are in the general fund and all transactions effecting each fund (except the Utility Fund which is separate from the City) is entered through the general fund cash accounts resulting in an interfund receivable or payable depending on the transaction type.

**CITY OF MENASHA, WISCONSIN**  
**Notes to Basic Financial Statements**  
**December 31, 2008**

**NOTE C - DETAILED NOTES ON ALL FUNDS (Continued)**

The Menasha Utilities portion of the City's unfunded pension obligation totaled \$966,275. The Menasha Utilities' portion of the liability was retired in 2003 using available financial resources of the City and a long-term advance to Menasha Utilities was recorded for this amount. This amount is reported in the Menasha Utilities Enterprise Fund as a long-term obligation due to municipality. Annual maturities of principal and interest for the portion assigned to Menasha Utilities are as follows:

Year Ended December 31	Principal	Interest	Total
2009	\$ 70,789	\$ 33,717	\$ 104,506
2010	88,487	31,018	119,505
2011	106,184	27,611	133,795
2012	176,974	22,568	199,542
2013	523,841	9,691	533,532
	<u>\$ 966,275</u>	<u>\$ 124,605</u>	<u>\$ 1,090,880</u>

Interfund transfers for the year ended December 31, 2008 were as follows:

	Transfer to:			Total
	General Fund	Debt Service Fund	Non-major Governmental Funds	
Transfers from:				
Non-major Government Funds	\$ 294,024	\$ 10,640,399	\$ 30,000	\$ 10,964,423
Enterprise Fund				
Menasha Utilities	961,038	-	-	961,038
Sewage Treatment	136,100	-	-	136,100
Totals	<u>\$ 1,391,162</u>	<u>\$ 10,640,399</u>	<u>\$ 30,000</u>	<u>\$ 12,061,561</u>

A transfer of \$961,038 was transferred from Menasha Utilities as a payment in lieu of taxes. The transfers of \$10,640,399 were made to transfer resources for debt service payments. The remaining transfers were made to finance various operating costs.

**CITY OF MENASHA, WISCONSIN**  
**Notes to Basic Financial Statements**  
December 31, 2008

**NOTE C - DETAILED NOTES ON ALL FUNDS (Continued)**

**6. Deferred Revenues**

Governmental activities and governmental funds defer revenue recognition in connection with resources that have been received, but not yet earned. Governmental funds also report deferred revenue in connection with receivables for resources that are not considered to be available to liquidate liabilities of the current period. At the end of the current fiscal year, the various components of deferred revenue and unearned revenue were as follows:

	Unavailable	Unearned
Subsequent year tax levy receivable		
Major governmental funds		
General fund	\$ -	\$ 6,835,050
Debt service	-	1,819,714
Other governmental funds		
Special revenue funds		
Tax Incremental District No. 1	-	169,884
Tax Incremental District No. 2	-	63,736
Tax Incremental District No. 3	-	54,066
Recycling	-	229,364
Capital projects fund		
Tax Incremental District No. 4	-	172,294
Tax Incremental District No. 5	-	290,472
Tax Incremental District No. 6	-	265,445
Tax Incremental District No. 7	-	100,882
Tax Incremental District No. 8	-	65,947
Tax Incremental District No. 9	-	242,990
Tax Incremental District No. 10	-	82,516
Tax Incremental District No. 11	-	25,812
Postponed special assessments and developer receivables		
Major governmental funds		
Debt service	5,205,467	-
Loans receivable		
Other governmental funds		
Capital projects fund		
Tax Incremental District No. 5	1,911,330	-
Special revenue funds		
Housing rehab	62,245	-
Community development block grant	1,061,672	-
Revenues collected in advance		
General fund	-	101,172
Other governmental funds		
Marina	-	13,119
	<u>\$ 8,240,714</u>	<u>\$ 10,532,463</u>

**CITY OF MENASHA, WISCONSIN**  
**Notes to Basic Financial Statements**  
**December 31, 2008**

**NOTE C - DETAILED NOTES ON ALL FUNDS (Continued)**

Postponed special assessments are generally collectible on annual installments from one to five years while certain others have been deferred up to ten years or until the property is sold or placed in service, whichever is earliest.

Developer receivables represent infrastructure and other costs incurred by the City based on agreements signed with the developer. The receivables are collectible as properties within the development are sold by the developer.

The loans receivable of \$62,245 and \$1,061,672 represents various loans to local homeowners and businesses that were originally financed from economic development grants received by the City from the Wisconsin Departments of Commerce and Development. Repayment of principal and interest on the loan is recorded as revenue in the economic development and housing rehabilitation loan program special revenue funds and is used to finance additional loans.

**7. Long-term Obligations**

The following is a summary of changes in long-term obligations of the City for the year ended December 31, 2008:

	Outstanding 1/1/08	Issued	Retired	Outstanding 12/31/08	Due Within One Year
<b>Governmental activities:</b>					
<b>General Obligation Debt</b>					
Bonds	\$ 6,485,000	\$ -	\$ 295,000	\$ 6,190,000	\$ 325,000
Notes	16,377,702	9,995,000	2,135,406	24,237,296	2,207,296
<b>Total General Obligation Debt</b>	<b>22,862,702</b>	<b>9,995,000</b>	<b>2,430,406</b>	<b>30,427,296</b>	<b>2,532,296</b>
Debt premium	124,027	62,844	22,721	164,150	35,291
Loss on advance refunding	(29,426)	-	(11,771)	(17,655)	(11,771)
Bond anticipation notes	5,070,000	-	4,725,000	345,000	345,000
Note anticipation notes	4,345,000	-	4,345,000	-	-
Compensated absences	1,516,035	122,280	-	1,638,315	-
<b>Governmental activities Long-term obligations</b>	<b>\$ 33,888,338</b>	<b>\$ 10,180,124</b>	<b>\$ 11,511,356</b>	<b>\$ 32,557,106</b>	<b>\$ 2,900,816</b>
<b>Business-type activities:</b>					
General obligation notes	\$ 13,930,000	\$ -	\$ -	\$ 13,930,000	\$ -
General obligation note anticipation notes	2,675,000	-	-	2,675,000	-
Revenue bonds	18,932,019	2,850,614	1,285,496	20,497,137	1,433,380
Revenue bond anticipation notes	24,160,000	-	-	24,160,000	24,160,000
Promissory notes	277,047	-	215,364	61,683	-
Capital leases	2,131,677	6,119	206,912	1,930,884	227,791
<b>Business-type activities Long-term obligations</b>	<b>\$ 62,105,743</b>	<b>\$ 2,856,733</b>	<b>\$ 1,707,772</b>	<b>\$ 63,254,704</b>	<b>\$ 25,821,171</b>

Total interest paid during the year on long-term debt totaled \$4,709,358.

**General Obligation Debt**

The City has issued general obligation debt to provide funds for the acquisition and construction of major capital facilities and capitalization deposit with CVMIC. General obligation debt has been issued for both governmental and proprietary fund activities. General obligation debt is reported in the proprietary funds if it is expected to be repaid from proprietary fund revenues.

**CITY OF MENASHA, WISCONSIN**  
**Notes to Basic Financial Statements**  
**December 31, 2008**

**NOTE C - DETAILED NOTES ON ALL FUNDS (Continued)**

General obligation debt service requirements are direct obligations and pledge the full faith and credit of the City. General obligation debt outstanding on December 31, 2008 totaled \$47,032,296 and was comprised of the following issues:

**Governmental Activities:**

**Bonds**

\$780,000 issued 7/15/97; \$180,000 due in 2009; interest 4.75%	\$ 180,000
\$1,305,000 issued 12/15/01; \$55,000 to \$150,000 due annually through 2017; interest 4.5% to 4.875%	1,055,000
\$1,390,000 issued 12/1/03; \$115,000 to \$165,000 due annually beginning in 2012 through 2021; interest 3.9% to 4.6%	1,390,000
\$1,160,000 issued 12/15/03; \$40,000 to \$115,000 due annually through 2018; interest 2.8% to 4.3%	1,000,000
\$2,565,000 issued 6/15/05; \$385,000 to \$475,000 due annually from 2011 through 2016; interest 4.25% to 4.65%	<u>2,565,000</u>
<b>Total Bonds</b>	<u><b>6,190,000</b></u>

**Notes**

\$2,225,000 issued 9/1/01; \$275,000 to \$285,000 due annually through 2011; interest 3.85% to 4.15%	835,000
\$575,000 issued 12/15/01; \$100,000 to \$110,000 due annually through 2011; interest 5.8% to 6%	315,000
\$4,800,000 issued 5/1/02; \$175,000 due annually through 2011; interest 4.0% to 4.25%	525,000
\$4,530,000 issued 3/1/03; \$300,000 to \$1,480,000 due annually through 2013; interest 3.25% to 3.7%	3,930,000
\$2,770,000 issued 7/1/03; \$350,000 to \$700,000 due annually through 2012; interest 2.125% to 2.9%	1,050,000
\$200,000 issued 9/1/03; \$200,000 due in 2012; interest 4%	200,000
\$425,000 issued 6/8/04; \$18,724 to \$343,610 due through 2009; interest 2%	282,296
\$2,490,000 issued 6/15/05; \$2,490,000 due in 2014; interest 4.0%	2,490,000
\$1,300,000 issued 8/12/05; \$1,300,000 due in 2010; interest 3.25%	1,300,000
\$2,345,000 issued 8/1/06; \$125,000 to \$1,685,000 due annually beginning in 2008 through 2014; interest 4.25% to 5.00%	2,210,000
\$1,455,000 issued 8/1/06; \$350,000 to \$380,000 due annually beginning in 2008 through 2011; interest 5.75% to 5.80%	1,105,000
\$4,715,000 issued 8/1/08; \$150,000 to \$4,000,000 due annually beginning in 2009 through 2013; interest 5.35%-6.40%	4,715,000
\$5,280,000 issued 8/1/08; \$100,000 to \$2,300,000 due annually beginning in 2009 through 2017; interest 4.25%-4.40%	<u>5,280,000</u>
<b>Total Notes</b>	<u><b>24,237,296</b></u>

