

CITY OF MENASHA, WISCONSIN
ANNUAL FINANCIAL REPORT
DECEMBER 31, 2009

CITY OF MENASHA, WISCONSIN
December 31, 2009

Table of Contents

	<u>Page No.</u>
INDEPENDENT AUDITORS' REPORT ON BASIC FINANCIAL STATEMENTS	1 - 2
MANAGEMENT'S DISCUSSION AND ANALYSIS	3 - 9
BASIC FINANCIAL STATEMENTS	
Government-wide Financial Statements	
Statement of Net Assets	10
Statement of Activities	11 - 12
Fund Financial Statements	
Balance Sheet - Governmental Funds	13 - 14
Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds	15 - 16
Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual - General Fund	17
Statement of Net Assets - Proprietary Funds	18
Statement of Revenues, Expenses and Changes in Net Assets - Proprietary Funds	19
Statement of Cash Flows - Proprietary Funds	20
Statement of Net Assets - Agency Fund	21
Notes to Basic Financial Statements	22 - 50
REQUIRED SUPPLEMENTAL INFORMATION	
Schedule of Funding Progress	51
Schedule of Employer Contributions	52
SUPPLEMENTAL INFORMATION	
Combining Balance Sheet - Nonmajor Governmental Funds	53 - 56
Combining Statement of Revenues, Expenditures and Changes in Fund Balances - Nonmajor Governmental Funds	57 - 60
Combining Statement of Net Assets - Internal Service Funds	61
Combining Statement of Revenues, Expenses and Changes in Net Assets - Internal Service Funds	62
Combining Statement of Cash Flows - Internal Service Funds	63



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, 2009, 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, 2009, 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.

As described in Note D.5, the City has implemented GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Post-employment Benefits Other than Pensions*, for the fiscal year ended December 31, 2009.

In accordance with *Government Auditing Standards*, we have also issued our report dated August 6, 2010, 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, the schedule of funding progress and the schedule of employer contributions are not a required part the basic financial statements but are 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
August 6, 2010

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, 2009.

Financial Highlights

- The City's assets exceeded its liabilities as of December 31, 2009 by \$32.9 million (net assets). Of this amount, \$8.6 million (unrestricted net assets) may be used to meet the City's ongoing obligations to citizens and creditors.
- The City's total net assets decreased by \$27.8 million (decrease of \$7.4 million in governmental activities and a decrease of \$20.4 million in business-type activities).
- Property taxes levied to finance general City operations totaled \$10,420,329, an increase of \$564,816 from the prior year. Tax increments generated by the City's eleven tax incremental districts totaled \$1,534,043.
- As of December 31, 2009, the City's governmental funds reported combined ending fund balances of \$6.7 million, a decrease of \$1.8 million in comparison with the prior year. Approximately 61% of this total amount, \$4.1 million is available for spending at the City's discretion (unreserved fund balance).
- As of December 31, 2009, unreserved fund balance for the general fund was \$2.2 million, or approximately 14% of total general fund expenditures. The general fund balance increased \$138,972 during 2009; however, the City had anticipated a \$395,653 reduction in its adopted budget for 2009. The City had a positive expenditure budget variance of \$863,313 for the current year.
- Starting in 2009, the City formed a storm water utility, transferring \$8.2 million of capital assets from governmental to business-type activities and recording an operating income of \$204,406
- The steam utility ceased operations in October, 2009 and the assets were deemed impaired and were decreased by more than \$26.2 million. The current balance of \$12.5 million represents the original business value plan

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 and storm water management.

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 34 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 and storm water 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 - 50 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 \$32.9 million at the close of 2009.

City of Menasha, Wisconsin's Net Assets (in thousands of dollars)						
	Governmental Activities		Business-type Activities		Totals	
	2009	2008	2009	2008	2009	2008
Current and other assets	\$ 28,208	\$ 29,838	\$ 13,685	\$ 20,578	\$ 41,893	\$ 50,416
Capital assets	34,454	42,589	64,482	82,190	98,936	124,779
Total Assets	62,662	72,427	78,167	102,768	140,829	175,195
Long-term liabilities outstanding	29,738	32,557	59,661	63,255	89,399	95,812
Other liabilities	12,278	11,857	6,260	6,879	18,538	18,736
Total Liabilities	42,016	44,414	65,921	70,134	107,937	114,548
Net Assets						
Invested in capital assets, net of related debt	13,770	19,434	3,534	19,714	17,304	39,148
Restricted	2,704	2,674	4,302	7,235	7,006	9,909
Unrestricted	4,172	5,905	4,410	5,685	8,582	11,590
Total Net Assets	\$ 20,646	\$ 28,013	\$ 12,246	\$ 32,634	\$ 32,892	\$ 60,647

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 \$3.2 million restricted for debt service, \$1.2 million restricted for community development loans, and \$2.6 million restricted for capital projects. The remaining balance of unrestricted net assets (\$8,581,882) 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	
	2009	2008	2009	2008	2009	2008
Revenues						
Program Revenues						
Charges for services	\$ 2,356	\$ 1,856	\$ 53,515	\$ 60,381	\$ 55,871	\$ 62,237
Operating grants and contributions	1,252	1,821	-	-	1,252	1,821
Capital grants and contributions	571	200	29	169	600	369
General Revenues						
Property taxes	10,420	9,855	-	-	10,420	9,855
Other taxes	185	197	-	-	185	197
Grants and contributions not restricted to specific programs	4,443	4,574	-	-	4,443	4,574
Other	431	904	(25,841)	2,620	(25,410)	3,524
Total Revenues	19,658	19,407	27,703	63,170	47,361	82,577
Expenses						
General government	1,686	1,790	-	-	1,686	1,790
Public safety	7,097	7,193	-	-	7,097	7,193
Public works and sanitation	4,245	4,636	-	-	4,245	4,636
Health and human services	823	850	-	-	823	850
Culture and recreation	3,342	3,402	-	-	3,342	3,402
Conservation and development	436	397	-	-	436	397
Interest on long-term debt	1,340	2,402	-	-	1,340	2,402
Electric	-	-	39,072	39,611	39,072	39,611
Steam	-	-	10,486	13,628	10,486	13,628
Water	-	-	3,611	3,446	3,611	3,446
Telecommunications	-	-	82	87	82	87
Sewage treatment	-	-	2,105	1,629	2,105	1,629
Stormwater Utility	-	-	791	-	791	-
Total Expenses	18,969	20,670	56,147	58,401	75,116	79,071
Change in Net Assets Before Transfers	689	(1,263)	(28,444)	4,769	(27,755)	3,506
Transfers	(8,056)	1,097	8,056	(1,097)	-	-
Change in Net Assets	(7,367)	(166)	(20,388)	3,672	(27,755)	3,506
Net Assets - January 1	28,013	28,179	32,634	28,962	60,647	57,141
Net Assets - December 31	\$ 20,646	\$ 28,013	\$ 12,246	\$ 32,634	\$ 32,892	\$ 60,647

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

Governmental activities. The change in net assets for 2009 was a decrease of \$7.4 million. The above transfer represents the payment in lieu of taxes that Menasha Utilities pays to the City and the transfer of assets to the Stormwater Utility Fund.

Business-type activities. Menasha Utilities portion of the decrease was \$28.4 million, primarily in the steam utility, while the sewerage system services decrease was \$0.4 million. Capital contributions of \$0.02 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, 2009, the City's governmental funds reported combined ending fund balances of \$6.7 million, a decrease of \$1.8 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 \$4.1 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 \$2,230,161, while total fund balance reached \$2,763,034. 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 14.1% of total general fund expenditures, while total fund balance represents 17.4% of that same amount.

The City's general fund balance increased \$138,972 during the current year as positive expenditure variances of \$863,313 were sufficient to offset the negative revenue variances of \$201,089, a small Other Financing Sources variance of \$127,599 and the anticipated budgeted reduction of \$395,653.

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 \$2,342,277, a decrease of \$1,076,456 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 \$324,743 with a negative \$8,307,365 recorded in capital assets net of related debt, \$1,742,732 restricted for debt retirement, \$2,559,540 restricted for plant replacement and \$4,329,836 as unrestricted. The fund experienced a decrease in net assets of \$28,369,317 primarily due to closure of the steam utility.

Total net assets of the sewage treatment operation at the end of the year amounted to \$3,497,498. Included in net assets is \$3,424,165 invested in capital assets and \$73,333 as unrestricted. The fund experienced a decrease in net assets of \$442,513.

The City created a Stormwater Utility in 2009 by transferring assets from the governmental activities. The fund had an operating income of \$204,406 and ending net assets of \$8,423,494. Most of the net assets were invested in capital assets that were transferred from the governmental activities (\$8,212,889), purchased in 2009 (\$291,373) and contributed (\$6,199) less accumulated depreciation of \$93,666. The ending net assets invested in capital assets totaled \$8,416,795.

General Fund Budgetary Highlights

During the year, actual revenues were less than budgeted revenues by \$201,089 with miscellaneous revenues providing the major variation. Actual expenditures were less than budgeted expenditures by \$863,313 with significant savings in the public safety area.

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, 2009 amounts to \$98.9 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 decrease in the City's investment in capital assets for the current year was \$25.8 million or 20.7% over last year.

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

Governmental Activities

- Infrastructure reductions of \$8.4 million primarily related to formation of the storm water utility.

Business-Type Activities

- During 2009 the electric utility had developer and customer contributions of \$7,843 with a total contributed plant of \$1,700,864. The water utility had no developer contributions during the year with a total contributed plant of \$1,187,604.

City of Menasha, Wisconsin's Capital Assets						
(net of accumulated depreciation)						
	Governmental Activities		Business-type Activities		Totals	
	2009	2008	2009	2008	2009	2008
Land	\$ 9,015,876	\$ 8,983,788	\$ 1,539,578	\$ 1,248,205	\$ 10,555,454	\$ 10,231,993
Buildings	10,538,215	10,538,215	19,567,080	20,837,644	30,105,295	31,375,859
Improvements other than buildings	-	-	53,902,585	43,441,083	53,902,585	43,441,083
Machinery and equipment	7,797,757	7,421,352	40,697,108	40,663,101	48,494,865	48,084,453
Infrastructure	28,920,952	37,335,318	-	-	28,920,952	37,335,318
Construction in progress	132,484	132,484	3,157,221	3,066,351	3,289,705	3,198,835
Other assets	-	-	339,749	393,520	339,749	393,520
Less: Impairment of assets			(23,554,874)		(23,554,874)	
Less: Accumulated depreciation	(21,951,149)	(21,821,929)	(31,166,200)	(27,459,235)	(53,117,349)	(49,281,164)
Total	\$ 34,454,135	\$ 42,589,228	\$ 64,482,247	\$ 82,190,669	\$ 98,936,382	\$ 124,779,897

Long-term debt. At the end of the current fiscal year, the City had total bonded debt outstanding of \$87,533,709. Of this amount, \$41,925,000 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	
	2009	2008	2009	2008	2009	2008
General Obligation Debt:						
Bonds	\$ 5,865,000	\$ 6,190,000	\$ -	\$ -	\$ 5,865,000	\$ 6,190,000
Notes	22,030,000	24,237,296	14,030,000	13,930,000	36,060,000	38,167,296
Total General Obligation	27,895,000	30,427,296	14,030,000	13,930,000	41,925,000	44,357,296
Bond anticipation notes	-	345,000	-	-	-	345,000
Note anticipation notes	-	-	2,675,000	2,675,000	2,675,000	2,675,000
Revenue bonds	-	-	20,156,543	20,497,137	20,156,543	20,497,137
Revenue bond anticipation notes	-	-	22,777,166	24,160,000	22,777,166	24,160,000
Promissory notes	-	-	-	61,683	-	61,683
Total	\$ 27,895,000	\$ 30,772,296	\$ 59,638,709	\$ 61,323,820	\$ 87,533,709	\$ 92,096,116

During the year, the City's long-term debt decreased \$4.6 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 \$51,899,875.

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.
- Litigation involving the closure of the steam utility and default on \$24.1 million in revenue bond anticipation notes is unresolved and will continue into the next year.

All of these factors were considered in preparing the City's budget for the 2010 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 the City of Menasha Comptroller/Treasurer, 140 Main Street, Menasha, WI 54952-3190.