**Total Governmental Activities Outstanding General Obligation Debt**

**30,427,296**

**Business-type Activities:**

**Notes**

\$13,930,000 issued 8/22/07; \$13,930,000 due in 2010; interest 5.60%	13,930,000
\$2,675,000 issued in 2006; \$2,675,000 due in 2011; interest 5.20%	<u>2,675,000</u>
	<u><b>16,605,000</b></u>

**Total General Obligation Debt**

**\$ 47,032,296**

**CITY OF MENASHA, WISCONSIN**  
**Notes to Basic Financial Statements**  
**December 31, 2008**

**NOTE C - DETAILED NOTES ON ALL FUNDS (Continued)**

Annual principal and interest maturities of the outstanding general obligation debt of \$47,032,296 on December 31, 2008 are detailed below:

Year Ended December 31	Governmental Activities		Business-type Activities		Totals	
	Principal	Interest	Principal	Interest	Principal	Interest
2009	\$ 2,532,296	\$ 2,209,997	\$ -	\$ 919,180	\$ 2,532,296	\$ 3,129,177
2010	3,375,000	2,032,529	13,930,000	919,180	17,305,000	2,951,709
2011	2,545,000	1,673,128	2,675,000	139,100	5,220,000	1,812,228
2012	3,015,000	1,676,913	-	-	3,015,000	1,676,913
2013	7,535,000	1,479,678	-	-	7,535,000	1,479,678
2014-2018	10,945,000	1,806,240	-	-	10,945,000	1,806,240
2019-2021	480,000	87,980	-	-	480,000	87,980
	<u>\$30,427,296</u>	<u>\$10,966,465</u>	<u>\$16,605,000</u>	<u>\$ 1,977,460</u>	<u>\$47,032,296</u>	<u>\$12,943,925</u>

For governmental activities, the other long-term liabilities are generally funded by the general fund.

**Legal Margin for New Debt**

The City's legal margin for creation of additional general obligation debt on December 31, 2008 was \$7,380,282 as follows:

Equalized valuation of the City	\$1,039,202,400
Statutory limitation percentage	(x) 5%
General obligation debt limitation, per Section 67.03 of the Wisconsin Statutes	51,960,120
Total outstanding general obligation debt applicable to debt limitation	\$ 47,032,296
Less: Amounts available for financing general obligation debt	
Debt service fund	<u>2,452,458</u>
Net outstanding general obligation debt applicable to debt limitation	44,579,838
Legal Margin for New Debt	<u>\$ 7,380,282</u>

**Bond Anticipation Notes**

The City has issued bond anticipation notes to finance construction costs associated with TID No. 5. Bond anticipation notes do not constitute a statutory indebtedness of the City. Accordingly, they are not considered general obligations of the City nor a reduction in the City's taxing authority.

Bond anticipation notes outstanding on December 31, 2008 totaled \$345,000 and were comprised of the following issues:

\$3,700,000 issued 12/14/04; \$345,000 due in 2009; interest 3.0%	<u>\$ 345,000</u>
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Annual principal and interest maturities of the bond anticipation notes of \$345,000 on December 31, 2008 follow:

Year Ended December 31	Principal	Interest	Total
2009	\$ 345,000	\$ 10,695	\$ 355,695

**CITY OF MENASHA, WISCONSIN**  
**Notes to Basic Financial Statements**  
**December 31, 2008**

**NOTE C - DETAILED NOTES ON ALL FUNDS (Continued)**

Revenue Bonds

Revenue bond debt service requirements are financed from operations of the City's enterprise fund. Revenue bonds outstanding on December 31, 2008 totaled \$20,497,137 and were composed of the following issues:

\$1,076,097 Clean Water Fund Loan originating on 11/24/04; \$991,397 was issued; \$42,739 to \$62,122 due annually through 2024; principal payments will increase in subsequent years as the remaining loan balance is drawn; interest 2.365%	\$ 838,977
\$7,015,000 issued 12/28/05; \$160,000 to \$820,000 due annually 2007 through 2025; interest 3.75% to 4.2%	5,765,000
\$11,416,523 issued during 2006 and 2007; \$516,161 to \$767,998 due annually through 2025; interest 2.34%	11,526,199
\$168,779 issued during 2007; \$7,065 to \$10,971 due annually through 2026; interest 2.475%	326,084
\$2,040,876 issued in 2008; \$86,327 to \$131,484 due annually through 2027; interest 2.365%	<u>2,040,877</u>
<b>Total Revenue Bonds Payable</b>	<u><u>\$ 20,497,137</u></u>

Annual principal and interest maturities of the above outstanding enterprise fund revenue bonds of \$17,617,283 on December 31, 2008 are shown below:

Year Ended December 31	Principal	Interest	Total
2009	\$ 1,433,380	\$ 555,494	\$ 1,988,874
2010	1,475,030	511,258	1,986,288
2011	1,527,075	463,111	1,990,186
2012	1,574,524	413,256	1,987,780
2013	932,386	375,582	1,307,968
2014-2018	5,050,010	1,602,653	6,652,663
2019-2023	5,754,420	900,057	6,654,477
2024-2027	2,750,312	162,444	2,912,756
	<u>\$ 20,497,137</u>	<u>\$ 4,983,855</u>	<u>\$ 25,480,992</u>

There are a number of compliance requirements associated with these debt issues. The Utilities are in compliance with those requirements.

The Utilities have pledged future water, electric and sewer customer revenues, net of specified operating expenses, to repay the revenue bonds. Proceeds from the bonds provided financing for the construction or acquisition of capital assets used by the Utilities. The bonds are payable solely from water, electric and sewer customer net revenues and are payable through 2027. The total principal and interest remaining to be paid on the bonds is \$25,480,992. Principal and interest paid for the current year and total customer net revenues were \$1,840,605 and \$5,051,918, respectively.

Revenue Bond Anticipation Notes

\$12,660,000 issued 2/1/05; \$12,660,000 due in 2009; interest 4.35%	\$ 12,660,000
\$11,500,000 issued 12/1/06; \$11,500,000 due in 2009; interest 5.70%	11,500,000
<b>Total Revenue Bond Anticipation Notes</b>	<u><u>\$ 24,160,000</u></u>

**CITY OF MENASHA, WISCONSIN**  
**Notes to Basic Financial Statements**  
**December 31, 2008**

**NOTE C - DETAILED NOTES ON ALL FUNDS (Continued)**

Annual principal and interest maturities of the above outstanding enterprise fund revenue bond anticipation notes of \$24,160,000 on December 31, 2008 are as shown below:

Year Ended December 31	Principal	Interest	Total
2009	<u>\$ 24,160,000</u>	<u>\$ 1,206,210</u>	<u>\$ 25,366,210</u>

**Promissory Note**

Menasha Utilities has a promissory note payable to DTE Coal Services, Inc. for coal purchases. The amount outstanding at December 31, 2008 was \$61,683.

**Capital Leases**

The City is obligated under various leases accounted for as capital leases that were used to finance the acquisition of capital assets. Presented below is a schedule of future minimum lease payments required under the capital leases, and the present value of the net minimum lease payments at December 31, 2008:

Year Ending	Amount
2009	\$ 372,630
2010	363,654
2011	356,633
2012	349,992
2013	349,992
2014-2016	1,049,977
Total Minimum Lease Payments	<u>2,842,878</u>
Less: Amount representing interest	<u>911,994</u>
Present Value of Future Minimum Lease Payments	<u>\$ 1,930,884</u>

**NOTE D - OTHER INFORMATION**

**1. Retirement Commitments**

All eligible City employees participate in the Wisconsin Retirement System (WRS), a cost-sharing multiple-employer, defined benefit, public employee retirement system. All permanent employees expected to work over 600 hours a year (440 hours for teachers) are eligible to participate in the WRS. Covered employees in the General category are required by statute to contribute 6.0% of their salary (3.0% for Executives and Elected Officials, 5.1% for Protective Occupations with Social Security, and 3.4% for Protective Occupations without Social Security) to the plan. Employers may make these contributions to the plan on behalf of employees. Employers are required to contribute an actuarially determined amount necessary to fund the remaining projected cost of future benefits.

The payroll for City employees covered by the WRS for the year ended December 31, 2008 was \$12,580,980; the employer's total payroll was \$11,254,583. The total required contribution for the year ended December 31, 2008 was \$1,449,770, which consisted of \$758,956, or 6.0% of covered payroll from the employer and \$690,814, or 5.5% of covered payroll from employees. The required contribution for employees for the year ended December 31, 2008 was financed by the City. Total contributions for the years ending December 31, 2007 and 2006 were \$1,376,430 and \$1,325,226 respectively, equal to the required contributions for each year. The payroll covered by the WRS for the year ended December 31, 2008 of \$12,580,980 includes \$1,679,661 of covered wages for the City of Menasha's share of the Neenah/Menasha Fire Department. The fire department employees are not employed or paid by the City but, are part of the City's retirement plan.

**CITY OF MENASHA, WISCONSIN**  
**Notes to Basic Financial Statements**  
**December 31, 2008**

**NOTE D - OTHER INFORMATION (Continued)**

Employees who retire at or after age 65 (62 for elected officials and 54 for protective occupation employees with less than 25 years of service, 53 for protective occupation employees with more than 25 years of service) are entitled to receive a retirement benefit. Employees may retire at age 55 (50 for protective occupation employees) and receive actuarially reduced benefits. The factors influencing the benefit are: (1) final average earnings, (2) years of creditable service, and (3) a formula factor. Final average earnings is the average of the employee's three highest year's earnings. Employees terminating covered employment and submitting application before becoming eligible for a retirement benefit may withdraw their contributions and, by doing so, forfeit all rights to any subsequent benefit. For employees beginning participation on or after January 1, 1990 and no longer actively employed on or after April 24, 1998, creditable service in each of five years is required for eligibility for a retirement annuity. Participants employed prior to 1990 or after April 24, 1998 are immediately vested.

The WRS also provides death and disability benefits for employees. Eligibility and the amount of all benefits are determined under Chapter 40 of Wisconsin Statutes. The WRS issues an annual financial report which may be obtained by writing to the Department of Employee Trust Funds, P.O. Box 7931, Madison, WI 53707-7931.

**2. Wisconsin Public Power Incorporated Contract (WPPI)**

The City's electric utility purchases its electric requirements from the Wisconsin Public Power Incorporated (WPPI). WPPI is a municipal electric company and political subdivision of the State of Wisconsin created by contract by its members on September 5, 1980 pursuant to the Municipal Electric Company Act, Sec. 66.073 of the Wisconsin Statutes (the Act). WPPI's purposes include providing an adequate, economical and reliable supply of electric energy to its members.

The City is one of 50 members of WPPI located throughout the State of Wisconsin. On December 31, 1989, each of WPPI's members, including the City of Menasha, commenced purchasing electric service from WPPI under a new Long-term Power Supply Contract for Participating Members (the Long-term Contract) under which WPPI has agreed to sell and deliver to each member, and each member has agreed to take and pay for, the electric power and energy requirements of the members for an initial thirty-five (35) year term. The contract was amended during 2002 to extend the term of the contract through 2037.

Under the Long-term Contract, the City and the other members of WPPI are required to pay for all power and energy requirements supplied or made available by WPPI at rates sufficient to cover all of WPPI's revenue requirement which includes power supply costs, administrative expenses and debt service on outstanding bonds. WPPI's subsequent year's rates and operating budget are approved annually by its Board of Directors, which consists of representatives from each member municipality. The City has agreed to charge rates to the retail rate payers of its electric system sufficient to meet its obligation to WPPI. The Long-term Contract provides that all payments to WPPI under the Contract constitute operating expenses of the City's electric system payable from any operating and maintenance fund established by the City.

The Long-term Contract may be terminated by either party upon five years prior written notice effective at the end of the initial thirty-five year term, or at any other time thereafter, provided that no WPPI bonds are outstanding at the time of the proposed termination and certain other contract provisions are met.

The electric operation purchases power through Wisconsin Public Power, Inc. for distribution to its customers. Total purchases under this arrangement amounted to approximately \$36.1 million in 2008.

**CITY OF MENASHA, WISCONSIN**  
**Notes to Basic Financial Statements**  
**December 31, 2008**

**NOTE D - OTHER INFORMATION (Continued)**

**3. Risk Management**

The City is exposed to various risks of loss related to torts; theft, damage or destruction of assets; errors or omissions; injuries to employees; or acts of God. The City has chosen to retain a portion of the risks through self-insurance programs and has also purchased insurance to transfer other risks to outside parties. Payments of premiums for these policies are recorded as expenditures or expenses in various funds of the City. Insurance settlements have not exceeded insurance coverage in any of the past three years nor has there been any significant reduction in insurance coverage compared to the prior year. A description of the City's risk management programs follows.

**Property and Liability Insurance**

During 1987, the City, together with certain other units of government within the State of Wisconsin, created the Cities and Villages Mutual Insurance Company (CVMIC); a joint venture, to provide liability insurance services to its members. The City is partially self-insured for liability insurance and pays premiums to CVMIC for its excess liability insurance coverage. The actuary for CVMIC determines premium charges to its members required to pay the expected claims and loss adjustment expenses. CVMIC's ongoing operational expenses, other than loss adjustment expenses, are apportioned pro rata to each member. CVMIC provides general liability, police and nurses professional liability, public official's liability and vehicle liability coverage for the City. The City's self-insured retention limit is \$25,000 for each occurrence with a maximum limit of \$100,000 annually. Premiums paid to CVMIC for insurance coverage are recorded in a self-insurance internal service fund. The self-insurance internal service fund charges various City departments and operations for their portion of insurance coverage for the year.

The claims liability of \$33,293 reported in the fund at December 31, 2008 is based on the requirements of GASB Statement No. 10, which requires that a liability for claims be reported if information prior to the issuance of the basic purpose financial statements indicates that it is probable that a liability has been incurred at the date of the basic financial statements and the amount of the loss can be reasonably estimated. On December 31, 2008, the property and liability insurance internal service fund has available \$1,041,776 for future unreported claims. Changes in the fund's claim liability amount for 2007 and 2008 follow:

	Liability January 1	Current Claims and Changes in Estimates	Claim Payments	Liability December 31
2007	\$ 91,766	\$ (60,854)	\$ 12,831	\$ 18,081
2008	18,081	41,579	26,367	33,293

**CITY OF MENASHA, WISCONSIN**  
**Notes to Basic Financial Statements**  
**December 31, 2008**

**NOTE D - OTHER INFORMATION (Continued)**

Dental Insurance

City employees, COBRA employees, retirees and employee dependents are eligible for dental benefits from a dental insurance internal service fund. Funding is provided by charges to City departments, employees and retirees. Fund expenses consist of payments to a third-party administrator for dental claims and administrative fees. The claims liability of \$4,023 reported in the fund at December 31, 2008, is based on the requirements of GASB Statement No. 10, which requires that a liability for claims be reported if information prior to the issuance of the basic financial statements indicates that it is probable that a liability has been incurred at the date of the basic financial statements and the amount of the loss can be reasonably estimated. On December 31, 2008, the dental insurance internal service fund has available (\$6,952) for future unreported claims. Changes in the fund's claims liability amount for 2007 and 2008 follow:

	Liability January 1	Current Claims and Changes in Estimates	Claim Payments	Liability December 31
2007	\$ 9,443	\$ 106,694	\$ 109,164	\$ 6,973
2008	6,973	105,676	108,626	4,023

**4. Tax Incremental Districts**

The City currently maintains separate special revenue and capital project funds to account for eleven Tax Incremental Districts (TID) created in accordance with Section 66.1105 of the Wisconsin Statutes. At the time the Districts were created, the property tax base within each District was "frozen" and increment taxes resulting from increases to the property tax base are used to finance District improvements, including principal and interest on general obligation debt issued by the City to finance such improvements. All eligible project expenditures for the Districts have been completed for the TID No. 1, TID No. 2 and TID No. 3 projects. Therefore, special revenue funds are utilized to account for tax increment and other revenues used to finance principal and interest payments on outstanding general obligation debt applicable to these Districts. The Statutes allow eligible project costs to be incurred up to five years prior to the maximum termination date. The City's TID No. 4, No. 5, No. 6, No. 7, No. 8, No. 9, No. 10 and No. 11 were created in 1997, 1998, 1998, 2002, 2004, 2004, 2006 and 2008 respectively, and therefore are still eligible to incur project costs. Accordingly, TID No. 4, 5, 6, 7, 8, 9, 10 and 11 are accounted for as capital projects funds.

Since creation of the above Districts, the City has provided various financing sources to each TID and has also recorded eligible TID project costs in other funds of the City. The foregoing amounts are not recorded as liabilities in the TID special revenue and capital projects funds but can be recovered by the City from future excess tax increment revenues. Detail of the amounts recoverable by the City as of December 31, 2008 from future excess tax increment revenues follows:

Net Unreimbursed Project Costs	
Tax Incremental District No. 1	\$ 812,746
Tax Incremental District No. 2	50,827
Tax Incremental District No. 3	404
Tax Incremental District No. 4	1,086,192
Tax Incremental District No. 5	3,690,794
Tax Incremental District No. 6	3,414,574
Tax Incremental District No. 7	1,841,437
Tax Incremental District No. 8	980,459
Tax Incremental District No. 9	4,541,472
Tax Incremental District No. 10	362,432
Tax Incremental District No. 11	30,175
	<u>\$ 16,811,512</u>

**CITY OF MENASHA, WISCONSIN**  
**Notes to Basic Financial Statements**  
**December 31, 2008**

**NOTE D - OTHER INFORMATION (Continued)**

The intent of the City is to recover the above amounts from future TID surplus funds, if any, prior to termination of the respective Districts. The City has amended the project plan of District No. 3 to include transfers to Districts No. 1 and 2.

5. Major Customer

During 2008, the electric utility billed SCA Tissue \$16,932,474. This represents 40% of electric utility operating revenue. No other utility customer accounted for more than 20% of operating revenue.

6. Property Tax Levy Limit

Wisconsin Act 25, effective July 27, 2005, imposed a limit on the property tax levies for all Wisconsin cities, villages, towns and counties for a two-year period. Wisconsin State Budget bill SB40 continues the limit on the property tax levies through 2009. The budget bill limits the increase in the maximum allowable tax levy to the greater of the percentage change in the City's January 1 equalized value as a result of net new construction or 3.86% in the 2008 budget and 2.0% in the 2009 budget. The actual limit for the City for the 2009 budget was 2.0%. The levy limit is applied to both operations and debt service. However, the Act allows the limit to be increased for debt service authorized prior to July 1, 2005 and in certain other situations.

7. Contingencies

- a. The City contracts with Neenah-Menasha Sewerage Commission (Commission) for sewage treatment services and is contingently liable for costs incurred by the Commission. The following item has been identified by the Commission and the City as a potential liability not recorded on the financial statements:

The U.S. Fish & Wildlife Service and the Wisconsin Department of Natural Resources ("WDNR") acting on behalf of the Natural Resource Trustees have prepared Natural Resource Damage Assessments to determine the level of such damages to the Lower Fox River and Green Bay resulting from PCB contamination. The U.S. Environmental Protection Agency ("EPA") and the WDNR have conducted a Feasibility Study and issued two Records of Decision ("RODs") (which have been subsequently modified) selecting dredging and capping of PCB contaminated sediments in the Fox River together with long-term monitoring in the Fox River and Green Bay as remedies to eliminate, reduce, or control risks to human health and the environment associated with the PCB contaminated sediments in the Lower Fox River and Green Bay. To date US EPA has not formally designated the Commission as a potentially responsible party ("PRP") with respect to the natural resource damages, past and future, remediation and oversight costs. Appleton Paper, Inc. and NCR have commenced CERCLA contribution actions for past and future remediation and oversight costs and natural resource damages against thirty-three defendants including the Commission. The Commission has been served with the complaint, has answered the complaint and is vigorously defending the action. Representatives of the federal and state agencies have advised that they also have claims against the POTWs (Publicly Owned Treatment Works) related to contamination of the Lower Fox River, including against the Commission and other PRPs, and the federal and state agencies have stated that at this time the total net present value of the past and future remediation costs including agency oversight costs, operation and maintenance costs and natural resource damages, is \$1.5 billion dollars (collectively "Estimated Remediation Costs"). Based on the information provided to us to date, we are not able to provide an opinion as to the likelihood that any such claims against the Commission would be successful or the magnitude of any liability of the Commission if such claims were successful; however, if any such claims were successfully pursued against the Commission, the Commission could potentially be jointly and severally liable for all Estimated Remediation Costs. The Commission put its insurance carriers on notice.