BASIC FINANCIAL STATEMENTS

CITY OF MENASHA, WISCONSIN

Statement of Net Assets

December 31, 2009

	Governmental Activities	Business-type Activities	Totals
ASSETS			
Cash and investments	\$ 10,280,337	\$ 555,036	\$ 10,835,373
Receivables			
Taxes	6,257,982	-	6,257,982
Accounts	536,544	4,302,017	4,838,561
Special assessments	5,546,880	-	5,546,880
Loans	2,415,013	-	2,415,013
Internal balances	895,485	(895,485)	-
Due from other governments	377,141	-	377,141
Inventories and prepaid items	444,672	667,477	1,112,149
Deferred charges	285,028	652,702	937,730
Restricted assets			
Cash and investments	-	5,733,839	5,733,839
Other assets	1,168,321	2,607,486	3,775,807
Interest receivable	-	61,814	61,814
Capital assets, nondepreciable			
Land	9,015,876	1,539,578	10,555,454
Other assets	-	339,749	339,749
Construction in progress	132,484	3,157,221	3,289,705
Capital assets, depreciable			
Buildings and improvements	10,538,215	19,567,080	30,105,295
Improvements other than buildings	-	53,902,585	53,902,585
Machinery and equipment	7,797,757	40,697,108	48,494,865
Impairment of capital assets	-	(23,554,874)	(23,554,874)
Infrastructure	28,920,952	-	28,920,952
Less: Accumulated depreciation	(21,951,149)	(31,166,200)	(53,117,349)
TOTAL ASSETS	62,661,538	78,167,133	140,828,671
LIABILITIES			
Accounts payable	970,783	3,712,371	4,683,154
Accrued and other current liabilities	107,838	1,334,034	1,441,872
Accrued interest payable	424,372	101,562	525,934
Due to other governments	578	-	578
Unearned revenues	10,774,066	1,112,037	11,886,103
Long-term obligations			
Due within one year	3,398,276	31,345,110	34,743,386
Due in more than one year	26,339,724	28,316,284	54,656,008
TOTAL LIABILITIES	42,015,637	65,921,398	107,937,035
NET ASSETS			
Invested in capital assets, net of related debt	13,770,113	3,533,595	17,303,708
Restricted for			
Debt service	1,446,792	1,742,732	3,189,524
Capital projects	-	2,559,540	2,559,540
Community development loans	1,256,982	-	1,256,982
Unrestricted	4,172,014	4,409,868	8,581,882
TOTAL NET ASSETS	\$ 20,645,901	\$ 12,245,735	\$ 32,891,636

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, 2009

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government				
Governmental Activities				
General government	\$ 1,686,088	\$ 255,695	\$ -	\$ -
Public safety	7,096,779	437,316	136,376	-
Public works	4,245,122	448,319	999,129	571,245
Health and human services	822,799	308,595	108,415	-
Culture and recreation	3,342,673	899,375	7,209	-
Conservation and development	435,893	6,814	1,110	-
Interest on debt	1,339,756	-	-	-
Total Governmental Activities	18,969,110	2,356,114	1,252,239	571,245
Business-type Activities				
Electric utility	39,072,637	40,513,080	-	7,843
Steam utility	10,485,647	6,005,078	-	-
Water utility	3,611,626	4,272,964	-	-
Telecommunication utility	82,027	75,797	-	15,000
Sewerage system	2,104,669	1,652,768	-	-
Stormwater Utility	790,692	995,098	-	6,199
Total Business-type Activities	56,147,298	53,514,785	-	29,042
Total	\$ 75,116,408	\$ 55,870,899	\$ 1,252,239	\$ 600,287

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 items

Gain on sale of asset

Extraordinary loss on steam utility capital asset impairment

Extraordinary loss on steam utility investments

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

\$ (1,430,393)	\$ -	\$ (1,430,393)
(6,523,087)	-	(6,523,087)
(2,226,429)	-	(2,226,429)
(405,789)	-	(405,789)
(2,436,089)	-	(2,436,089)
(427,969)	-	(427,969)
(1,339,756)	-	(1,339,756)
<u>(14,789,512)</u>	<u>-</u>	<u>(14,789,512)</u>

-	1,448,286	1,448,286
-	(4,480,569)	(4,480,569)
-	661,338	661,338
-	8,770	8,770
-	(451,901)	(451,901)
-	210,605	210,605
-	<u>(2,603,471)</u>	<u>(2,603,471)</u>
<u>(14,789,512)</u>	<u>(2,603,471)</u>	<u>(17,392,983)</u>

7,066,572	-	7,066,572
1,819,714	-	1,819,714
1,534,043	-	1,534,043
185,067	-	185,067
4,442,250	-	4,442,250
308,562	531,285	839,847
101,070	554,479	655,549
20,652	-	20,652
-	(23,554,874)	(23,554,874)
-	(3,371,775)	(3,371,775)
(8,056,020)	8,056,020	-
<u>7,421,910</u>	<u>(17,784,865)</u>	<u>(10,362,955)</u>
(7,367,602)	(20,388,336)	(27,755,938)
<u>28,013,503</u>	<u>32,634,071</u>	<u>60,647,574</u>
<u>\$ 20,645,901</u>	<u>\$ 12,245,735</u>	<u>\$ 32,891,636</u>

CITY OF MENASHA, WISCONSIN

Balance Sheet
Governmental Funds
December 31, 2009

	General	Debt Service	Other Governmental Funds	Total Governmental Funds
ASSETS				
Cash and investments	\$ 4,768,980	\$ 2,113,992	\$ 2,863,425	\$ 9,746,397
Receivables				
Taxes	4,125,821	958,025	1,117,610	6,201,456
Delinquent personal property taxes	56,526	-	-	56,526
Accounts	529,501	-	7,043	536,544
Special assessments	2,108	5,544,772	-	5,546,880
Loans	-	-	2,415,013	2,415,013
Due from other funds	380,192	-	-	380,192
Due from other governments	361,283	-	15,858	377,141
Inventories and prepaid items	444,672	-	-	444,672
Other assets	-	-	137,101	137,101
Advance to other funds	-	895,485	-	895,485
TOTAL ASSETS	\$ 10,669,083	\$ 9,512,274	\$ 6,556,050	\$ 26,737,407
LIABILITIES AND FUND BALANCES				
Liabilities				
Accounts payable	\$ 552,331	\$ -	\$ 287,965	\$ 840,296
Accrued and other current liabilities	105,984	-	-	105,984
Due to other funds	-	-	380,192	380,192
Due to other governments	578	-	-	578
Deferred revenues	7,247,156	7,169,997	4,333,083	18,750,236
Total Liabilities	7,906,049	7,169,997	5,001,240	20,077,286
Fund Balances				
Reserved for				
Inventories and prepaid items	444,672	-	-	444,672
Delinquent personal property taxes	56,526	-	-	56,526
Long-term receivable	31,675	-	-	31,675
Retirement of long-term debt	-	1,146,792	-	1,146,792
Long-term advance	-	895,485	-	895,485
Unreserved				
Designated, reported in				
General fund				
Subsequent year's expenditures	183,852	-	-	183,852
Subsequent year's budget	400,000	300,000	-	700,000
Special revenue funds				
Subsequent year's expenditures	-	-	1,244,890	1,244,890
Capital projects funds				
Subsequent year's expenditures	-	-	976,089	976,089
Undesignated, reported in				
General fund				
	1,646,309	-	-	1,646,309
Special revenue funds				
	-	-	3,357	3,357
Capital projects funds				
	-	-	(669,526)	(669,526)
Total Fund Balances	2,763,034	2,342,277	1,554,810	6,660,121
TOTAL LIABILITIES AND FUND BALANCES	\$ 10,669,083	\$ 9,512,274	\$ 6,556,050	\$ 26,737,407

(Continued)

CITY OF MENASHA, WISCONSIN
 Balance Sheet (Continued)
 Governmental Funds
 December 31, 2009

Reconciliation to the Statement of Net Assets

Total Fund Balances as shown on previous page		\$ 6,660,121
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.		31,876,944
Other long-term assets are not available to pay current period expenditures and therefore are deferred in the funds.		
Special assessments		5,561,156
Loans receivable		2,415,014
Internal service funds reported in the statement of net assets as governmental activities (see page 19)		4,010,010
Some liabilities are not due and payable in the current period and, therefore, are not reported in the funds.		
Bonds and notes payable	\$(27,895,000)	
Debt premium	(128,859)	
Loss on advance refunding	5,884	
Compensated absences	(1,672,397)	
OPEB liability	(47,628)	
Deferred charges - bond issues	285,028	
Accrued interest on long-term obligations	(424,372)	(29,877,344)
Net Assets of Governmental Activities as Reported on the Statement of Net Assets (see page 10)		<u>\$ 20,645,901</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 Balances -
Governmental Funds
Year Ended December 31, 2009

	General	Debt Service	Other Governmental Funds	Total Governmental Funds
Revenues				
Taxes	\$ 7,022,275	\$ 1,819,714	\$ 1,763,407	\$ 10,605,396
Special assessments	-	215,555	-	215,555
Intergovernmental	5,394,731	-	291,439	5,686,170
Licenses and permits	392,110	-	-	392,110
Fines and forfeits	149,128	-	-	149,128
Public charges for services	310,594	-	277,760	588,354
Intergovernmental charges for services	1,197,347	-	357	1,197,704
Miscellaneous	102,003	138,991	797,942	1,038,936
Total Revenues	14,568,188	2,174,260	3,130,905	19,873,353
Expenditures				
Current				
General government	1,674,552	-	60,087	1,734,639
Public safety	6,933,739	-	4,545	6,938,284
Public works	3,236,192	-	760,345	3,996,537
Health and human services	800,797	-	5,351	806,148
Culture and recreation	2,924,298	-	256,650	3,180,948
Conservation and development	286,909	-	25,697	312,606
Debt service				
Principal	-	2,876,058	-	2,876,058
Interest and fiscal charges	-	1,444,289	-	1,444,289
Capital outlay	-	-	624,889	624,889
Total Expenditures	15,856,487	4,320,347	1,737,564	21,914,398
Excess of Revenues Over (Under)				
Expenditures	(1,288,299)	(2,146,087)	1,393,341	(2,041,045)
Other Financing Sources (Uses)				
Transfers in	1,427,271	1,988,811	-	3,416,082
Transfers out	-	(919,180)	(2,340,033)	(3,259,213)
Total Other Financing Sources (Uses)	1,427,271	1,069,631	(2,340,033)	156,869
Net Change in Fund Balances	138,972	(1,076,456)	(946,692)	(1,884,176)
Fund Balances - January 1	2,624,062	3,418,733	2,501,502	8,544,297
Fund Balances - December 31	\$ 2,763,034	\$ 2,342,277	\$ 1,554,810	\$ 6,660,121

(Continued)

CITY OF MENASHA, WISCONSIN
Statement of Revenues, Expenditures and Changes in Fund Balances (Continued)
Year Ended December 31, 2009

Reconciliation to the Statement of Activities

Net Change in Fund Balances from previous page	\$ (1,884,176)
<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	\$ 1,061,897
Depreciation expense reported in the statement of activities	<u>(1,181,091)</u>
Amount by which capital outlays are greater than depreciation in current period	(119,194)
<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>	
	(890)
<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>	
	(81,710)
<p>Capital assets related to the storm water utility transferred to an enterprise fund for the storm water utility. The capital assets and related accumulated depreciation totaled:</p>	
	(8,212,889)
<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>	
	2,877,296
<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>	
	173,059
<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>	
	(69,764)
<p>The net revenue of certain activities of internal service funds is reported with governmental activities.</p>	
	215,210
<p>Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.</p>	
	<u>(264,544)</u>
<p>Change in Net Assets of Governmental Activities as Reported in the Statement of Activities (see pages 11 - 12)</p>	
	<u>\$ (7,367,602)</u>
<p>The notes to the basic financial statements are an integral part of this statement.</p>	

CITY OF MENASHA, WISCONSIN
Statement of Revenues, Expenditures and Changes in Fund Balance -
Budget and Actual
General Fund
Year Ended December 31, 2009

	Budgeted Amounts		Actual Amounts	Variance Final Budget - Positive (Negative)
	Original	Final		
Revenues				
Taxes	\$ 7,040,326	\$ 7,040,326	\$ 7,022,275	\$ (18,051)
Intergovernmental	5,233,049	5,233,049	5,394,731	161,682
Licenses and permits	404,030	404,030	392,110	(11,920)
Fines and forfeits	170,000	170,000	149,128	(20,872)
Public charges for services	333,100	333,100	310,594	(22,506)
Intergovernmental charges for services	1,242,772	1,242,772	1,197,347	(45,425)
Miscellaneous	346,000	346,000	102,003	(243,997)
Total Revenues	14,769,277	14,769,277	14,568,188	(201,089)
Expenditures				
Current				
General government	1,644,104	1,644,104	1,674,552	(30,448)
Public safety	7,479,759	7,479,759	6,933,739	546,020
Public works and sanitation	3,394,062	3,394,062	3,236,192	157,870
Health and human services	820,140	820,140	800,797	19,343
Culture and recreation	3,071,968	3,071,968	2,924,298	147,670
Conservation and development	309,767	309,767	286,909	22,858
Total Expenditures	16,719,800	16,719,800	15,856,487	863,313
Excess of Revenues Over (Under) Expenditures	(1,950,523)	(1,950,523)	(1,288,299)	662,224
Other Financing Sources				
Transfers in	1,554,870	1,554,870	1,427,271	(127,599)
Net Change in Fund Balance	(395,653)	(395,653)	138,972	534,625
Fund Balance - January 1	2,624,062	2,624,062	2,624,062	-
Fund Balance - December 31	\$ 2,228,409	\$ 2,228,409	\$ 2,763,034	\$ 534,625