**CITY OF MENASHA, WISCONSIN**  
**Notes to Basic Financial Statements**  
**December 31, 2008**

**NOTE D - OTHER INFORMATION (Continued)**

- b. The City's valuation and taxing power secure a portion of the outstanding long-term debt of the Neenah-Menasha Sewerage Commission, a joint venture created by the City and six other municipalities. The City would be liable in the unlikely event that the Commission defaulted on the debt.
- c. The City participates in a number of federal and state assisted grant programs. These programs are subject to program compliance audits by the grantors or their representatives. Accordingly, the City's compliance with applicable grant requirements will be established at some future date. The amount, if any, of expenditures which may be disallowed by the granting agencies cannot be determined at this time although the City expects such amounts, if any, to be immaterial.
- d. From time to time, the City is party to other various pending claims and legal proceedings. Although the outcome of such matters cannot be forecast with certainty, it is the opinion of management and the City attorney that the likelihood is remote that any such claims or proceedings will have a material adverse effect on the City's financial position or results of operations.

**8. Subsequent Event**

The City has identified the following subsequent events:

**a. Payment Delinquency**

With respect to its \$12,660,000 Taxable Steam Utility Revenue Bond Anticipation Notes and its \$11,500,000 Taxable Steam Utility Revenue Bond Anticipation Notes, the City made payment in full of interest due on September 1, 2009, but only partial payment of principal due on such date (\$1,382,834.01). The remaining principal amount due on September 1, 2009, has not been paid.

**b. Cessation of Steam Utility Operations**

At its meeting on September 8, 2009, the Common Council took action directing that the Steam Utility cease its operation of the steam plant facility. Pursuant to that action, it is expected that the Steam Utility will cease operation of the steam plant facility on or about October 9, 2009.

**c. Claims Filed**

On September 18, 2009, three holders of bond anticipation notes ("Notes") filed a class action complaint in United States District Court-Northern District of Indiana, Case No. 4:09CV0064, against the City, Menasha Utilities and the Menasha Steam Utility with respect to the Notes (the "Class Action Complaint"). The Class Action Complaint has not been served on the City at this date.

## **SUPPLEMENTAL INFORMATION**

## **NONMAJOR GOVERNMENTAL FUNDS**

### **SPECIAL REVENUE FUNDS**

Special revenue funds are used to account for the proceeds of specific revenue sources (other than major capital projects or expendable trust) that are legally restricted to expenditures for specific purposes. The City utilizes special revenue funds to record financial transactions pertaining to the following activities:

#### **Housing Rehab**

To account for activity of loans made to local homeowners that were originally financed by an economic development grant received by the City from the Wisconsin Department of Development.

#### **Community Development Block Grant**

To account for grant proceeds received by the City from the Wisconsin Department of Administration to be used to make loans to local homeowners.

#### **Marina Operations**

To account for collections from the City marina used to finance related disbursements for personnel, supplies and improvements.

#### **Tax Incremental Districts (TIDs)**

To account for tax increment revenues of TID No. 1, No. 2 and No. 3 for which the construction period for eligible projects has elapsed. All project expenditures were originally recorded in capital projects funds.

#### **Park Development**

To account for grants received and other collections to be used for the development of City parks.

#### **Law Enforcement Grant**

To account for grant proceeds received by the City.

#### **Recycling**

To account for the property taxes levied and intergovernmental grants received to finance the City's recycling activities.

#### **Post Employment Sick Leave Reserve**

To account for the accumulation of resources to be used to reimburse City employees for accumulated sick leave at date of retirement.

#### **Lead Paint Reduction**

To account for grants received to be used for housing rehabilitation.

#### **Library Endowment**

To account for funds held by the City library.

#### **Hattie Minor Scholarship**

To account for funds held by the City for the purposes of providing scholarships from investment income.

#### **Public Safety Donations**

To account for donations received by the City.

#### **Heckrodt Nature Center**

To account for donations received by the City.

## **NONMAJOR GOVERNMENTAL FUNDS (Continued)**

### **SPECIAL REVENUE FUNDS (Continued)**

#### **Senior Center Memorials**

To account for donations received by the City.

#### **FEMA Grant**

To account for collections and disbursements relating to the FEMA grant activity.

#### **Senior Center Fund Raising**

To account for collections and disbursements relating to activities offered by the senior center.

### **CAPITAL PROJECTS FUNDS**

Capital project funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities other than those financed by proprietary funds. The City utilizes capital projects funds to record financial transactions pertaining to the following activities:

#### **Capital Projects**

To account for proceeds of general obligation debt used to finance capital projects.

#### **Capital Facility**

To account for the accumulation of resources to be used for building improvement projects of the City.

#### **Capital Improvements**

To account for the accumulation of resources to be used for capital improvement projects of the City.

#### **Tax Incremental Districts (TID's)**

To account for the activity of TID No. 4, No. 5, No. 6, No. 7, No. 8, No. 9, No. 10, and No. 11 which are still eligible to incur construction costs.

#### **Roadways at River's Edge**

To account for the accumulation of resources to be used for capital improvements on roadways.

CITY OF MENASHA, WISCONSIN  
 Combining Balance Sheet  
 Nonmajor Governmental Funds  
 December 31, 2008

	Special Revenue Funds									
	Housing Rehab	Community Development Block Grant	Marina Operations	Tax Incremental District #1	Tax Incremental District #2	Tax Incremental District #3	Park Development	Law Enforcement Grant	Recycling	
<b>ASSETS</b>										
Cash and investments	\$ -	\$ 5,000	\$ -	\$ -	\$ -	\$ 200,000	\$ -	\$ -	\$ -	\$ 30
Receivables	-	-	-	-	-	-	-	-	-	-
Taxes	-	-	-	108,568	40,732	34,552	-	-	-	134,111
Accounts	-	-	-	-	-	-	4,800	-	-	-
Loans	62,245	1,061,672	-	-	-	-	-	-	-	-
Due from other funds	13,156	79,931	62,021	177,182	23,008	232,159	80,658	-	-	420,650
Due from other governments	-	-	-	-	-	-	-	-	-	-
Other assets	-	-	-	-	-	-	-	-	-	-
<b>TOTAL ASSETS</b>	<b>\$ 75,401</b>	<b>\$ 1,146,603</b>	<b>\$ 62,021</b>	<b>\$ 285,750</b>	<b>\$ 63,740</b>	<b>\$ 466,711</b>	<b>\$ 85,458</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 554,791</b>
<b>LIABILITIES AND FUND BALANCES</b>										
Liabilities										
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Due to other funds	-	-	-	-	-	-	-	-	-	-
Deferred revenues	62,245	1,061,672	13,119	169,884	63,736	54,066	-	-	-	229,364
Total Liabilities	62,245	1,061,672	13,119	169,884	63,736	54,066	-	-	-	229,364
Fund Balances										
Unreserved										
Designated for										
Subsequent year's expenditures										
Special revenue funds	13,156	84,931	48,902	115,866	4	412,645	85,458	-	-	225,427
Capital projects funds	-	-	-	-	-	-	-	-	-	-
Subsequent year's budget	-	-	-	-	-	-	-	-	-	100,000
Undesignated, reported in										
Special revenue funds	-	-	-	-	-	-	-	-	-	-
Capital projects funds	-	-	-	-	-	-	-	-	-	-
Total Fund Balances	13,156	84,931	48,902	115,866	4	412,645	85,458	-	-	325,427
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 75,401</b>	<b>\$ 1,146,603</b>	<b>\$ 62,021</b>	<b>\$ 285,750</b>	<b>\$ 63,740</b>	<b>\$ 466,711</b>	<b>\$ 85,458</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 554,791</b>

(Continued)