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, 2009

	Business-type Activities - Enterprise Funds				Governmental Activities - Internal Service Funds
	Menasha Utilities	Sewage Treatment	Stormwater Utility	Totals	
ASSETS					
Cash and investments	\$ 496,163	\$ 48,762	\$ 10,111	\$ 555,036	\$ 533,940
Receivables					
Accounts	4,232,060	69,957	-	4,302,017	-
Inventories and prepaid expenses	667,477	-	-	667,477	-
Restricted assets					
Cash and investments	5,683,839	50,000	-	5,733,839	-
Other assets	2,607,486	-	-	2,607,486	1,031,220
Interest receivable	61,814	-	-	61,814	-
Deferred charges	652,702	-	-	652,702	-
Capital assets, nondepreciable					
Land	1,248,205	-	291,373	1,539,578	44,216
Other assets	339,749	-	-	339,749	-
Impairment of capital assets	(23,554,874)	-	-	(23,554,874)	-
Construction in progress	842,922	2,314,299	-	3,157,221	132,484
Capital assets, depreciable					
Buildings	19,567,080	-	-	19,567,080	928,181
Improvements other than buildings	39,449,878	5,083,178	9,369,529	53,902,585	-
Machinery and equipment	40,697,108	-	-	40,697,108	5,791,683
Less: Accumulated depreciation	(29,147,057)	(775,036)	(1,244,107)	(31,166,200)	(4,319,373)
TOTAL ASSETS	63,844,552	6,791,160	8,426,906	79,062,618	4,142,351
LIABILITIES					
Accounts payable	3,626,180	82,779	3,412	3,712,371	132,341
Accrued and other current liabilities	1,334,034	-	-	1,334,034	-
Accrued interest payable	88,955	12,607	-	101,562	-
Unearned revenue	1,112,037	-	-	1,112,037	-
Advance from other funds	895,485	-	-	895,485	-
Long-term obligations					
Due within one year	31,191,680	153,430	-	31,345,110	-
Due in more than one year	25,271,438	3,044,846	-	28,316,284	-
TOTAL LIABILITIES	63,519,809	3,293,662	3,412	66,816,883	132,341
NET ASSETS					
Invested in capital assets, net of related debt	(8,307,365)	3,424,165	8,416,795	3,533,595	2,577,191
Restricted for					
Debt service	1,742,732	-	-	1,742,732	-
Plant replacement	2,559,540	-	-	2,559,540	-
Unrestricted	4,329,836	73,333	6,699	4,409,868	1,432,819
TOTAL NET ASSETS	\$ 324,743	\$ 3,497,498	\$ 8,423,494	\$ 12,245,735	\$ 4,010,010

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, 2009

	Business-type Activities - Enterprise Funds				Governmental Activities - Internal Service Funds
	Menasha Utilities	Sewage Treatment	Stormwater Utility	Totals	
Operating Revenues					
Charges for services	\$ 50,569,898	\$ 1,652,768	\$ 995,098	\$ 53,217,764	\$ 1,585,746
Other	297,021	-	-	297,021	-
Total Operating Revenues	<u>50,866,919</u>	<u>1,652,768</u>	<u>995,098</u>	<u>53,514,785</u>	<u>1,585,746</u>
Operating Expenses					
Operation and maintenance	47,192,945	1,970,671	697,026	49,860,642	923,523
Insurance payments and claims	-	-	-	-	178,711
Depreciation and amortization	3,223,591	60,881	93,666	3,378,138	311,367
Taxes	272,825	-	-	272,825	-
Total Operating Expenses	<u>50,689,361</u>	<u>2,031,552</u>	<u>790,692</u>	<u>53,511,605</u>	<u>1,413,601</u>
Operating Income (Loss)	<u>177,558</u>	<u>(378,784)</u>	<u>204,406</u>	<u>3,180</u>	<u>172,145</u>
Nonoperating Revenues (Expenses)					
Investment income	521,897	9,388	-	531,285	22,413
Merchandising and jobbing	9,868	-	-	9,868	-
Interest and fiscal charges	(2,562,576)	(73,117)	-	(2,635,693)	-
Gain (loss) on disposal of capital assets	-	-	-	-	20,652
Miscellaneous	544,611	-	-	544,611	-
Total Nonoperating Revenues (Expenses)	<u>(1,486,200)</u>	<u>(63,729)</u>	<u>-</u>	<u>(1,549,929)</u>	<u>43,065</u>
Income Before Contributions and Transfers	(1,308,642)	(442,513)	204,406	(1,546,749)	215,210
Capital contributions	22,843	-	6,199	29,042	-
Extraordinary loss on asset impairment	(23,554,874)	-	-	(23,554,874)	-
Extraordinary loss on steam utility investment	(3,371,775)	-	-	(3,371,775)	-
Transfers in	919,180	-	8,212,889	9,132,069	-
Transfers out	(1,076,049)	-	-	(1,076,049)	-
Change in Net Assets	(28,369,317)	(442,513)	8,423,494	(20,388,336)	215,210
Net Assets - January 1	<u>28,694,060</u>	<u>3,940,011</u>	<u>-</u>	<u>32,634,071</u>	<u>3,794,800</u>
Net Assets - December 31	<u>\$ 324,743</u>	<u>\$ 3,497,498</u>	<u>\$ 8,423,494</u>	<u>\$ 12,245,735</u>	<u>\$ 4,010,010</u>

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, 2009

	Enterprise Funds			Totals	Governmental Activities - Internal Service Funds
	Menasha Utilities	Sewage Treatment	Stormwater Utility		
Cash Flows from Operating Activities					
Cash received from customers	\$ 49,730,870	\$ 1,582,811	\$ 995,098	\$ 52,308,779	\$ 1,585,746
Cash paid to suppliers	(42,112,623)	(1,745,615)	(295,264)	(44,153,502)	(571,455)
Cash paid to employees	(3,661,229)	(198,581)	(398,350)	(4,258,160)	(435,754)
Net Cash Provided (Used) by Operating Activities	<u>3,957,018</u>	<u>(361,385)</u>	<u>301,484</u>	<u>3,897,117</u>	<u>578,537</u>
Cash Flows from Noncapital and Related Financing Activities					
Dividend from CVMIC	-	-	-	-	21,053
Transfers to general fund	(156,869)	-	-	(156,869)	-
Advances to (from) other governments	-	31,819	-	31,819	-
Advances to (from) other funds	-	(971,678)	-	(971,678)	139,352
Net Cash Used by Noncapital and Related Financing Activities	<u>(156,869)</u>	<u>(939,859)</u>	<u>-</u>	<u>(1,096,728)</u>	<u>160,405</u>
Cash Flows from Capital and Related Financing Activities					
Acquisition of capital assets	(1,283,807)	(412,479)	(291,373)	(1,987,659)	(509,247)
Debt proceeds	7,645,286	463,699	-	8,108,985	-
Principal payments on capital debt	(9,877,719)	(145,277)	-	(10,022,996)	-
Advances to (from) other funds	(70,789)	-	-	(70,789)	-
Interest payments on capital debt	(2,755,842)	(71,861)	-	(2,827,703)	-
Asset disposal costs and salvage	(186,292)	-	-	(186,292)	20,652
Contributions from property owners	22,843	-	-	22,843	-
Net Cash Used by Capital and Related Financing Activities	<u>(6,506,320)</u>	<u>(165,918)</u>	<u>(291,373)</u>	<u>(6,963,611)</u>	<u>(488,595)</u>
Cash Flows from Investing Activities					
Interest received on investments	562,952	9,388	-	572,340	1,360
Cash paid to ATC LLC	(109,980)	-	-	(109,980)	-
Cash Provided by Investing Activities	<u>452,972</u>	<u>9,388</u>	<u>-</u>	<u>462,360</u>	<u>1,360</u>
Change in Cash and Cash Equivalents	<u>(2,253,199)</u>	<u>(1,457,774)</u>	<u>10,111</u>	<u>(3,700,862)</u>	<u>251,707</u>
Cash and Cash Equivalents - January 1	<u>8,433,201</u>	<u>1,556,536</u>	<u>-</u>	<u>9,989,737</u>	<u>282,233</u>
Cash and Cash Equivalents - December 31	<u>\$ 6,180,002</u>	<u>\$ 98,762</u>	<u>\$ 10,111</u>	<u>\$ 6,288,875</u>	<u>\$ 533,940</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:					
Operating income (loss)	\$ 177,558	\$ (378,784)	\$ 204,406	\$ 3,180	\$ 172,145
Adjustments to reconcile operating income to net cash provided by operating activities:					
Depreciation and amortization	3,223,591	60,881	93,666	3,378,138	311,367
Merchandising and jobbing	9,868	-	-	9,868	-
Miscellaneous	544,611	-	-	544,611	-
Changes in assets and liabilities					
Accounts receivable	542,193	(69,957)	-	472,236	-
Inventories and prepaid expenses	(5,109)	-	-	(5,109)	-
Deferred debits	10,568	-	-	10,568	-
Accounts payable	(9,516)	26,475	3,412	20,371	95,025
Accrued and other liabilities	(425,371)	-	-	(425,371)	-
Deferred credits	(111,375)	-	-	(111,375)	-
Net Cash Provided by Operating Activities	<u>\$ 3,957,018</u>	<u>\$ (361,385)</u>	<u>\$ 301,484</u>	<u>\$ 3,897,117</u>	<u>\$ 578,537</u>
Noncash Investing, Capital and Financing Activities					
None	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Reconciliation of cash and cash equivalents					
Cash and investments	\$ 496,163	\$ 48,762	\$ 10,111	\$ 555,036	\$ 533,940
Restricted and other cash and investments	5,683,839	50,000	-	5,733,839	-
Total Cash and Cash Equivalents	<u>\$ 6,180,002</u>	<u>\$ 98,762</u>	<u>\$ 10,111</u>	<u>\$ 6,288,875</u>	<u>\$ 533,940</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, 2009

	Agency Fund
ASSETS	
Cash and investments	\$ 6,471,726
Taxes receivable	<u>9,686,804</u>
TOTAL ASSETS	<u><u>\$ 16,158,530</u></u>
LIABILITIES	
Due to other governments	<u><u>\$ 16,158,530</u></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, 2009

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, 2009

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.

STORMWATER UTILITY FUND

This fund is used to account for the operating activities of the Menasha Stormwater 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, 2009

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, 2009

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	
<u>Assets</u>		
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, 2009. 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, 2009.

CITY OF MENASHA, WISCONSIN
Notes to Basic Financial Statements
December 31, 2009

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, 2009

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, 2009.

2. Deficit Fund Equity

The following funds had deficit fund equity as of December 31, 2009:

Funds	Deficit Fund Balance
Special Revenue Fund	
Recycling	\$ 73,727
Capital Projects Funds	
Tax incremental district #4	26,362
Tax incremental district #6	228,816
Tax incremental district #7	202,105
Tax incremental district #8	44,126
Tax incremental district #9	114,245
Tax incremental district #11	53,872

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

CITY OF MENASHA, WISCONSIN
Notes to Basic Financial Statements
December 31, 2009

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 \$23,040,938 on December 31, 2009 as summarized below:

Petty cash funds	\$ 6,809
Deposits with financial institutions	22,097,147
Investments	936,982
	\$ 23,040,938

CITY OF MENASHA, WISCONSIN
Notes to Basic Financial Statements
December 31, 2009

NOTE C - DETAILED NOTES ON ALL FUNDS (Continued)

Reconciliation to the basic financial statements:

Basic financial statements	
Cash and investments	\$ 10,835,373
Restricted cash and investments	5,733,839
Fiduciary fund	
Agency fund	6,471,726
	\$ 23,040,938

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, 2010. 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, 2009, \$747,603 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
Common stock	\$ 1,412	\$ -	\$ -	\$ -	\$ 1,412
Wisconsin local government investment pool	935,570	-	-	-	935,570
Totals	\$ 936,982	\$ -	\$ -	\$ -	\$ 936,982

CITY OF MENASHA, WISCONSIN
Notes to Basic Financial Statements
December 31, 2009

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
Wisconsin local government investment pool	\$ 935,570	\$ 935,570	\$ -	\$ -	\$ -

Investment in Wisconsin Local Government Investment Pool

The City has investments in the Wisconsin local government investment pool of \$935,570 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, 2009, the fair value of the City's share of the LGIP's assets was substantially equal to the carrying value.

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, 2009

NOTE C - DETAILED NOTES ON ALL FUNDS (Continued)

3. Restricted and Other Assets

Restricted assets on December 31, 2009 totaled \$9,571,460 as detailed below:

Governmental Activities	
Capitalization deposit with CVMIC	\$ 1,031,220
Beneficial interest in library endowment funds held by the Community Foundation	137,101
Total Governmental Activities	<u>1,168,321</u>
Business-type Activities	
Menasha Utilities	
Cash and investments	5,683,839
Investment in ATC LLC	2,607,486
Interest accrued	61,814
Total Menasha Utilities	<u>8,353,139</u>
Sewage System	
Equipment replacement	<u>50,000</u>
Total Restricted and Other Assets	<u>\$ 9,571,460</u>

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

Debt reserve fund	\$ 595,418
Bond redemption fund	1,147,314
Depreciation fund	2,635,102
Transmission reserve fund	444,363
Utility reserve fund	795,398
Post Employment Health Benefits Fund	66,244
Total Cash and Investments	<u>\$ 5,683,839</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, 2009

NOTE C - DETAILED NOTES ON ALL FUNDS (Continued)

4. Capital Assets

Capital asset activity for the year ended December 31, 2009 was as follows:

	Beginning Balance	Reclass- ification	Increases	Decreases	Ending Balance
Governmental activities:					
Capital assets, not being depreciated:					
Land	\$ 8,983,788	\$ -	\$ 32,088	\$ -	\$ 9,015,876
Construction in progress	132,484	-	-	-	132,484
Total capital assets, not being depreciated	<u>9,116,272</u>	-	32,088	-	<u>9,148,360</u>
Capital assets, being depreciated:					
Buildings and improvements	10,538,215	-	-	-	10,538,215
Machinery and equipment	7,421,351	-	614,937	238,531	7,797,757
Infrastructure	37,335,318	(9,363,330)	948,964	-	28,920,952
Subtotals	<u>55,294,884</u>	<u>(9,363,330)</u>	<u>1,563,901</u>	<u>238,531</u>	<u>47,256,924</u>
Less accumulated depreciation for:					
Buildings and improvements	4,765,103	-	216,937	-	4,982,040
Machinery and equipment	4,868,633	-	435,948	212,797	5,091,784
Infrastructure	12,188,193	(1,150,441)	839,573	-	11,877,325
Subtotals	<u>21,821,929</u>	<u>(1,150,441)</u>	<u>1,492,458</u>	<u>212,797</u>	<u>21,951,149</u>
Total capital assets, being depreciated, net	<u>33,472,955</u>	<u>(8,212,889)</u>	<u>71,443</u>	<u>25,734</u>	<u>25,305,775</u>
Governmental activities capital assets, net	<u>\$ 42,589,227</u>	<u>\$ (8,212,889)</u>	<u>\$ 103,531</u>	<u>\$ 25,734</u>	<u>34,454,135</u>
Less: related long-term debt outstanding related to capital assets net of unamortized premium of \$128,859 and loss on advance refunding of (\$5,884)					<u>20,684,022</u>
Invested in capital assets, net of related debt					<u>\$ 13,770,113</u>

CITY OF MENASHA, WISCONSIN
Notes to Basic Financial Statements
December 31, 2009

NOTE C - DETAILED NOTES ON ALL FUNDS (Continued)

	Beginning Balance	Reclass- ification	Increases	Decreases	Ending Balance
Business-type activities:					
Capital assets, not being depreciated:					
Land	\$ 1,248,205	\$ -	\$ 291,373	\$ -	\$ 1,539,578
Other assets	393,520	-	-	53,771	339,749
Construction in progress	3,066,351	-	1,255,401	1,164,531	3,157,221
Total capital assets, not being depreciated	<u>4,708,076</u>	<u>-</u>	<u>1,546,774</u>	<u>1,218,302</u>	<u>5,036,548</u>
Capital assets, being depreciated:					
Buildings and improvements	20,837,630	-	49,321	1,319,871	19,567,080
Improvements other than buildings	43,433,564	9,363,330	1,330,256	224,565	53,902,585
Machinery and equipment	40,670,634	-	321,603	295,129	40,697,108
Subtotals	<u>104,941,828</u>	<u>9,363,330</u>	<u>1,701,180</u>	<u>1,839,565</u>	<u>114,166,773</u>
Less accumulated depreciation for:					
Steam utility	9,841,107	-	1,159,381	271,216	10,729,272
Electric distribution utility	11,537,993	-	1,116,529	376,195	12,278,327
Energy services utility	73,610	-	9,264	-	82,874
Telecommunications utility	266,066	-	41,121	-	307,187
Water utility	5,026,304	-	780,276	57,183	5,749,397
Sewage treatment utility	714,155	-	60,881	-	775,036
Stormwater utility	-	1,150,441	93,666	-	1,244,107
Subtotals	<u>27,459,235</u>	<u>1,150,441</u>	<u>3,261,118</u>	<u>704,594</u>	<u>31,166,200</u>
Total capital assets, being depreciated, net	<u>77,482,593</u>	<u>8,212,889</u>	<u>(1,559,938)</u>	<u>1,134,971</u>	<u>83,000,573</u>
Less impairment of steam utility	<u>-</u>	<u>-</u>	<u>23,554,874</u>	<u>-</u>	<u>23,554,874</u>
Business-type activities capital assets, net	<u>\$ 82,190,669</u>	<u>\$ 8,212,889</u>	<u>\$ (23,568,038)</u>	<u>\$ 2,353,273</u>	<u>64,482,247</u>
Less: related long-term debt outstanding related to capital assets					<u>60,948,652</u>
Invested in capital assets, net of related debt					<u>\$ 3,533,595</u>

CITY OF MENASHA, WISCONSIN
Notes to Basic Financial Statements
December 31, 2009

NOTE C - DETAILED NOTES ON ALL FUNDS (Continued)

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

Governmental activities	
General government	\$ 47,583
Public safety	110,960
Public works	1,157,415
Health and human services	10,588
Culture and recreation	165,722
Conservation and development	190
Total depreciation expense - governmental activities	\$ 1,492,458
Business-type activities	
Steam utility	\$ 1,157,913
Electric distribution utility	1,079,111
Energy services utility	9,264
Telecommunications utility	40,271
Water utility	771,554
Sewage treatment utility	60,881
Stormwater utility	93,666
Total depreciation expense - business-type activities	\$ 3,212,660

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, 2009 are detailed below:

	Interfund Receivables	Interfund Payables
General fund	\$ 380,192	\$ -
Nonmajor governmental funds	-	380,192
Totals	\$ 380,192	\$ 380,192

The above interfund receivables and payable were recorded to eliminate deficit cash balances in various non-major governmental funds. The city anticipates that future cash inflows will be sufficient to offset the current deficit cash balances.

CITY OF MENASHA, WISCONSIN
Notes to Basic Financial Statements
December 31, 2009

NOTE C - DETAILED NOTES ON ALL FUNDS (Continued)

The Menasha Utilities portion of the City's unfunded pension obligation totaled \$895,485. The Menasha Utilities' portion of the liability was retired in 2003 using available financial resources of the City and an advance to Menasha Utilities was recorded for this amount. This amount is reported in the Menasha Utilities Enterprise Fund as an advance 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
2010	\$ 88,487	\$ 31,018	\$ 119,505
2011	106,184	27,611	133,795
2012	176,974	22,568	199,542
2013	523,840	9,691	533,531
	<u>\$ 895,485</u>	<u>\$ 90,888</u>	<u>\$ 986,373</u>

Interfund transfers for the year ended December 31, 2009 were as follows:

	Transfer to:				Total
	General Fund	Debt Service Fund	Menasha Utilities	Stormwater Utility	
Transfers from:					
Major Governmental Funds					
Debt Service	\$ -	\$ -	\$ 919,180	\$ -	\$ 919,180
Nonmajor Government Fund:					
Enterprise Fund					
Menasha Utilities	1,076,049	-	-	-	1,076,049
Governmental Activities	-	-	-	8,212,889	8,212,889
Totals	<u>\$ 1,427,271</u>	<u>\$ 1,988,811</u>	<u>\$ 919,180</u>	<u>\$ 8,212,889</u>	<u>\$ 12,548,151</u>

A transfer of \$1,076,049 was transferred from Menasha Utilities as a payment in lieu of taxes. The transfers of \$1,988,811 were made to transfer resources for debt service payments. A capital transfer of \$8,212,889 was made for the Stormwater Utility Fund created in 2009 as an enterprise fund. The assets were previously recorded on the Government-Wide Financial Statements as part of the governmental activities. The Debt Service Fund transferred \$919,180 to the Menasha Utilities to pay for Steam Utility debt payments. The remaining transfers were made to finance various operating costs.

CITY OF MENASHA, WISCONSIN
Notes to Basic Financial Statements
December 31, 2009

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	\$ -	\$ 7,148,016
Debt service	-	1,608,840
Other governmental funds		
Special revenue funds		
Tax Incremental District No. 1	-	177,134
Tax Incremental District No. 2	-	66,597
Tax Incremental District No. 3	-	56,879
Recycling	-	266,513
Capital projects fund		
Tax Incremental District No. 4	-	167,358
Tax Incremental District No. 5	-	256,913
Tax Incremental District No. 6	-	273,001
Tax Incremental District No. 7	-	105,137
Tax Incremental District No. 8	-	69,046
Tax Incremental District No. 9	-	361,330
Tax Incremental District No. 10	-	72,996
Tax Incremental District No. 11	-	45,166
Postponed special assessments and developer receivables		
Major governmental funds		
Debt service	5,561,157	-
Loans receivable		
Other governmental funds		
Capital projects fund		
Tax Incremental District No. 5	1,300,000	-
Special revenue funds		
Housing rehab	53,341	-
Community development block grant	1,061,672	-
Revenues collected in advance		
General fund	-	99,140
	<u>\$ 7,976,170</u>	<u>\$ 10,774,066</u>

CITY OF MENASHA, WISCONSIN
Notes to Basic Financial Statements
December 31, 2009

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 \$53,341 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, 2009:

	Outstanding 1/1/09	Issued	Retired	Outstanding 12/31/09	Due Within One Year
Governmental activities:					
General Obligation Debt					
Bonds	\$ 6,190,000	\$ -	\$ 325,000	\$ 5,865,000	\$ 155,000
Notes	24,237,296	-	2,207,296	22,030,000	3,220,000
Total General Obligation Debt	30,427,296	-	2,532,296	27,895,000	3,375,000
Debt premium	164,150	-	35,291	128,859	29,160
Loss on advance refunding	(17,655)	-	(11,771)	(5,884)	(5,884)
Bond anticipation notes	345,000	-	345,000	-	-
OPEB liability	-	47,628	-	47,628	-
Compensated absences	1,638,315	34,082	-	1,672,397	-
Governmental activities Long-term obligations	<u>\$ 32,557,106</u>	<u>\$ 81,710</u>	<u>\$ 2,900,816</u>	<u>\$ 29,738,000</u>	<u>\$ 3,398,276</u>
Business-type activities:					
General obligation notes	\$ 13,930,000	\$ 7,000,000	\$ 6,900,000	\$ 14,030,000	\$ 7,030,000
General obligation note anticipation notes	2,675,000	-	-	2,675,000	-
Revenue bonds	20,497,137	1,107,985	1,448,579	20,156,543	1,521,786
Revenue bond anticipation notes	24,160,000	-	1,382,834	22,777,166	22,777,166
Promissory notes	61,683	-	61,683	-	-
Capital leases	1,930,884	5,501	1,913,700	22,685	16,158
Business-type activities Long-term obligations	<u>\$ 63,254,704</u>	<u>\$ 8,113,486</u>	<u>\$ 11,706,796</u>	<u>\$ 59,661,394</u>	<u>\$ 31,345,110</u>

Total interest paid during the year on long-term debt totaled \$4,069,562.

CITY OF MENASHA, WISCONSIN
Notes to Basic Financial Statements
December 31, 2009

NOTE C - DETAILED NOTES ON ALL FUNDS (Continued)

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.

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, 2009 totaled \$41,925,000 and was comprised of the following issues:

Governmental Activities:

Bonds

\$1,305,000 issued 12/15/01; \$55,000 to \$150,000 due annually through 2017; interest 4.5% to 4.875%	\$ 995,000
\$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; \$100,000 to \$115,000 due annually through 2018; interest 2.8% to 4.3%	915,000
\$2,565,000 issued 6/15/05; \$385,000 to \$475,000 due annually from 2011 through 2016; interest 4.25% to 4.65%	2,565,000
Total Bonds	5,865,000

Notes

\$2,225,000 issued 9/1/01; \$275,000 to \$285,000 due annually through 2011; interest 3.85% to 4.15%	560,000
\$575,000 issued 12/15/01; \$105,000 to \$110,000 due annually through 2011; interest 5.8% to 6%	215,000
\$4,800,000 issued 5/1/02; \$175,000 due annually through 2011; interest 4.0% to 4.25%	350,000
\$4,530,000 issued 3/1/03; \$350,000 to \$1,480,000 due annually through 2013; interest 3.25% to 3.7%	3,630,000
\$2,770,000 issued 7/1/03; \$700,000 due in 2013; interest 2.9%	700,000
\$200,000 issued 9/1/03; \$200,000 due in 2012; interest 4%	200,000
\$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%	2,085,000
\$1,455,000 issued 8/1/06; \$375,000 to \$380,000 due annually beginning in 2008 through 2011; interest 5.75% to 5.80%	755,000
\$4,715,000 issued 8/1/08; \$175,000 to \$4,000,000 due annually beginning in 2009 through 2013; interest 5.35%-6.40%	4,565,000
\$5,280,000 issued 8/1/08; \$175,000 to \$2,300,000 due annually beginning in 2009 through 2017; interest 4.25%-4.40%	5,180,000
Total Notes	22,030,000

Total Governmental Activities Outstanding General Obligation Debt	27,895,000
---	-------------------

Business-type Activities:

Notes

\$13,930,000 issued 8/22/07; \$7,030,000 due in 2010; interest 5.60%	7,030,000
\$7,000,000 issued 12/1/09; \$55,301 to \$653,654 due annually beginning in 2011 through 2027; interest 5.5%	7,000,000
	14,030,000

Total General Obligation Debt	\$ 41,925,000
-------------------------------	----------------------

CITY OF MENASHA, WISCONSIN
Notes to Basic Financial Statements
December 31, 2009

NOTE C - DETAILED NOTES ON ALL FUNDS (Continued)

Annual principal and interest maturities of the outstanding general obligation debt of \$41,925,000 on December 31, 2009 are detailed below:

Year Ended December 31	Governmental Activities		Business-type Activities		Totals	
	Principal	Interest	Principal	Interest	Principal	Interest
2010	\$ 3,375,000	\$ 1,261,705	\$ 7,030,000	\$ 32,807	\$10,405,000	\$ 1,294,512
2011	2,545,000	1,124,399	55,301	494,699	2,600,301	1,619,098
2012	3,015,000	991,016	191,995	383,005	3,206,995	1,374,021
2013	7,535,000	845,961	228,601	371,399	7,763,601	1,217,360
2014	5,370,000	504,074	321,174	358,826	5,691,174	862,900
2015-2019	5,730,000	683,516	1,890,054	1,509,946	7,620,054	2,193,462
2020-2024	325,000	22,380	2,470,097	929,903	2,795,097	952,283
2025-2027	-	-	1,842,778	206,831	1,842,778	206,831
	<u>\$27,895,000</u>	<u>\$ 5,433,051</u>	<u>\$14,030,000</u>	<u>\$ 4,287,416</u>	<u>\$41,925,000</u>	<u>\$ 9,720,467</u>

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

General Obligation Note Anticipation Notes

The Menasha Steam Utility had \$2,675,000 of general obligation note anticipation notes as of December 31, 2009 and was comprised of the following issue:

Year Ended December 31	Principal	Interest	Total
2010	\$ -	\$ 139,100	\$ 139,100
2011	2,675,000	139,100	2,814,100
	<u>\$ 2,675,000</u>	<u>\$ 278,200</u>	<u>\$ 2,953,200</u>

Legal Margin for New Debt

The City's legal margin for creation of additional general obligation debt on December 31, 2009 was \$11,421,667 as follows:

Equalized valuation of the City	\$1,037,997,500
Statutory limitation percentage	(x) 5%
General obligation debt limitation, per Section 67.03 of the Wisconsin Statutes	51,899,875
Total outstanding general obligation debt applicable to debt limitation	\$ 41,925,000
Less: Amounts available for financing general obligation debt	
Debt service fund	1,446,792
Net outstanding general obligation debt applicable to debt limitation	40,478,208
Legal Margin for New Debt	<u>\$ 11,421,667</u>

Of the \$11,421,667 legal margin for new debt, \$2,675,000 needs to remain available to refinance the \$2,675,000 general obligation note anticipation notes due in 2011. The actual available legal margin for new debt is \$8,746,667.

CITY OF MENASHA, WISCONSIN
Notes to Basic Financial Statements
December 31, 2009

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, 2009 totaled \$20,156,543 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%	\$ 795,228
\$7,015,000 issued 12/28/05; \$160,000 to \$820,000 due annually through 2025; interest 3.75% to 4.2%	5,035,000
\$11,416,523 issued during 2006 and 2007; \$516,161 to \$767,998 due annually through 2025; interest 2.34%	10,967,495
\$168,779 issued during 2007; \$7,065 to \$10,971 due annually through 2026; interest 2.475%	311,486
\$2,733,387 issued in 2008; \$108,646 to \$161,655 due annually through 2027; interest 2.365%	2,403,048
\$644,286 issued in 2009; \$26,479 to \$42,534 due annually through 2028; interest 2.668%	644,286
Total Revenue Bonds Payable	<u><u>\$ 20,156,543</u></u>

Annual principal and interest maturities of the above outstanding enterprise fund revenue bonds of \$20,156,543 on December 31, 2009 are shown below:

Year Ended December 31	Principal	Interest	Total
2010	\$ 1,521,786	\$ 538,275	\$ 2,060,061
2011	1,575,018	489,114	2,064,132
2012	1,623,683	438,026	2,061,709
2013	982,792	399,090	1,381,882
2014	1,007,355	372,793	1,380,148
2015-2019	5,461,914	1,442,442	6,904,356
2020-2024	6,230,729	663,448	6,894,177
2025-2028	1,753,266	42,011	1,795,277
	<u><u>\$ 20,156,543</u></u>	<u><u>\$ 4,385,199</u></u>	<u><u>\$ 24,541,742</u></u>

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

CITY OF MENASHA, WISCONSIN
Notes to Basic Financial Statements
December 31, 2009

NOTE C - DETAILED NOTES ON ALL FUNDS (Continued)

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 \$24,541,742. Principal and interest paid for the current year and total customer net revenues were \$2,017,176 and \$3,968,272, respectively.

Revenue Bond Anticipation Notes

\$12,660,000 issued 2/1/05; \$12,660,000 due in 2010; interest 4.35%	\$ 11,935,386
\$11,500,000 issued 12/1/06; \$11,500,000 due in 2010; interest 5.70%	10,841,780
Total Revenue Bond Anticipation Notes	<u><u>\$ 22,777,166</u></u>

Annual principal and interest maturities of the above outstanding enterprise fund revenue bond anticipation notes of \$22,777,166 on December 31, 2009 are as shown below:

Year Ended December 31	Principal	Interest	Total
2010	<u>\$ 22,777,166</u>	<u>\$ 1,206,210</u>	<u>\$ 23,983,376</u>

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, 2009:

Year Ending	Amount
2010	\$ 17,054
2011	6,640
Total Minimum Lease Payments	<u>23,694</u>
Less: Amount representing interest	<u>1,009</u>
Present Value of Future Minimum Lease Payments	<u><u>\$ 22,685</u></u>

CITY OF MENASHA, WISCONSIN
Notes to Basic Financial Statements
December 31, 2009

NOTE D - OTHER INFORMATION

1. Menasha Utilities Segment Information

Menasha Utilities has three operations that require segment information to be reported. Segment information for Steam Production, Electric Distribution, and Water Distribution follows:

	Steam	Electric Distribution	Water
Assets			
Current	\$ 234,863	\$ 4,500,586	\$ 700,851
Due from other funds	-	123,419	51,430
Restricted	-	7,000,495	1,332,598
Noncurrent			
Net Capital Assets	12,500,000	15,502,820	20,830,749
Advance to other funds	-	1,304,530	-
Other	180,418	146,153	152,312
Total Assets	12,915,281	28,578,003	23,067,940
Liabilities			
Current	362,426	4,744,187	1,011,755
Due to other funds	-	1,971,753	-
Noncurrent			
City advance	-	303,741	343,329
Advance from other funds	-	-	628,472
Long-term	39,482,166	1,917,272	15,063,680
Total Liabilities	39,844,592	8,936,953	17,047,236
Net Assets			
Invested in capital assets net of related debt	(26,982,166)	13,602,820	5,138,597
Restricted			
Debt service	-	795,509	947,223
Plant replacement	-	2,559,540	-
Unrestricted	52,855	2,683,181	(65,116)
Total Net Assets	\$ (26,929,311)	\$ 19,641,050	\$ 6,020,704
Operating Revenues			
Charges for services	\$ 5,799,408	\$ 40,348,142	\$ 4,182,237
Other	205,670	148,321	90,727
Total Operating Revenues	6,005,078	40,496,463	4,272,964
Operating Expenses			
Operating	7,007,085	38,024,063	2,430,591
Depreciation	1,500,397	891,779	728,860
Total Operating Expenses	8,507,482	38,915,842	3,159,451
Operating Income (Loss)	(2,502,404)	1,580,621	1,113,513
Nonoperating Income (Expenses)			
Interest revenue	48,725	454,559	18,493
Merchandising and jobbing	-	7,908	1,960
Interest and fiscal charges	(1,978,165)	(101,895)	(452,175)
Miscellaneous	1,474,926	(1,153,057)	(31,071)
Total Nonoperating Income (Expenses)	(454,514)	(792,485)	(462,793)
Income Before Contributions, Extraordinary			
Losses and Transfers	(2,956,918)	788,136	650,720
Customer contributions	-	7,843	-
Extraordinary loss on asset impairment	(23,554,874)	-	-
Extraordinary loss on steam investment	-	-	-
Transfers in	919,180	-	-
Transfers out	-	(557,482)	(503,715)
Change in Net Assets	(25,592,612)	238,497	147,005
Net Assets - January 1	(1,336,699)	19,402,553	5,873,699
Net Assets - December 31	\$ (26,929,311)	\$ 19,641,050	\$ 6,020,704

CITY OF MENASHA, WISCONSIN
Notes to Basic Financial Statements
December 31, 2009

NOTE D - OTHER INFORMATION (Continued)

2. 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 5.9% of their salary (3.0% for Executives and Elected Officials, 5.0% for Protective Occupations with Social Security, and 3.2% 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, 2009 was \$12,359,237; the employer's total payroll was \$10,554,866. The total required contribution for the year ended December 31, 2009 was \$1,401,394, which consisted of \$739,711, or 6.0% of covered payroll from the employer and \$661,683, or 5.4% of covered payroll from employees. The required contribution for employees for the year ended December 31, 2009 was financed by the City. Total contributions for the years ending December 31, 2008 and 2007 were \$1,449,770 and \$1,376,430 respectively, equal to the required contributions for each year. The payroll covered by the WRS for the year ended December 31, 2009 of \$12,359,237 includes \$1,736,709 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.

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.

3. 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.

CITY OF MENASHA, WISCONSIN
Notes to Basic Financial Statements
December 31, 2009

NOTE D - OTHER INFORMATION (Continued)

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 \$35.4 million in 2009.

4. 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.

CITY OF MENASHA, WISCONSIN
Notes to Basic Financial Statements
December 31, 2009

NOTE D - OTHER INFORMATION (Continued)

The claims liability of \$9,843 reported in the fund at December 31, 2009 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, 2009, the property and liability insurance internal service fund has available \$1,082,232 for future unreported claims. Changes in the fund's claim liability amount for 2008 and 2009 follow:

	Liability January 1	Current Claims and Changes in Estimates	Claim Payments	Liability December 31
2008	\$ 18,081	\$ 41,579	\$ 26,367	\$ 33,293
2009	33,293	76,997	100,447	9,843

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 \$3,809 reported in the fund at December 31, 2009, 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, 2009, the dental insurance internal service fund has available \$5,697 for future unreported claims. Changes in the fund's claims liability amount for 2008 and 2009 follow:

	Liability January 1	Current Claims and Changes in Estimates	Claim Payments	Liability December 31
2008	\$ 6,973	\$ 105,676	\$ 108,626	\$ 4,023
2009	4,023	94,019	94,233	3,809

CITY OF MENASHA, WISCONSIN
Notes to Basic Financial Statements
December 31, 2009

NOTE D - OTHER INFORMATION (Continued)

5. Other Post Employment Benefits

Plan Description - The City provides health care insurance coverage for employees who retire until they reach the age of 65. The retired employee contributes 100% of the premium for family coverage or 100% of the premium for single coverage. There are 194 active and 14 retired employees in the plan.

Annual OPEB Cost and Net OPEB Obligation - The City's annual other post-employment benefit (OPEB) cost (expense) is calculated based on the annual required contribution (ARC), and the amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed thirty years. The following table shows the components of the City's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the City's net OPEB obligation.

Component	Amount
Annual required contribution	\$ 85,104
Interest on net OPEB	-
Adjustment to annual required contribution	-
Annual OPEB cost (expense)	<u>85,104</u>
Contributions made	<u>37,476</u>
Change in net OPEB obligation	47,628
OPEB obligation - beginning of year	-
OPEB obligation - end of year	<u>\$ 47,628</u>

The annual required contribution for the current year was determined as part of the January 1, 2009 actuarial valuation using the projected unit credit method. The actuarial assumptions included (a) 5.0% discount rate, and (b) projected salary increases at 4%.

The actuarial methods and assumptions used include techniques that are designed to reduce the effect of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with a long-term perspective of the calculations. The unfunded actuarial accrued liability is being amortized as a level dollar amount of projected payroll. The remaining amortization period at December 31, 2009 is 29 years, and the remaining amount is \$759,614.

Trend Information - The City's annual OPEB cost, the percentage of the annual OPEB cost contributed to the plan, and the net OPEB obligation for 2009 is as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
12/31/2009	\$ 85,104	44.04%	\$ 47,628

Funded Status and Funding Progress - As of January 1, 2009, the most recent actuarial valuation date, the City's unfunded actuarial accrued liability (UAAL) was \$759,614. The annual payroll for active employees covered by the plan for the 2007 fiscal year was \$10,554,866 for a ratio of the UAAL to covered payroll of 7.2%.

CITY OF MENASHA, WISCONSIN
Notes to Basic Financial Statements
December 31, 2009

NOTE D - OTHER INFORMATION (Continued)

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future, such as assumptions about future terminations, mortality, and healthcare cost trends. Actuarially determined amounts are subject to continual revision as actuarial results are compared with past experience and new estimates are made about the future.