**CITY OF MENASHA, WISCONSIN**  
**Combining Balance Sheet**  
**Nonmajor Governmental Funds**  
**December 31, 2008**

		Special Revenue Funds (Continued)										
	Post Employment Sick Leave Reserve	Lead Paint Reduction	Library Endowment	Hattie Minor Scholarship	Public Safety Donations	Heckrodt Nature Center	Senior Center Memorials	FEMA Grant	Senior Center Fund Raising	Community Development Block Grant 07	Total Special Revenue Funds	
<b>ASSETS</b>												
Cash and investments	\$ -	\$ -	\$ -	\$ 46,500	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 251,530	
Receivables	-	-	-	-	-	-	-	-	-	-	317,983	
Taxes	-	-	-	-	-	-	-	-	-	-	4,800	
Accounts	-	-	-	-	-	-	-	-	-	-	1,123,917	
Loans	-	-	-	-	-	-	-	-	-	-	1,631,672	
Due from other funds	517,745	-	-	285	-	16,138	4,188	-	4,551	-	21,766	
Due from other governments	-	15,858	-	-	-	-	-	5,908	-	-	116,560	
Other assets	-	-	-	-	-	-	-	-	-	-	-	
<b>TOTAL ASSETS</b>	<b>\$ 517,745</b>	<b>\$ 15,858</b>	<b>\$ 116,560</b>	<b>\$ 46,785</b>	<b>\$ -</b>	<b>\$ 16,138</b>	<b>\$ 4,188</b>	<b>\$ 5,908</b>	<b>\$ 4,551</b>	<b>\$ -</b>	<b>\$ 3,468,208</b>	
<b>LIABILITIES AND FUND BALANCES</b>												
Liabilities	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 30	\$ -	\$ 30	
Accounts payable	-	-	-	-	-	-	-	-	-	-	23,009	
Due to other funds	-	15,858	-	-	1,243	-	-	5,908	-	-	1,654,086	
Deferred revenues	-	-	-	-	-	-	-	-	-	-	-	
Total Liabilities	-	15,858	-	-	1,243	-	-	5,908	30	-	1,677,125	
Fund Balances												
Unreserved												
Designated for												
Subsequent year's expenditures												
Special revenue funds	517,745	-	116,560	46,785	-	16,138	4,188	-	4,521	-	1,692,326	
Capital projects funds	-	-	-	-	-	-	-	-	-	-	-	
Subsequent year's budget	-	-	-	-	-	-	-	-	-	-	100,000	
Undesignated, reported in												
Special revenue funds	-	-	-	-	(1,243)	-	-	-	-	-	(1,243)	
Capital projects funds	-	-	-	-	-	-	-	-	-	-	-	
Total Fund Balances	517,745	-	116,560	46,785	(1,243)	16,138	4,188	-	4,521	-	1,791,083	
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 517,745</b>	<b>\$ 15,858</b>	<b>\$ 116,560</b>	<b>\$ 46,785</b>	<b>\$ -</b>	<b>\$ 16,138</b>	<b>\$ 4,188</b>	<b>\$ 5,908</b>	<b>\$ 4,551</b>	<b>\$ -</b>	<b>\$ 3,468,208</b>	

(Continued)

**CITY OF MENASHA, WISCONSIN**  
**Combining Balance Sheet**  
**Nonmajor Governmental Funds**  
**December 31, 2008**

	Capital Projects Funds								
	2002 Capital Projects	2005 Capital Projects	2006 Capital Projects	2008 Capital Projects	Capital Facility	Capital Improvements	Tax Incremental District #4	Tax Incremental District #5	Tax Incremental District #6
<b>ASSETS</b>									
Cash and investments	\$ -	\$ -	\$ -	\$ 976,244	\$ 280,736	\$ -	\$ -	\$ 202,107	\$ -
Receivables	-	-	-	-	-	-	-	-	-
Taxes	-	-	-	-	-	-	110,108	185,632	169,638
Accounts	-	-	-	-	-	-	-	-	-
Loans	-	-	-	-	-	-	-	1,911,330	-
Due from other funds	655	-	-	-	-	10,396	30,061	204,133	-
Due from other governments	-	-	-	-	-	-	-	-	-
Other assets	-	-	-	-	-	-	-	-	-
<b>TOTAL ASSETS</b>	<b>\$ 655</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 976,244</b>	<b>\$ 280,736</b>	<b>\$ 10,396</b>	<b>\$ 140,169</b>	<b>\$ 2,503,202</b>	<b>\$ 169,638</b>
<b>LIABILITIES AND FUND BALANCES</b>									
Liabilities									
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Due to other funds	-	-	-	681,437	80	-	-	-	18,814
Deferred revenues	-	-	-	-	-	-	172,294	2,201,802	265,445
Total Liabilities	-	-	-	681,437	80	-	172,294	2,201,802	284,259
Fund Balances									
Unreserved									
Designated for									
Subsequent year's expenditures									
Special revenue funds									
Capital projects funds	655	-	-	294,807	260,656	10,396	-	301,400	-
Subsequent year's budget	-	-	-	-	-	-	-	-	-
Undesignated, reported in									
Special revenue funds	-	-	-	-	-	-	-	-	-
Capital projects funds	-	-	-	-	-	-	(32,125)	-	(114,621)
Total Fund Balances	655	-	-	294,807	260,656	10,396	(32,125)	301,400	(114,621)
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 655</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 976,244</b>	<b>\$ 280,736</b>	<b>\$ 10,396</b>	<b>\$ 140,169</b>	<b>\$ 2,503,202</b>	<b>\$ 169,638</b>

(Continued)

**CITY OF MENASHA, WISCONSIN**  
**Combining Balance Sheet**  
**Nonmajor Governmental Funds**  
**December 31, 2008**

Capital Projects Funds (Continued)							Total Governmental Funds
Tax Incremental District #7	Tax Incremental District #8	Tax Incremental District #9	Tax Incremental District #10	Tax Incremental District #11	Roadways at River's Edge	Total Capital Project Funds	
\$ -	\$ -	\$ 147,160	\$ -	\$ -	\$ -	\$ 1,586,247	\$ 1,837,777
64,470	42,145	77,932	52,733	16,496	-	719,154	1,037,117
60,000	-	-	-	-	-	1,971,330	3,095,247
-	3,953	80,190	42,350	-	68,183	439,921	2,071,593
-	-	-	-	-	-	-	21,766
-	-	-	-	-	-	-	116,560
<b>\$ 124,470</b>	<b>\$ 46,098</b>	<b>\$ 305,282</b>	<b>\$ 95,083</b>	<b>\$ 16,496</b>	<b>\$ 68,183</b>	<b>\$ 4,716,652</b>	<b>\$ 8,184,860</b>
\$ -	\$ -	\$ 1,000	\$ -	\$ -	\$ -	\$ 1,000	\$ 1,030
126,355	-	-	-	20,859	-	847,545	870,554
100,882	65,947	242,990	82,516	25,812	-	3,157,688	4,811,774
227,237	65,947	243,990	82,516	46,671	-	4,006,233	5,683,358
-	-	-	-	-	-	-	1,692,326
-	-	61,292	12,567	-	68,183	1,009,956	1,009,956
-	-	-	-	-	-	-	100,000
-	-	-	-	-	-	-	(1,243)
(102,767)	(19,849)	-	-	(30,175)	-	(289,537)	(299,537)
(102,767)	(19,849)	61,292	12,567	(30,175)	68,183	710,419	2,501,502
<b>\$ 124,470</b>	<b>\$ 46,098</b>	<b>\$ 305,282</b>	<b>\$ 95,083</b>	<b>\$ 16,496</b>	<b>\$ 68,183</b>	<b>\$ 4,716,652</b>	<b>\$ 8,184,860</b>

**ASSETS**

Cash and investments  
 Receivables  
 Taxes  
 Accounts  
 Loans  
 Due from other funds  
 Due from other governments  
 Other assets

**TOTAL ASSETS**

**LIABILITIES AND FUND BALANCES**

Liabilities  
 Accounts payable  
 Due to other funds  
 Deferred revenues  
 Total Liabilities

**Fund Balances**

Unreserved  
 Designated for  
     Subsequent year's expenditures  
         Special revenue funds  
         Capital projects funds  
     Subsequent year's budget  
 Undesignated, reported in  
     Special revenue funds  
     Capital projects funds  
 Total Fund Balances

**TOTAL LIABILITIES AND  
 FUND BALANCES**

**CITY OF MENASHA, WISCONSIN**  
**Combining Statement of Revenues, Expenditures and Changes in Fund Balances**  
**Nonmajor Governmental Funds**  
**For the Year Ended December 31, 2008**

	Special Revenue Funds								
	Housing Rehab	Community Development Block Grant	Marina Operations	Tax Incremental District #1	Tax Incremental District #2	Tax Incremental District #3	Park Development	Law Enforcement Grant	Recycling
Revenues									
Taxes	\$ -	\$ -	\$ -	\$ 163,716	\$ 63,072	\$ 102,841	\$ -	\$ -	\$ 469,060
Intergovernmental	-	115,500	-	3,448	590	205,616	-	31,873	118,538
Public charges for services	-	-	229,053	-	-	-	2,800	-	6,707
Intergovernmental charges for services	-	-	-	-	-	-	-	-	73,515
Miscellaneous	9,254	26,101	-	-	-	9,691	-	3,600	29,072
Total Revenues	9,254	141,601	229,053	167,164	63,662	318,148	2,800	35,473	696,892
Expenditures									
Current									
General government	-	-	-	-	-	-	-	-	-
Public safety	-	-	-	-	-	-	-	44,799	-
Public works	-	-	-	-	-	-	-	-	513,435
Health and human services	-	-	-	-	-	-	-	-	-
Culture and recreation	-	-	-	-	-	-	-	-	-
Conservation and development	24,734	71,469	-	-	-	(52)	-	-	-
Debt service	-	-	-	-	-	-	-	-	-
Interest and fiscal charges	-	-	-	-	-	14,907	-	-	-
Capital outlay	-	-	-	-	-	-	-	-	-
Total Expenditures	24,734	71,469	207,006	-	-	14,855	-	44,799	513,435
Excess of Revenues Over (Under) Expenditures	(15,480)	70,132	22,047	167,164	63,662	303,293	2,800	(9,326)	183,457
Other Financing Sources (Uses)									
Long-term debt issued	-	-	-	-	-	860,000	-	-	-
Transfers in	-	-	-	-	-	-	-	-	-
Transfers out	-	-	(2,900)	(167,164)	(63,660)	(1,117,900)	-	(429)	-
Total Other Financing Sources (Uses)	-	-	(2,900)	(167,164)	(63,660)	(257,900)	-	(429)	-
Net Change in Fund Balances	(15,480)	70,132	19,147	-	2	45,393	2,800	(9,755)	183,457
Fund Balances (Deficits) - January 1	28,636	14,799	29,755	115,866	2	367,252	82,658	9,755	141,970
Fund Balances (Deficits) - December 31	\$ 13,156	\$ 84,931	\$ 48,902	\$ 115,866	\$ 4	\$ 412,645	\$ 85,458	\$ -	\$ 325,427

(Continued)

**CITY OF MENASHA, WISCONSIN**  
**Combining Statement of Revenues, Expenditures and Changes in Fund Balances**  
**Nonmajor Governmental Funds**  
**For the Year Ended December 31, 2008**

	Special Revenue Funds (Continued)										Total Special Revenue Funds
	Post Employment Sick Leave Reserve	Lead Paint Reduction	Library Endowment	Hattie Minor Scholarship	Public Safety Donations	Heckrodt Nature Center	Senior Center Memorials	FEMA Grant	Senior Center Fund Raising	Community Development Block Grant 07	
Revenues											
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 798,689
Intergovernmental	-	5,802	-	-	-	-	-	-	-	(46,633)	434,734
Public charges for services	-	-	-	-	-	-	563	-	6,402	-	245,525
Intergovernmental charges for services	-	-	-	-	-	-	-	5,908	-	-	79,423
Miscellaneous	17,064	-	(25,217)	1,814	36,524	12,374	755	-	1,450	-	122,482
Total Revenues	17,064	5,802	(25,217)	1,814	36,524	12,374	1,318	5,908	7,852	(46,633)	1,680,853
Expenditures											
Current											
General government	-	-	-	-	-	-	-	175	-	-	175
Public safety	66,830	-	-	-	40,785	-	-	-	-	-	152,414
Public works	-	-	-	-	-	-	-	5,733	-	-	518,168
Health and human services	-	5,802	-	-	-	-	15	-	6,780	-	12,597
Culture and recreation	-	-	-	3,500	-	9,216	-	-	-	-	231,826
Conservation and development	-	-	12,104	-	-	109	-	-	-	(46,633)	49,627
Debt service	-	-	-	-	-	-	-	-	-	-	14,907
Interest and fiscal charges	-	-	-	-	-	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-	-	-	-	-	-
Total Expenditures	66,830	5,802	12,104	3,500	40,785	9,325	15	5,908	6,780	(46,633)	980,714
Excess of Revenues Over (Under) Expenditures	(49,766)	-	(37,321)	(1,686)	(4,261)	3,049	1,303	-	1,072	-	700,139
Other Financing Sources (Uses)											
Long-term debt issued	-	-	-	-	-	-	-	-	-	-	860,000
Transfers in	-	-	-	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-	-	-	(1,352,053)
Total Other Financing Sources (Uses)	-	-	-	-	-	-	-	-	-	-	(492,053)
Net Change in Fund Balances	(49,766)	-	(37,321)	(1,686)	(4,261)	3,049	1,303	-	1,072	-	208,086
Fund Balances (Deficits) - January 1	567,511	-	153,881	48,471	3,018	13,089	2,885	-	3,449	-	1,582,997
Fund Balances (Deficits) - December 31	\$ 517,745	\$ -	\$ 116,560	\$ 46,785	\$ (1,243)	\$ 16,138	\$ 4,188	\$ -	\$ 4,521	\$ -	\$ 1,791,083

(Continued)

**CITY OF MENASHA, WISCONSIN**  
**Combining Statement of Revenues, Expenditures and Changes in Fund Balances**  
**Nonmajor Governmental Funds**  
**For the Year Ended December 31, 2008**

	Capital Projects Funds						Tax Incremental District #6
	2002 Capital Projects	2005 Capital Projects	2006 Capital Projects	2008 Capital Projects	Capital Facility Improvements	Tax Incremental District #4	
<b>Revenues</b>							
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 195,232	\$ 263,716
Intergovernmental	-	-	-	-	-	4,843	6,755
Public charges for services	-	-	-	-	-	-	-
Intergovernmental charges for services	-	-	-	-	-	-	-
Miscellaneous	-	-	-	8,244	6,414	1,497	123,658
<b>Total Revenues</b>	-	-	-	<b>8,244</b>	<b>6,414</b>	<b>201,572</b>	<b>264,730</b>
<b>Expenditures</b>							
<b>Current</b>							
General government	-	-	-	-	-	-	-
Public safety	-	-	-	-	-	-	-
Public works	-	-	-	-	-	-	-
Health and human services	-	-	-	-	-	-	-
Culture and recreation	-	-	-	-	-	-	-
Conservation and development	-	-	-	-	-	-	-
Debt service	-	-	-	-	-	-	11,825
Interest and fiscal charges	-	-	-	683,437	-	-	1,225
Capital outlay	-	-	-	683,437	-	-	13,050
<b>Total Expenditures</b>	-	-	-	<b>(675,193)</b>	<b>6,414</b>	<b>201,572</b>	<b>381,079</b>
<b>Excess of Revenues Over (Under) Expenditures</b>	-	-	-	<b>(675,193)</b>	<b>6,414</b>	<b>201,572</b>	<b>264,730</b>
<b>Other Financing Sources (Uses)</b>							
Long-term debt issued	-	-	-	970,000	-	-	765,000
Transfers in	-	-	-	-	-	-	-
Transfers out	-	(45,853)	(15,287)	-	-	(200,354)	(1,298,420)
<b>Total Other Financing Sources (Uses)</b>	-	<b>(45,853)</b>	<b>(15,287)</b>	<b>970,000</b>	<b>-</b>	<b>(200,354)</b>	<b>(347,057)</b>
<b>Net Change in Fund Balances</b>	-	<b>(45,853)</b>	<b>(15,287)</b>	<b>294,807</b>	<b>6,414</b>	<b>1,218</b>	<b>(82,327)</b>
<b>Fund Balances (Deficits) - January 1</b>	655	45,853	15,287	-	254,242	10,396	453,741
<b>Fund Balances (Deficits) - December 31</b>	<b>\$ 655</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 294,807</b>	<b>\$ 260,656</b>	<b>\$ 10,396</b>	<b>\$ 301,400</b>

(Continued)

**CITY OF MENASHA, WISCONSIN**  
**Combining Statement of Revenues, Expenditures and Changes in Fund Balances**  
**Nonmajor Governmental Funds**  
**For the Year Ended December 31, 2008**

	Capital Projects Funds (Continued)							Total Governmental Funds
	Tax Incremental District #7	Tax Incremental District #8	Tax Incremental District #9	Tax Incremental District #10	Tax Incremental District #11	Roadways at River's Edge	Total Capital Projects Funds	
<b>Revenues</b>								
Taxes	\$ 98,127	\$ 64,685	\$ 69,895	\$ 59,449	\$ -	\$ -	\$ 1,009,119	\$ 1,807,808
Intergovernmental	112	-	116	12,581	-	-	31,122	465,856
Public charges for services	-	-	-	-	-	-	-	245,525
Intergovernmental charges for services	-	-	-	-	-	-	-	79,423
Miscellaneous	21,225	1,069	103,597	-	-	-	265,704	388,186
<b>Total Revenues</b>	<b>119,464</b>	<b>65,754</b>	<b>173,608</b>	<b>72,030</b>	<b>-</b>	<b>-</b>	<b>1,305,945</b>	<b>2,986,798</b>
<b>Expenditures</b>								
Current								
General government	-	-	-	-	-	-	-	175
Public safety	-	-	-	-	-	-	-	152,414
Public works	-	-	-	-	-	-	-	519,168
Health and human services	-	-	-	-	-	-	-	12,597
Culture and recreation	-	-	-	-	-	-	-	231,826
Conservation and development	-	-	-	-	-	-	-	49,627
Debt service	27,090	14,987	79,046	-	-	-	132,948	147,855
Interest and fiscal charges	2,535	23,180	141,157	-	30,175	-	881,709	881,709
Capital outlay	29,825	38,167	220,203	-	30,175	-	1,014,657	1,995,371
<b>Total Expenditures</b>	<b>89,839</b>	<b>27,587</b>	<b>(46,595)</b>	<b>72,030</b>	<b>(30,175)</b>	<b>-</b>	<b>291,288</b>	<b>991,427</b>
<b>Excess of Revenues Over (Under) Expenditures</b>								
Other Financing Sources (Uses)								
Long-term debt issued	1,760,000	975,000	4,665,000	-	-	-	9,135,000	9,995,000
Transfers in	30,000	-	-	-	-	-	30,000	30,000
Transfers out	(1,815,790)	(1,008,525)	(4,846,973)	(34,111)	-	-	(9,612,370)	(10,964,423)
<b>Total Other Financing Sources (Uses)</b>	<b>(25,790)</b>	<b>(33,525)</b>	<b>(181,973)</b>	<b>(34,111)</b>	<b>-</b>	<b>-</b>	<b>(447,370)</b>	<b>(939,423)</b>
<b>Net Change in Fund Balances</b>	<b>64,049</b>	<b>(5,938)</b>	<b>(228,568)</b>	<b>37,919</b>	<b>(30,175)</b>	<b>-</b>	<b>(156,082)</b>	<b>52,004</b>
<b>Fund Balances (Deficits) - January 1</b>	<b>(166,816)</b>	<b>(13,911)</b>	<b>289,860</b>	<b>(25,352)</b>	<b>-</b>	<b>68,183</b>	<b>866,501</b>	<b>2,449,498</b>
<b>Fund Balances (Deficits) - December 31</b>	<b>\$ (102,767)</b>	<b>\$ (19,849)</b>	<b>\$ 61,292</b>	<b>\$ 12,567</b>	<b>\$ (30,175)</b>	<b>\$ 68,183</b>	<b>\$ 710,419</b>	<b>\$ 2,501,502</b>

## **INTERNAL SERVICE FUNDS**

Internal service funds are used to account for the financing of goods or services provided by one department to other departments of the City, or to other governmental units, on a cost reimbursement basis. The City utilizes internal service funds to record financial transactions pertaining to the following activities:

### **City Garage**

To account for services provided to other City departments by the Department of Public Works.

### **Property and Liability Insurance**

To account for funds held by the City, generated by charges to other City departments, to finance property and liability claims levied against the City.

### **Dental Insurance**

To account for funds held by the City generated by charges to other City departments, employees, and retirees, to finance dental claims of City employees, retirees, and their dependents.