Actuarial Methods and Assumptions - Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effect of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the January 1, 2009 actuarial valuation, the projected unit credit method was used. The actuarial assumptions included a rate of 5% to discount expected liabilities to the valuation date. The initial healthcare trend rate was 10% for medical, reduced by decrements to an ultimate rate of 5% for medical after six years. The UAAL is being amortized as a level percentage of projected payrolls. The remaining amortization period at December 31, 2009 was 29 years.

6. 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 (surplus) by the City as of December 31, 2009 from future excess tax increment revenues follows:

Net Unreimbursed Project Costs	
Tax Incremental District No. 1	\$ 640,121
Tax Incremental District No. 2	(13,394)
Tax Incremental District No. 3	(1,636)
Tax Incremental District No. 4	1,076,742
Tax Incremental District No. 5	3,200,157
Tax Incremental District No. 6	3,293,817
Tax Incremental District No. 7	1,937,105
Tax Incremental District No. 8	994,126
Tax Incremental District No. 9	4,729,245
Tax Incremental District No. 10	303,465
Tax Incremental District No. 11	53,872
	<u>\$ 16,213,620</u>

CITY OF MENASHA, WISCONSIN
Notes to Basic Financial Statements
December 31, 2009

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.

7. Major Customer

During 2009, the electric utility billed SCA Tissue \$16,425,097. This represents 40% of electric utility operating revenue. No other utility customer accounted for more than 20% of operating revenue.

8. Property Tax Levy Limit

Wisconsin Act 25, imposed a limit on the property tax levies for all Wisconsin cities, villages, towns and counties for a two-year period effective July 27, 2005. Subsequent legislation extended the levy limit through 2010. The current law 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 3.0% in both the 2009 and 2010 budget years. The actual limit for the City for the 2010 budget was 3.0%. Debt service for debt authorized after July 1, 2005 is exempt from the levy limit. In addition, the Act allows the limit to be adjusted for the increase in debt service authorized prior to July 1, 2005 and in certain other situations.

9. Discontinued Steam Utility Operations

During 2009, it was determined that the City's Steam Utility could not continue to operate as a financially viable entity and operations ceased. The Utility also recorded an extraordinary loss on assets impairment of \$23,554,874. The loss was a result of writing down the assets to an estimated fair value.

10. 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 or the City as a potentially responsible parties ("PRP") with respect to the natural resource damages, past and future, remediation and oversight costs. Appleton Paper, Inc. and NCR commenced CERCLA contribution actions for past and future remediation and oversight costs and natural resource damages against thirty-three defendants including the Commission. On December 16, 2009, a U.S. District Court Decision and Order held that Appleton Paper, Inc. and NCR were not entitled to recover any contribution from the defendants. The Court has denied Appleton Paper, Inc. and NCR's motion to enter judgment against them to permit an interlocutory appeal. Currently, the Court has pending before it defendants' counterclaims for contribution from plaintiffs for past costs and declaratory relief and future site costs. After the Court acts on the defendants' claim, the Judgment will be entered and Appleton Paper, Inc. and NCR will be able to, and will, appeal the Court's December 16, 2009 Decision and Order. Based on the information currently available, it is more probable but not certain that the claims of Appleton Paper, Inc. and NCR will ultimately be denied. The Commission and City are vigorously defending the action.

CITY OF MENASHA, WISCONSIN
Notes to Basic Financial Statements
December 31, 2009

NOTE D - OTHER INFORMATION (Continued)

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"). The Court has entered an order reserving these claims and staying the running of the statute of limitations to permit the United States a period of time not to exceed until October 15, 2010 to permit it to attempt to negotiate a compromise settlement with the defendants. Based on the information provided to the Commission 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 has put its insurance carriers on notice but they have denied a duty to indemnify. Three carriers have accepted the Commission tender of defense but have asserted a claim that they may seek to recover defense costs which they pay, a claim the Commission vigorously disputes. The Commission may seek to recover any judgment from its insurance carriers and/or the municipal entities within its service areas.

- 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 except as indicated below.
 - 1. In November 2008, the Wisconsin Department of Natural Resources issued a Notice of Violation to Menasha Utilities alleging that certain activities performed at the steam utility were undertaken without proper authorizations under the Clean Air Act (CAA). In June 2009, the United States Environmental Protection Agency also served Menasha Utilities with a Notice of Violation and Finding of Violation alleging that certain activities performed at the steam utility facility were undertaken without proper authorizations under the Clean Air Act. On February 6, 2009 the Sierra Club filed a civil action against the City of Menasha and Menasha Utilities seeking penalties, declaratory and injunctive relief relating to alleged violations of the Clean Air Act associated with activities performed at the steam utility facility. The penalties prescribed for violations of air pollution control laws range from \$10 to \$37,500 per violation per day. Intentional violations and repeat violations are subject to forfeitures of not more than \$50,000 per day per violation. The City of Menasha and Menasha Utilities have contested the alleged violations and are communicating with WDNR, EPA and the Sierra Club in an attempt to work out a resolution to these environmental issues in a cooperative fashion.

CITY OF MENASHA, WISCONSIN
Notes to Basic Financial Statements
December 31, 2009

NOTE D - OTHER INFORMATION (Continued)

2. Due to the discontinuance of the City's Steam Utility operations and the losses generated, the Steam Utility was unable to pay in full or refinance the outstanding revenue bond anticipation notes that had come due in 2009. As a result, the Utility defaulted on repaying the \$12,660,000 2005 Revenue Bond Anticipation Notes and the \$11,500,000 2006 Revenue Bond Anticipation Notes. With respect to the above mentioned 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). The remaining principal amount due on September 1, 2009, has not been paid.

On September 18, 2009, three bond 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 law suit is in its early stages. Claimed damages exceed the City's statutory debt capacity.

11. Subsequent Events

The City has identified the following subsequent events:

The City issued a \$6,930,000 promissory note on March 29, 2010 to refund the remaining balance of the 2007 GO Promissory Notes for the Steam Plant construction. The note is with the State of Wisconsin Commissioner of Public Lands with payments beginning in 2011 continuing through 2027. The interest rate is fixed at 5.5% and annual payments will range from \$455,000 in 2011 to \$680,802 in 2027.

REQUIRED SUPPLEMENTAL INFORMATION

CITY OF MENASHA, WISCONSIN
 SCHEDULE OF FUNDING PROGRESS
 OTHER POST-EMPLOYMENT BENEFIT PLAN
 December 31, 2009

Actuarial Valuation Date December 31,	(1) Actuarial Value of Assets	(2) Actuarial Accrued Liability (AAL) Entry Age Normal	(3) Funded Ratio (1) / (2)	(4) Unfunded Actuarial Accrued Liability (UAAL) (2) - (1)	(5) Covered Payroll	UAAL as a Percentage of Covered Payroll (4) / (5)
2009	\$ -	\$ 759,614	0.00%	\$ 759,614	\$ 10,554,866	7.20%

The City implemented GASB Statement No. 45 for the fiscal year ended December 31, 2009. Information for prior years is not available.

CITY OF MENASHA, WISCONSIN
SCHEDULE OF EMPLOYER CONTRIBUTIONS
OTHER POST-EMPLOYMENT BENEFIT PLAN
 December 31, 2009

Year Ended December 31,	Employer Contributions	Annual Required Contribution (ARC)	Percentage Contributed
2009	\$ 37,476	\$ 85,104	44.04%

The City implemented GASB Statement No. 45 for the fiscal year ended December 31, 2009. Information for prior years is not available.

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.

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, 2009

	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	Recycling	Post Employment Sick Leave Reserve
ASSETS									
Cash and investments	\$ 21,133	\$ 120,836	\$ 61,897	\$ 177,596	\$ 36,607	\$ 254,912	\$ 134,197	\$ 315,368	\$ 416,168
Receivables									
Taxes	-	-	-	115,403	43,388	37,057	-	158,702	-
Accounts	-	-	22	-	-	-	-	21	-
Loans	53,341	1,061,672	-	-	-	-	-	-	-
Due from other governments	-	-	-	-	-	-	-	-	-
Other assets	-	-	-	-	-	-	-	-	-
TOTAL ASSETS	\$ 74,474	\$ 1,182,508	\$ 61,919	\$ 292,999	\$ 79,995	\$ 291,969	\$ 134,197	\$ 474,091	\$ 416,168
LIABILITIES AND FUND BALANCES									
Liabilities									
Accounts payable	\$ -	\$ 2,815	\$ 2,797	\$ -	\$ -	\$ -	\$ -	\$ 281,305	\$ -
Due to other funds	-	-	-	-	-	-	-	-	-
Deferred revenues	53,341	1,061,672	-	177,134	66,597	56,879	-	266,513	-
Total Liabilities	53,341	1,064,487	2,797	177,134	66,597	56,879	-	547,818	-
Fund Balances									
Unreserved									
Designated for									
Subsequent year's expenditures									
Special revenue funds	21,133	118,021	59,122	115,865	13,398	235,090	134,197	(73,727)	416,168
Capital projects funds	-	-	-	-	-	-	-	-	-
Undesignated, reported in									
Special revenue funds	-	-	-	-	-	-	-	-	-
Capital projects funds	-	-	-	-	-	-	-	-	-
Total Fund Balances	21,133	118,021	59,122	115,865	13,398	235,090	134,197	(73,727)	416,168
TOTAL LIABILITIES AND FUND BALANCES	\$ 74,474	\$ 1,182,508	\$ 61,919	\$ 292,999	\$ 79,995	\$ 291,969	\$ 134,197	\$ 474,091	\$ 416,168

(Continued)

CITY OF MENASHA, WISCONSIN
Combining Balance Sheet
Nonmajor Governmental Funds
December 31, 2009

Special Revenue Funds (Continued)								
	Lead Paint Reduction	Library Endowment	Hattie Minor Scholarship	Public Safety Donations	Heckrodt Nature Center	Senior Center Memorials	Senior Center Fund Raising	Total Special Revenue Funds
ASSETS								
Cash and investments	\$ -	\$ -	\$ 44,540	\$ 3,405	\$ 14,782	\$ 4,188	\$ 5,012	\$ 1,610,641
Receivables								
Taxes	-	-	-	-	-	-	-	354,550
Accounts	-	-	-	-	-	-	-	43
Loans	-	-	-	-	-	-	-	1,115,013
Due from other governments	15,858	-	-	-	-	-	-	15,858
Other assets	-	137,101	-	-	-	-	-	137,101
TOTAL ASSETS	\$ 15,858	\$ 137,101	\$ 44,540	\$ 3,405	\$ 14,782	\$ 4,188	\$ 5,012	\$ 3,233,206
LIABILITIES AND FUND BALANCES								
Liabilities								
Accounts payable	\$ -	\$ -	\$ -	\$ 48	\$ -	\$ -	\$ -	\$ 286,965
Due to other funds	15,858	-	-	-	-	-	-	15,858
Deferred revenues	-	-	-	-	-	-	-	1,682,136
Total Liabilities	15,858	-	-	48	-	-	-	1,984,959
Fund Balances								
Unreserved								
Designated for								
Subsequent year's expenditures								
Special revenue funds	-	137,101	44,540	-	14,782	4,188	5,012	1,244,890
Capital projects funds	-	-	-	-	-	-	-	-
Undesignated, reported in								
Special revenue funds	-	-	-	3,357	-	-	-	3,357
Capital projects funds	-	-	-	-	-	-	-	-
Total Fund Balances	-	137,101	44,540	3,357	14,782	4,188	5,012	1,248,247
TOTAL LIABILITIES AND FUND BALANCES	\$ 15,858	\$ 137,101	\$ 44,540	\$ 3,405	\$ 14,782	\$ 4,188	\$ 5,012	\$ 3,233,206

(Continued)

CITY OF MENASHA, WISCONSIN
Combining Balance Sheet
Nonmajor Governmental Funds
December 31, 2009

	Capital Projects Funds							
	2002 Capital Projects	2008 Capital Projects	Capital Facility	Capital Improvements	Tax Incremental District #4	Tax Incremental District #5	Tax Incremental District #6	Tax Incremental District #7
ASSETS								
Cash and investments	\$ 655	\$ 278,905	\$ 262,121	\$ 10,396	\$ 31,962	\$ 439,829	\$ -	\$ -
Receivables								
Taxes	-	-	-	-	109,034	167,378	177,859	68,496
Accounts	-	-	-	-	-	-	-	7,000
Loans	-	-	-	-	-	1,300,000	-	-
Due from other governments	-	-	-	-	-	-	-	-
Other assets	-	-	-	-	-	-	-	-
TOTAL ASSETS	\$ 655	\$ 278,905	\$ 262,121	\$ 10,396	\$ 140,996	\$ 1,907,207	\$ 177,859	\$ 75,496
LIABILITIES AND FUND BALANCES								
Liabilities								
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,000	\$ -	\$ -
Due to other funds	-	-	-	-	-	-	133,674	172,464
Deferred revenues	-	-	-	-	167,358	1,556,913	273,001	105,137
Total Liabilities	-	-	-	-	167,358	1,557,913	406,675	277,601
Fund Balances								
Unreserved								
Designated for								
Subsequent year's expenditures								
Special revenue funds	-	-	-	-	-	-	-	-
Capital projects funds	655	278,905	262,121	10,396	-	349,294	-	-
Undesignated, reported in								
Special revenue funds	-	-	-	-	-	-	-	-
Capital projects funds	-	-	-	-	(26,362)	-	(228,816)	(202,105)
Total Fund Balances	655	278,905	262,121	10,396	(26,362)	349,294	(228,816)	(202,105)
TOTAL LIABILITIES AND FUND BALANCES	\$ 655	\$ 278,905	\$ 262,121	\$ 10,396	\$ 140,996	\$ 1,907,207	\$ 177,859	\$ 75,496

(Continued)

CITY OF MENASHA, WISCONSIN
Combining Balance Sheet
Nonmajor Governmental Funds
December 31, 2009

	Capital Projects Funds (Continued)						Total Governmental Funds
	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	
ASSETS							
Cash and investments	\$ -	\$ 128,758	\$ 96,975	\$ -	\$ 3,183	\$ 1,252,784	\$ 2,863,425
Receivables							
Taxes	44,984	118,327	47,556	29,426	-	763,060	1,117,610
Accounts	-	-	-	-	-	7,000	7,043
Loans	-	-	-	-	-	1,300,000	2,415,013
Due from other governments	-	-	-	-	-	-	15,858
Other assets	-	-	-	-	-	-	137,101
TOTAL ASSETS	\$ 44,984	\$ 247,085	\$ 144,531	\$ 29,426	\$ 3,183	\$ 3,322,844	\$ 6,556,050
LIABILITIES AND FUND BALANCES							
Liabilities							
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,000	\$ 287,965
Due to other funds	20,064	-	-	38,132	-	364,334	380,192
Deferred revenues	69,046	361,330	72,996	45,166	-	2,650,947	4,333,083
Total Liabilities	89,110	361,330	72,996	83,298	-	3,016,281	5,001,240
Fund Balances							
Unreserved							
Designated for							
Subsequent year's expenditures							
Special revenue funds	-	-	-	-	-	-	1,244,890
Capital projects funds	-	-	71,535	-	3,183	976,089	976,089
Undesignated, reported in							
Special revenue funds	-	-	-	-	-	-	3,357
Capital projects funds	(44,126)	(114,245)	-	(53,872)	-	(669,526)	(669,526)
Total Fund Balances	(44,126)	(114,245)	71,535	(53,872)	3,183	306,563	1,554,810
TOTAL LIABILITIES AND FUND BALANCES	\$ 44,984	\$ 247,085	\$ 144,531	\$ 29,426	\$ 3,183	\$ 3,322,844	\$ 6,556,050

CITY OF MENASHA, WISCONSIN
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended December 31, 2009

	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	Recycling	Post Employment Sick Leave Reserve
Revenues									
Taxes	\$ -	\$ -	\$ -	\$ 169,884	\$ 63,736	\$ 54,066	\$ -	\$ 229,364	\$ -
Intergovernmental	-	-	-	2,740	485	251	-	106,316	-
Public charges for services	-	-	210,823	-	-	-	54,200	6,895	-
Intergovernmental charges for services	-	-	-	-	-	-	-	357	-
Miscellaneous	10,477	53,821	-	-	-	3,207	-	18,259	5,618
Total Revenues	10,477	53,821	210,823	172,624	64,221	57,524	54,200	361,191	5,618
Expenditures									
Current									
General government	-	-	-	-	-	-	-	-	60,087
Public safety	-	-	-	-	-	-	-	-	3,845
Public works	-	-	-	-	-	-	-	760,345	-
Health and human services	-	-	-	-	-	-	-	-	-
Culture and recreation	-	-	197,703	-	-	-	5,461	-	43,263
Conservation and development	2,500	20,731	-	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-	-	-	-
Total Expenditures	2,500	20,731	197,703	-	-	-	5,461	760,345	107,195
Excess of Revenues Over (Under) Expenditures	7,977	33,090	13,120	172,624	64,221	57,524	48,739	(399,154)	(101,577)
Other Financing Sources (Uses)									
Transfers out	-	-	(2,900)	(172,625)	(50,827)	(235,079)	-	-	-
Net Change in Fund Balances	7,977	33,090	10,220	(1)	13,394	(177,555)	48,739	(399,154)	(101,577)
Fund Balances (Deficits) - January 1	13,156	84,931	48,902	115,866	4	412,645	85,458	325,427	517,745
Fund Balances (Deficits) - December 31	\$ 21,133	\$ 118,021	\$ 59,122	\$ 115,865	\$ 13,398	\$ 235,090	\$ 134,197	\$ (73,727)	\$ 416,168

(Continued)

CITY OF MENASHA, WISCONSIN
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended December 31, 2009

Special Revenue Funds (Continued)								
	Lead Paint Reduction	Library Endowment	Hattie Minor Scholarship	Public Safety Donations	Heckrodt Nature Center	Senior Center Memorials	Senior Center Fund Raising	Total Special Revenue Funds
Revenues								
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 517,050
Intergovernmental	-	-	-	-	-	-	-	109,792
Public charges for services	-	-	-	-	-	-	5,842	277,760
Intergovernmental charges for services	-	-	-	-	-	-	-	357
Miscellaneous	-	27,514	1,005	5,300	1,110	-	-	126,311
Total Revenues	-	27,514	1,005	5,300	1,110	-	5,842	1,031,270
Expenditures								
Current								
General government	-	-	-	-	-	-	-	60,087
Public safety	-	-	-	700	-	-	-	4,545
Public works	-	-	-	-	-	-	-	760,345
Health and human services	-	-	-	-	-	-	5,351	5,351
Culture and recreation	-	6,973	3,250	-	-	-	-	256,650
Conservation and development	-	-	-	-	2,466	-	-	25,697
Capital outlay	-	-	-	-	-	-	-	-
Total Expenditures	-	6,973	3,250	700	2,466	-	5,351	1,112,675
Excess of Revenues Over (Under) Expenditures	-	20,541	(2,245)	4,600	(1,356)	-	491	(81,405)
Other Financing Sources (Uses)								
Transfers out	-	-	-	-	-	-	-	(461,431)
Net Change in Fund Balances	-	20,541	(2,245)	4,600	(1,356)	-	491	(542,836)
Fund Balances (Deficits) - January 1	-	116,560	46,785	(1,243)	16,138	4,188	4,521	1,791,083
Fund Balances (Deficits) - December 31	\$ -	\$ 137,101	\$ 44,540	\$ 3,357	\$ 14,782	\$ 4,188	\$ 5,012	\$ 1,248,247

(Continued)

CITY OF MENASHA, WISCONSIN
 Combining Statement of Revenues, Expenditures and Changes in Fund Balances
 Nonmajor Governmental Funds
 For the Year Ended December 31, 2009

	Capital Projects Funds							
	2002 Capital Projects	2008 Capital Projects	Capital Facility	Capital Improvements	Tax Incremental District #4	Tax Incremental District #5	Tax Incremental District #6	Tax Incremental District #7
Revenues								
Taxes	\$ -	\$ -	\$ -	\$ -	\$ 172,294	\$ 290,472	\$ 265,444	\$ 100,881
Intergovernmental	-	-	-	-	4,028	161,558	5,161	114
Public charges for services	-	-	-	-	-	-	-	-
Intergovernmental charges for services	-	-	-	-	-	-	-	-
Miscellaneous	-	6,291	1,465	-	395	659,336	-	3,500
Total Revenues	-	6,291	1,465	-	176,717	1,111,366	270,605	104,495
Expenditures								
Current								
General government	-	-	-	-	-	-	-	-
Public safety	-	-	-	-	-	-	-	-
Public works	-	-	-	-	-	-	-	-
Health and human services	-	-	-	-	-	-	-	-
Culture and recreation	-	-	-	-	-	-	-	-
Conservation and development	-	-	-	-	-	-	-	-
Capital outlay	-	22,193	-	-	-	414,596	-	60,000
Total Expenditures	-	22,193	-	-	-	414,596	-	60,000
Excess of Revenues Over (Under) Expenditures	-	(15,902)	1,465	-	176,717	696,770	270,605	44,495
Other Financing Sources (Uses)								
Transfers out	-	-	-	-	(170,954)	(648,876)	(384,800)	(143,833)
Net Change in Fund Balances	-	(15,902)	1,465	-	5,763	47,894	(114,195)	(99,338)
Fund Balances (Deficits) - January 1	655	294,807	260,656	10,396	(32,125)	301,400	(114,621)	(102,767)
Fund Balances (Deficits) - December 31	\$ 655	\$ 278,905	\$ 262,121	\$ 10,396	\$ (26,362)	\$ 349,294	\$ (228,816)	\$ (202,105)

(Continued)

CITY OF MENASHA, WISCONSIN
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended December 31, 2009

	Capital Projects Funds (Continued)						Total Governmental Funds
	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	
Revenues							
Taxes	\$ 65,948	\$ 242,990	\$ 82,516	\$ 25,812	\$ -	\$ 1,246,357	\$ 1,763,407
Intergovernmental	-	224	10,562	-	-	181,647	291,439
Public charges for services	-	-	-	-	-	-	277,760
Intergovernmental charges for services	-	-	-	-	-	-	357
Miscellaneous	-	644	-	-	-	671,631	797,942
Total Revenues	65,948	243,858	93,078	25,812	-	2,099,635	3,130,905
Expenditures							
Current							
General government	-	-	-	-	-	-	60,087
Public safety	-	-	-	-	-	-	4,545
Public works	-	-	-	-	-	-	760,345
Health and human services	-	-	-	-	-	-	5,351
Culture and recreation	-	-	-	-	-	-	256,650
Conservation and development	-	-	-	-	-	-	25,697
Capital outlay	-	78,591	-	49,509	-	624,889	624,889
Total Expenditures	-	78,591	-	49,509	-	624,889	1,737,564
Excess of Revenues Over (Under) Expenditures	65,948	165,267	93,078	(23,697)	-	1,474,746	1,393,341
Other Financing Sources (Uses)							
Transfers out	(90,225)	(340,804)	(34,110)	-	(65,000)	(1,878,602)	(2,340,033)
Net Change in Fund Balances	(24,277)	(175,537)	58,968	(23,697)	(65,000)	(403,856)	(946,692)
Fund Balances (Deficits) - January 1	(19,849)	61,292	12,567	(30,175)	68,183	710,419	2,501,502
Fund Balances (Deficits) - December 31	\$ (44,126)	\$ (114,245)	\$ 71,535	\$ (53,872)	\$ 3,183	\$ 306,563	\$ 1,554,810

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, 2009

	City Garage	Property and Liability Insurance	Dental Insurance	Totals
ASSETS				
Cash and investments	\$ 457,501	\$ 66,933	\$ 9,506	\$ 533,940
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	5,791,683	-	-	5,791,683
Less: Accumulated depreciation	(4,319,373)	-	-	(4,319,373)
TOTAL ASSETS	<u>3,034,692</u>	<u>1,098,153</u>	<u>9,506</u>	<u>4,142,351</u>
LIABILITIES				
Accounts payable	112,611	15,921	3,809	132,341
TOTAL LIABILITIES	<u>112,611</u>	<u>15,921</u>	<u>3,809</u>	<u>132,341</u>
NET ASSETS				
Invested in capital assets	2,577,191	-	-	2,577,191
Unrestricted	344,890	1,082,232	5,697	1,432,819
TOTAL NET ASSETS	<u>\$ 2,922,081</u>	<u>\$ 1,082,232</u>	<u>\$ 5,697</u>	<u>\$ 4,010,010</u>

CITY OF MENASHA, WISCONSIN
Combining Statement of Revenues, Expenses and Changes in Net Assets
Internal Service Funds
Year Ended December 31, 2009

	City Garage	Property and Liability Insurance	Dental Insurance	Totals
Operating Revenues				
Charges for services	\$ 1,374,983	\$ 96,825	\$ 113,938	\$ 1,585,746
Operating Expenses				
Operation and maintenance	923,523	-	-	923,523
Insurance payments and claims	-	77,422	101,289	178,711
Depreciation	311,367	-	-	311,367
Total Operating Expenses	1,234,890	77,422	101,289	1,413,601
Operating Income	140,093	19,403	12,649	172,145
Nonoperating Revenues (Expenses)				
Investment income	1,360	21,053	-	22,413
Gain on disposal of capital assets	20,652	-	-	20,652
Total Nonoperating Revenues (Expenses)	22,012	21,053	-	43,065
Change in Net Assets	162,105	40,456	12,649	215,210
Net Assets (Deficit) - January 1	2,759,976	1,041,776	(6,952)	3,794,800
Net Assets - December 31	\$ 2,922,081	\$ 1,082,232	\$ 5,697	\$ 4,010,010

CITY OF MENASHA, WISCONSIN
Combining Statement of Cash Flows
Internal Service Funds
Year Ended December 31, 2009