**CITY OF MENASHA, WISCONSIN**  
**Combining Statement of Net Assets**  
**Internal Service Funds**  
**December 31, 2008**

	City Garage	Property and Liability Insurance	Dental Insurance	Totals
<b>ASSETS</b>				
Cash and investments	\$ 282,233	\$ -	\$ -	\$ 282,233
Due from other funds	742,538	43,849	-	786,387
Other assets	-	1,031,220	-	1,031,220
Capital assets, nondepreciable				
Land	44,216	-	-	44,216
Construction in progress	132,484	-	-	132,484
Capital assets, depreciable				
Buildings	928,181	-	-	928,181
Machinery and equipment	5,474,407	-	-	5,474,407
Less: Accumulated depreciation	(4,199,977)	-	-	(4,199,977)
<b>TOTAL ASSETS</b>	<b>3,404,082</b>	<b>1,075,069</b>	<b>-</b>	<b>4,479,151</b>
<b>LIABILITIES</b>				
Accounts payable	-	33,293	4,023	37,316
Due to other funds	644,106	-	2,929	647,035
<b>TOTAL LIABILITIES</b>	<b>644,106</b>	<b>33,293</b>	<b>6,952</b>	<b>684,351</b>
<b>NET ASSETS</b>				
Invested in capital assets	2,379,311	-	-	2,379,311
Unrestricted	380,665	1,041,776	(6,952)	1,415,489
<b>TOTAL NET ASSETS (DEFICIT)</b>	<b>\$ 2,759,976</b>	<b>\$ 1,041,776</b>	<b>\$ (6,952)</b>	<b>\$ 3,794,800</b>

**CITY OF MENASHA, WISCONSIN**  
**Combining Statement of Revenues, Expenses and Changes in Net Assets**  
**Internal Service Funds**  
**Year Ended December 31, 2008**

	City Garage	Property and Liability Insurance	Dental Insurance	Totals
<b>Operating Revenues</b>				
Charges for services	\$ 1,407,694	\$ 96,825	\$ 108,792	\$ 1,613,311
<b>Operating Expenses</b>				
Operation and maintenance	913,603	-	-	913,603
Insurance payments and claims	-	141,765	112,935	254,700
Depreciation	221,734	-	-	221,734
<b>Total Operating Expenses</b>	<b>1,135,337</b>	<b>141,765</b>	<b>112,935</b>	<b>1,390,037</b>
<b>Operating Income (Loss)</b>	<b>272,357</b>	<b>(44,940)</b>	<b>(4,143)</b>	<b>223,274</b>
<b>Nonoperating Revenues (Expenses)</b>				
Investment income	6,836	-	-	6,836
Gain on disposal of capital assets	5,580	-	-	5,580
<b>Total Nonoperating Revenues (Expenses)</b>	<b>12,416</b>	<b>-</b>	<b>-</b>	<b>12,416</b>
<b>Change in Net Assets</b>	<b>284,773</b>	<b>(44,940)</b>	<b>(4,143)</b>	<b>235,690</b>
<b>Net Assets (Deficit) - January 1</b>	<b>2,475,203</b>	<b>1,086,716</b>	<b>(2,809)</b>	<b>3,559,110</b>
<b>Net Assets (Deficit) - December 31</b>	<b>\$ 2,759,976</b>	<b>\$ 1,041,776</b>	<b>\$ (6,952)</b>	<b>\$ 3,794,800</b>

**CITY OF MENASHA, WISCONSIN**  
**Combining Statement of Cash Flows**  
**Internal Service Funds**  
**Year Ended December 31, 2008**

	City Garage	Property and Liability Insurance	Dental Insurance	Totals
<b>Cash Flows from Operating Activities</b>				
Cash received from customers	\$ 1,407,694	\$ 96,825	\$ 108,792	\$ 1,613,311
Cash paid to suppliers	(549,033)	(126,553)	(115,885)	(791,471)
Cash paid to employees	(384,570)	-	-	(384,570)
<b>Net Cash Provided (Used) by Operating Activities</b>	<b>494,091</b>	<b>(29,728)</b>	<b>(7,093)</b>	<b>457,270</b>
<b>Cash Flows from Noncapital and Related Financing Activities</b>				
Change in interfund receivable and payables	(196,864)	29,728	7,093	(160,043)
<b>Cash Flows from Capital and Related Financing Activities</b>				
Acquisition of capital assets	(307,438)	-	-	(307,438)
Proceeds from sale of capital asset	5,580	-	-	5,580
<b>Net Cash Used by Capital and Related Financing Activities</b>	<b>(301,858)</b>	<b>-</b>	<b>-</b>	<b>(301,858)</b>
<b>Cash Flows from Investing Activities</b>				
Interest received	11,468	-	-	11,468
<b>Change in Cash and Cash Equivalents</b>	<b>6,837</b>	<b>-</b>	<b>-</b>	<b>6,837</b>
<b>Cash and Cash Equivalents - January 1</b>	<b>275,396</b>	<b>-</b>	<b>-</b>	<b>275,396</b>
<b>Cash and Cash Equivalents - December 31</b>	<b>\$ 282,233</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 282,233</b>
<b>Reconciliation of Operating Loss to Net Cash Provided (Used) by Operating Activities:</b>				
Operating loss	\$ 272,357	\$ (44,940)	\$ (4,143)	\$ 223,274
<b>Adjustments to reconcile operating loss to net cash provided (used) by operating activities:</b>				
Depreciation	221,734	-	-	221,734
Changes in assets and liabilities				
Accounts payable	-	15,212	(2,950)	12,262
<b>Net Cash Provided (Used) by Operating Activities</b>	<b>\$ 494,091</b>	<b>\$ (29,728)</b>	<b>\$ (7,093)</b>	<b>\$ 457,270</b>
<b>Noncash Investing, Capital and Financing Activities</b>				
None	\$ -	\$ -	\$ -	\$ -

**ADDITIONAL INDEPENDENT AUDITORS' REPORT  
FOR BASIC FINANCIAL STATEMENTS**



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## 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

To the Honorable Mayor and Members of the City Council  
City of Menasha, 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 the City of Menasha, Wisconsin, as of and for the year ended December 31, 2008, which collectively comprise the City of Menasha, Wisconsin's basic financial statements and have issued our report thereon dated September 30, 2009. 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 City of Menasha, Wisconsin'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 of the effectiveness of the City of Menasha, Wisconsin's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City of Menasha, Wisconsin's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control over financial reporting. We consider the deficiencies described as 2008-01 and 2008-02 in the schedule of findings and responses to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control. Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe that none of the significant deficiencies described in the accompanying schedule of findings and responses is a material weakness.



**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the City of Menasha, Wisconsin'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 basic 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*.

The City of Menasha, Wisconsin's response to the findings identified in our audit is described in the schedule of findings and responses. We did not audit the City of Menasha, Wisconsin's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of the Honorable Mayor and members of the City Council, federal and state awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.



Certified Public Accountants  
Green Bay, Wisconsin  
September 30, 2009

**FEDERAL AWARDS AND  
STATE FINANCIAL ASSISTANCE**



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**REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR FEDERAL AND STATE PROGRAM, INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133 AND THE STATE SINGLE AUDIT GUIDELINES, AND THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE**

To the Honorable Mayor and Members of the City Council  
City of Menasha, Wisconsin

**Compliance**

We have audited the compliance of City of Menasha, Wisconsin with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* and the *State Single Audit Guidelines* issued by the Wisconsin Department of Administration that are applicable to each of its major federal and state programs for the year ended December 31, 2008. City of Menasha, Wisconsin's major federal and 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 federal and state programs is the responsibility of City of Menasha, Wisconsin's management. Our responsibility is to express an opinion on City of Menasha, Wisconsin'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* and the *State Single Audit Guidelines* issued by the Wisconsin Department of Administration. Those standards, 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 and state program occurred. An audit includes examining, on a test basis, evidence about City of Menasha, Wisconsin'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 of City of Menasha, Wisconsin's compliance with those requirements.

In our opinion, City of Menasha, Wisconsin complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal and state programs for the year ended December 31, 2008.

**Internal Control Over Compliance**

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



**A control deficiency** in an entity's internal control over compliance 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 noncompliance with a type of compliance requirement of a federal and state program on a timely basis. **A significant deficiency** is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal and state program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal and state program that is more than inconsequential will not be prevented or detected by the City of Menasha, Wisconsin's internal control. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2008-03 to be a significant deficiency.

**A material weakness** is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal and state program will not be prevented or detected by the entity's internal control. We believe that none of the significant deficiencies described in the accompanying schedule of findings and questioned costs is a material weakness.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the entity's internal control that might be significant deficiencies or material weaknesses as defined above.

This report is intended solely for the information and use of the Honorable Mayor and members of the City Council, federal and state awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.



Certified Public Accountants  
Green Bay, Wisconsin  
September 30, 2009

**CITY OF MENASHA, WISCONSIN**  
**Schedule of Expenditures of Federal Awards**  
**For the Year Ended December 31, 2008**

Grantor Agency/Pass-through Agency/ Grant Title, Award or Project Number	Federal CFDA Number	(Accrued) Deferred Revenue 1/1/08	Cash Received (Refunded)	Accrued (Deferred) Revenue 12/31/08	Total Revenues	Total Expenditures
<b>FEDERAL PROGRAMS</b>						
<b><u>U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT</u></b>						
Passed through Wisconsin Department of Commerce						
Community Development Block Grant	14.228	\$ -	\$ 115,500	\$ -	\$ 115,500	\$ 115,500
Passed through Wisconsin Department of Administration						
Lead Hazard Control Grant Program	14.900	(10,056)	-	15,858	5,802	5,802
Total U.S. Department of Housing and Urban Development		(10,056)	115,500	15,858	121,302	121,302
<b><u>U.S. DEPARTMENT OF JUSTICE</u></b>						
Passed through the Wisconsin Department of Justice						
Crime Victim Assistance	16.575	(5,505)	37,378	-	31,873	31,873
Passed through the Wisconsin Office of Justice Assistance						
Livescan Implementation	16.554	-	13,600	-	13,600	13,600
Total U.S. Department of Justice		(5,505)	50,978	-	45,473	45,473
<b><u>U.S. DEPARTMENT OF TRANSPORTATION</u></b>						
Passed through Wisconsin Department of Transportation						
Highway Safety	20.600	-	4,000	-	4,000	4,000
<b><u>U.S. ENVIRONMENTAL PROTECTION AGENCY</u></b>						
Passed through Wisconsin Department of Administration						
Environmental Improvement Fund	66.468	-	760,719	-	760,719	760,719
<b><u>U.S. DEPARTMENT OF HEALTH &amp; HUMAN SERVICES</u></b>						
Passed through Wisconsin Department of Health and Family Services						
BIOT Focus A Planning	93.069	-	26,258	-	26,258	26,258
Immunization Grants	93.268	-	8,233	-	8,233	8,233
CDC Investigations and Technical Assis.	93.283	-	9,247	-	9,247	9,247
Medical Assistance Program	93.778	-	805	-	805	805
Preventive Health & Health Services BG	93.991	-	5,019	-	5,019	5,019
Maternal & Child Health Services Grant	93.994	-	11,035	-	11,035	11,035
Passed through Winnebago County						
Special Programs for the Aging - Title IIIB	93.044	-	48,592	-	48,592	48,592
Passed through Fox Valley Public Health Consortium						
CDC Bioterrorism	93.996	-	7,480	-	7,480	7,480
Total U.S. Department of Health & Human Services		-	116,669	-	116,669	116,669
<b>TOTAL EXPENDITURES OF FEDERAL AWARDS</b>		<b>\$ (15,561)</b>	<b>\$ 1,047,866</b>	<b>\$ 15,858</b>	<b>\$ 1,048,163</b>	<b>\$ 1,048,163</b>

The notes to the schedule of expenditures of federal awards and the schedule of state financial assistance are an integral part of this schedule.

**CITY OF MENASHA, WISCONSIN**  
**Schedule of State Financial Assistance**  
**For the Year Ended December 31, 2008**

Grantor Agency/Pass-through Agency/ Grant Title, Award or Project Number	State I.D. Number	(Accrued) Deferred Revenue 1/1/08	Cash Received (Refunded)	Accrued (Deferred) Revenue 12/31/08	Total Revenues	Total Expenditures
<b>DEPARTMENT OF HEALTH SERVICES</b>						
Childhood Lead	435.157720	\$ -	\$ 3,057	\$ -	\$ 3,057	\$ 3,057
Maternal Child Health	435.159320	-	804	-	804	804
<b>Total Department of Health Services</b>		<b>-</b>	<b>3,861</b>	<b>-</b>	<b>3,861</b>	<b>3,861</b>
<b>TOTAL STATE FINANCIAL ASSISTANCE</b>		<b>\$ -</b>	<b>\$ 3,861</b>	<b>\$ -</b>	<b>\$ 3,861</b>	<b>\$ 3,861</b>

The notes to the schedule of expenditures of federal awards and the schedule of state financial assistance are an integral part of this schedule.

**CITY OF MENASHA, WISCONSIN**  
Notes to the Schedule of Expenditures of Federal Awards and the Schedule of State Financial Assistance  
December 31, 2008

**NOTE A - BASIS OF PRESENTATION**

The accompanying Schedule of Expenditures of Federal Awards and the Schedule of State Financial Assistance for the City is presented in accordance with the requirements of OMB Circular A-133, "Audits of States, Local Governments, and Non-Profit Organizations" and the "State Single Audit Guidelines" issued by the Wisconsin Department of Administration.

**NOTE B - SIGNIFICANT ACCOUNTING POLICIES**

Expenditures in the schedule are presented in accordance with the modified accrual basis of accounting and are generally in agreement with expenditures reported in the City's 2008 basic financial statements.

The programs included in the Schedule of Expenditures of Federal Awards are separated into major and non-major categories. Additional information on each category is presented below:

The City qualifies as a low risk auditee in accordance with paragraph 530 of OMB Circular A-133. Therefore major programs, as identified in Section I of the Schedule of Findings and Questioned Costs, represent those with combined expenditures exceeding 25% of total federal awards that also were deemed major programs based on the auditors' risk assessment. The City's other federal programs were considered non-major programs for 2008.

**NOTE C - OVERSIGHT AGENCY**

The federal oversight agency for the City is the U.S. Environmental Protection Agency. The state oversight agency is the Wisconsin Department of Health Services.

**CITY OF MENASHA, WISCONSIN**  
**Schedule of Findings and Questioned Costs**  
**December 31, 2008**

**Section I - Summary of Auditors' Results**

**Basic Financial Statements**

Type of auditors' report issued:	Unqualified
Internal control over financial reporting:	
• Material weakness(es) identified?	No
• Significant deficiency(ies) identified that is not considered to be a material weakness?	Yes
Noncompliance material to basic financial statements noted?	No

**Federal and State Awards Programs**

Internal control over major program:	
• Material weakness(es) identified	No
• Significant deficiency(ies) identified that are not considered to be material weakness(es)?	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 510(a) of Circular A-133?	Yes
Any audit findings disclosed that are required to be reported in accordance with <i>State Single Audit Guidelines</i> ?	Yes
Identification of major federal program:	

CFDA Number	Name of Federal Program
66.468	Environmental Improvement Fund

Identification of major state programs:

CFDA Number	Name of State Program
435.157720	Childhood Lead

Audit threshold used to determine between Type A and Type B programs:	
Federal	\$300,000
State	\$100,000

Auditee qualified as low-risk auditee	Yes
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**CITY OF MENASHA, WISCONSIN**  
**Schedule of Findings and Questioned Costs (Continued)**  
**December 31, 2008**

**Section II - Financial Statement Findings**

Finding No.	Control Deficiencies
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**2008-01                      Year End Closing and Financial Reporting**

**Condition:** While the current staff of the City maintains financial records which accurately report revenues and expenditures throughout the year, preparing year end adjusting, closing and GASB 34 conversion entries necessary to prepare financial statements, including related notes, require additional expertise that would entail additional training and staff time to develop. The City contracts with Schenck and their knowledge of current accounting principles to prepare required journal entries and financial reports for the City in an efficient manner.

**Criteria:** The review of financial statements by staff with expertise in financial reporting is an internal control intended to prevent, detect and correct a potential misstatement in the financial statements or notes.

**Cause:** The additional costs associated with hiring staff experienced in preparing year end adjusting, closing, and GASB 34 conversion entries and financial reports, including additional training time outweigh the derived benefits.

**Recommendation:** We recommend the City continue reviewing the adjusting, closing and GASB 34 conversion entries along with the financial reports prepared by Schenck. While it may not be cost beneficial to hire additional staff to prepare these items, a thorough review of this information by appropriate staff of the City is necessary to obtain an adequate understanding of the City's financial report.

**2008-02                      Assistance with Capital Assets Records**

**Condition:** The City's accounting personnel provides us with the current year asset additions and disposals, the method and rate of depreciation and the salvage value of the assets. From this information, we assist the City in recording the capital asset additions and disposals and calculating the annual depreciation.

**Criteria:** The maintenance of detailed capital assets records is an internal control intended to safeguard assets and to prevent a potential misstatement in the financial records.

**Cause:** Our audit engagement includes calculating depreciation and assisting the City in maintaining its capital asset records as the City does not employ staff with the expertise or experience to maintain these records in accordance with generally accepted accounting principles.

**Recommendation:** We recommend the accounting personnel and the City Council continue to review the capital assets records of the City. We believe the costs of employing staff with the relevant expertise would outweigh the benefits to be received.

**Compliance and Other Matters**

There are no findings related to compliance and other matters that are required to be reported under governmental auditing standards generally accepted in the United States of America for the year ended December 31, 2008.

**CITY OF MENASHA, WISCONSIN**  
**Schedule of Findings and Questioned Costs (Continued)**  
**December 31, 2008**

**Section III - Federal and State Award Findings and Questioned Costs**

Finding No.	Internal Control Deficiency
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**2008-03                      Financial Reporting for Federal and State Financial Assistance**

**Condition:** OMB Circular A-133 and the *State Single Audit Guidelines* requires the City to prepare appropriate financial statements including the schedule of expenditures of federal awards and state financial assistance. While the current staff of the City maintain financial records supporting amounts reported in the schedules of expenditures of federal awards and state financial assistance, the City contracts with Schenck to compile the data from these records and prepare the single audit report for the City.

**Criteria:** Having staff with expertise in federal and state financial reporting prepare the City's single audit report is an internal control intended to prevent, detect and correct a potential misstatement in the schedules of expenditures of federal awards and state financial assistance, or accompanying notes to the schedule.

**Cause:** The additional costs associated with hiring staff sufficiently experienced to prepare the City's single audit report, including the additional training time, outweigh the derived benefits.

**Recommendation:** We recommend City personnel continue reviewing the City's single audit report prepared by Schenck. While it may not be cost beneficial to hire additional staff to prepare these items, a thorough review of this information by appropriate staff of the City is necessary to ensure all federal and state financial assistance programs are properly reported in the City's single audit report.

**CITY OF MENASHA, WISCONSIN**  
**Schedule of Prior Year Audit Findings and Corrective Action Plan**  
**For the Year Ended December 31, 2008**

**Prior Year Audit Findings**

The findings notes in the 2007 Schedule of Findings and Questioned Costs have been reported to the proper federal and state agencies. Management continues to believe the cost to hire additional staff to eliminate the control deficiencies identified as 2007-01 and 2007-02 outweigh the benefits to be received. Management reviews the financial report and the single audit report prepared by Schenck.

**Corrective Action Plan**

Finding No.	Corrective Action Plan
<b>2008-01</b>	<p><b>Year End Closing and Financial Reporting</b></p> <p>Management believes that the cost of hiring additional staff to prepare year end adjusting and closing entries and to prepare financial reports outweighs the benefits to be received.</p>
<b>2008-02</b>	<p><b>Assistance with Capital Assets Records</b></p> <p>Management believes the cost for additional staff time to maintain the capital asset records outweigh the benefits to be received.</p>
<b>2008-3</b>	<p><b>Financial Reporting for Federal and State Financial Assistance</b></p> <p>Management believes the cost of additional staff time and training to prepare these items outweigh the benefits to be received.</p>