	City Garage	Property and Liability Insurance	Dental Insurance	Totals
Cash Flows from Operating Activities				
Cash received from customers	\$ 1,374,983	\$ 96,825	\$ 113,938	\$ 1,585,746
Cash paid to suppliers	(375,158)	(94,794)	(101,503)	(571,455)
Cash paid to employees	(435,754)	-	-	(435,754)
Net Cash Provided by Operating Activities	564,071	2,031	12,435	578,537
Cash Flows from Noncapital and Related Financing Activities				
Change in interfund receivable and payables	98,432	43,849	(2,929)	139,352
Dividend from CVMIC	-	21,053	-	21,053
Net Cash Provided (Used) by Noncapital and Related Financing Activities	98,432	64,902	(2,929)	160,405
Cash Flows from Capital and Related Financing Activities				
Acquisition of capital assets	(509,247)	-	-	(509,247)
Proceeds from sale of capital asset	20,652	-	-	20,652
Net Cash Used by Capital and Related Financing Activities	(488,595)	-	-	(488,595)
Cash Flows from Investing Activities				
Interest received	1,360	-	-	1,360
Change in Cash and Cash Equivalents	175,268	66,933	9,506	251,707
Cash and Cash Equivalents - January 1	282,233	-	-	282,233
Cash and Cash Equivalents - December 31	\$ 457,501	\$ 66,933	\$ 9,506	\$ 533,940
Reconciliation of Operating Income to Net Cash Provided by Operating Activities:				
Operating loss	\$ 140,093	\$ 19,403	\$ 12,649	\$ 172,145
Adjustments to reconcile operating income to net cash provided by operating activities:				
Depreciation	311,367	-	-	311,367
Changes in assets and liabilities				
Accounts payable	112,611	(17,372)	(214)	95,025
Net Cash Provided (Used) by Operating Activities	\$ 564,071	\$ 2,031	\$ 12,435	\$ 578,537
Noncash Investing, Capital and Financing Activities				
None	\$ -	\$ -	\$ -	\$ -

MANAGEMENT LETTER
CITY OF MENASHA, WISCONSIN
DECEMBER 31, 2009



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, 2009. The City's financial statements, including our report thereon dated August 6, 2010, 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, 2009, 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 deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the financial statements will not be prevented or detected and corrected on a timely basis. A significant deficiency is a control deficiency, or a combination of control deficiencies, that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the following deficiencies to be significant deficiencies in internal control:

Finding 2009-01	Year End Closing and Financial Reporting
Finding 2009-02	Assistance with Capital Assets Records

These findings are described in detail in the schedule of findings and questioned costs on pages 3 - 4 of this 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. The City adopted GASB Statement No. 45, "Accounting and Financial Reporting by Employers for Post-employment Benefits Other than Pensions" for the fiscal year ended December 31, 2009. 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 August 6, 2010.

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 August 6, 2010 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
August 6, 2010

CITY OF MENASHA, WISCONSIN
December 31, 2009

TABLE OF CONTENTS

	<u>Page No.</u>
INTERNAL CONTROL COMMUNICATIONS	
1. 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	1 - 2
2. Schedule of Findings and Responses	3 - 4
COMMENTS AND OBSERVATIONS	
GENERAL CITY	
FINANCIAL COMMENTS	
1. City Fund Balances	5 - 6
2. City's Debt Position	6
3. Tax Incremental Districts	7
4. City Garage	7
5. Property and Liability Insurance	8
6. Dental Insurance	9
OTHER COMMENTS AND OBSERVATIONS	
Fund Balance Reporting	10



**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, 2009, which collectively comprise the City of Menasha, Wisconsin's basic financial statements and have issued our report thereon dated August 6, 2010. 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 on 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.

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

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. However, we identified certain deficiencies in internal control over financial reporting, described in the accompanying schedule of findings and responses that we consider to be significant deficiencies in internal control over financial reporting. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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*.



City of Menasha, Wisconsin's responses to the findings identified in our audit are described in the accompanying schedule of findings and responses. We did not audit City of Menasha, Wisconsin's responses 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, and is not intended to be and should not be used by anyone other than these specified parties.



Certified Public Accountants
Green Bay, Wisconsin
August 6, 2010

CITY OF MENASHA, WISCONSIN
 Schedule of Findings and Responses
 December 31, 2009

Section I - Financial Statement Findings

Finding No.	Control Deficiencies
2009-01	<p>Year End Closing and Financial Reporting</p> <p>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.</p> <p>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.</p> <p>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.</p> <p>Effect: The City could receive federal or state grant awards which are not included in the accompanying Schedules of Expenditures of Federal Awards and State Financial Assistance.</p> <p>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.</p> <p>Management Response: 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>

CITY OF MENASHA, WISCONSIN
 Schedule of Findings and Responses (Continued)
 December 31, 2009

Section I - Financial Statement Findings (Continued)

Finding No.	Control Deficiencies
-------------	----------------------

2009-02 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.

Effect: The City could have capital assets transactions which are not reflected in the detailed capital records.

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.

Management Response: Management believes the cost for additional staff time to maintain the capital asset records 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, 2009.

GENERAL CITY
FINANCIAL COMMENTS

1. City Fund Balances

Presented below is a summary of the City's governmental fund balances on December 31, 2009 including a comparison to the prior year. This information is provided to assist management in assessing financial results for 2009 and for indicating financial resources available at the start of the 2010 budget year.

	12/31/09	12/31/08
General Fund		
Reserved for noncurrent assets	\$ 532,873	\$ 136,476
Unreserved		
Designated for subsequent years' expenditures	183,852	171,722
Designated for subsequent years' budget	400,000	400,000
Undesignated	1,646,309	1,915,864
Total Fund Balance	<u>2,763,034</u>	<u>2,624,062</u>
Special Revenue Funds		
Housing rehabilitation revolving loans	21,133	13,156
Community development block grant	118,021	84,931
Marina operations	59,122	48,902
TIF District No. 1	115,865	115,866
TIF District No. 2	13,398	4
TIF District No. 3	235,090	412,645
Park development	134,197	85,458
Recycling	(73,727)	325,427
Post employment sick leave reserve	416,168	517,745
Library endowment	137,101	116,560
Hattie Minor Scholarship	44,540	46,785
Public safety donations	3,357	(1,243)
Heckrodt Nature Center	14,782	16,138
Senior Center memorials	4,188	4,188
Senior Center fund raising	5,012	4,521
Total Special Revenue Funds	<u>1,248,247</u>	<u>1,791,083</u>
Debt Service Fund		
Reserved	2,042,277	2,418,733
Unreserved - designated for subsequent year's budget	300,000	1,000,000
Total Fund Balance	<u>2,342,277</u>	<u>3,418,733</u>
Capital Projects Funds		
2002 Capital projects	655	655
2008 Capital projects	278,905	294,807
Capital facilities	262,121	260,656
Capital improvements	10,396	10,396
Tax Incremental District No. 4	(26,362)	(32,125)
Tax Incremental District No. 5	349,294	301,400
Tax Incremental District No. 6	(228,816)	(114,621)
Tax Incremental District No. 7	(202,105)	(102,767)
Tax Incremental District No. 8	(44,126)	(19,849)
Tax Incremental District No. 9	(114,245)	61,292
Tax Incremental District No. 10	71,535	12,567
Tax Incremental District No. 11	(53,872)	(30,175)
Roadways at River's Edge	3,183	68,183
Total Capital Projects Funds	<u>306,563</u>	<u>710,419</u>
Total Governmental Fund Balances	<u>\$ 6,660,121</u>	<u>\$ 8,544,297</u>

1. City Fund Balances (Continued)

The City's general fund increased \$138,972 during the year resulting from the anticipated fund balance applied in the 2009 budget. The City's undesignated fund balance currently is \$1,646,309 or 10% of the City's 2010 general fund expenditure budget.

2. City's Debt Position

At December 31, 2009, the City has outstanding general obligation debt totaling \$41,925,000. Annual principal and interest maturities of the outstanding general obligation debt on December 31, 2009 are allocated as follows:

Year Ended December 31	General City		Menasha Utilities		Total G.O. Debt	
	Principal	Interest	Principal	Interest	Principal	Interest
2010	\$ 3,375,000	\$ 1,261,705	\$ 7,030,000	\$ 32,807	\$ 10,405,000	\$ 1,294,512
2011	2,545,000	1,124,399	55,301	494,699	2,600,301	1,619,098
2012	3,015,000	991,016	191,995	383,005	3,206,995	1,374,021
2013	7,535,000	845,961	228,601	371,399	7,763,601	1,217,360
2014	5,370,000	504,074	321,174	358,826	5,691,174	862,900
2015-2019	5,730,000	683,516	1,890,054	1,509,946	7,620,054	2,193,462
2020-2024	325,000	22,380	2,470,097	929,903	2,795,097	952,283
2025-2028	-	-	1,842,778	206,831	1,842,778	206,831
	<u>\$ 27,895,000</u>	<u>\$ 5,433,051</u>	<u>\$ 14,030,000</u>	<u>\$ 4,287,416</u>	<u>\$ 41,925,000</u>	<u>\$ 9,720,467</u>

The City's tax incremental financing districts are responsible for outstanding debt of \$16,375,000 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, 2009 was \$11,421,667 as follows:

Equalized valuation of the City		\$1,037,997,500
Statutory limitation percentage		(x) 5%
General obligation debt limitation, per Section 67.03 of the Wisconsin Statutes		<u>51,899,875</u>
Total outstanding general obligation debt applicable to debt limitation	\$ 41,925,000	
Less: Amounts available for financing general obligation debt		
Debt service fund	<u>1,446,792</u>	
Net outstanding general obligation debt applicable to debt limitation		<u>40,478,208</u>
Legal Margin for New Debt		<u>\$ 11,421,667</u>

3. Tax Incremental Districts

The City has created and recorded financial activity in ten tax incremental districts as of December 31, 2009. 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, 2009 is presented below:

	Net Unreimbursed Project Costs	Outstanding Long-term Debt
Tax Incremental District No. 1	\$ 640,121	\$ -
Tax Incremental District No. 2	(13,394)	-
Tax Incremental District No. 3	(1,636)	1,010,000
Tax Incremental District No. 4	1,076,742	1,055,000
Tax Incremental District No. 5	3,200,157	3,570,000
Tax Incremental District No. 6	3,293,817	3,065,000
Tax Incremental District No. 7	1,937,105	1,735,000
Tax Incremental District No. 8	994,126	950,000
Tax Incremental District No. 9	4,729,245	4,615,000
Tax Incremental District No. 10	303,465	375,000
Tax Incremental District No. 11	53,872	-
	<u>\$ 16,213,620</u>	<u>\$ 16,375,000</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, 2009 and 2008.

	2009	2008
Operating Revenues		
Charges for services	\$ 1,374,983	\$ 1,407,694
Operating Expenses		
Operation and maintenance	923,523	913,603
Depreciation	311,367	221,734
Total Operating Expenses	<u>1,234,890</u>	<u>1,135,337</u>
Operating Income	<u>140,093</u>	<u>272,357</u>
Nonoperating Revenues		
Interest revenue	1,360	6,836
Gain on disposal of capital assets	20,652	5,580
Total Nonoperating Revenues	<u>22,012</u>	<u>12,416</u>
Changes in Net Assets	162,105	284,773
Net Assets - January 1	<u>2,759,976</u>	<u>2,475,203</u>
Net Assets - December 31	<u>\$ 2,922,081</u>	<u>\$ 2,759,976</u>

The City has used cash generated from operations to finance annual capital asset purchases. During 2009, capital assets of \$317,276 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 2009 transactions, with a comparison to 2008, for the property and liability self-insurance fund follows:

	2009	2008
Operating Revenues		
Charges for services	\$ 96,825	\$ 96,825
Operating Expenses		
Insurance payments and claims	77,422	141,765
Operating Income (Loss)	19,403	(44,940)
Nonoperating Revenues (Expenses)		
Investment income	21,053	-
Changes in Net Assets	40,456	(44,940)
Net Assets - January 1	1,041,776	1,086,716
Net Assets - December 31	\$ 1,082,232	\$ 1,041,776

The liability self-insurance fund generated an operating income of \$40,456 for 2009, compared to an operating loss of \$44,940 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 2009 transactions with a comparison to 2008 is presented below:

	2009	2008
Operating Revenues		
Charges for services	\$ 113,938	\$ 108,792
Operating Expenses		
Dental insurance claims	94,019	105,676
Administrative fees	7,270	7,259
Total Operating Expenses	101,289	112,935
Changes in Net Assets	12,649	(4,143)
Net Assets (Deficit) - January 1	(6,952)	(2,809)
Net Assets (Deficit) - December 31	\$ 5,697	\$ (6,952)

On December 31, 2009, the dental insurance internal service fund reported a claim liability of \$3,809 based on the requirements of GASB Statement No. 10.

OTHER COMMENTS AND OBSERVATIONS

Fund Balance Reporting

In February 2009, the Governmental Accounting Standards Board (GASB) issued GASB Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions. The statement establishes new hierarchy of classifications based on the extent which a government is to observe constraints placed on fund balance. While this latest GASB standard will not affect the calculation of fund balance, it significantly changes fund balance components to eliminate inconsistency in how fund balance is reported between governments making fund balance classifications more easily understood by financial statement users.

GASB Statement No. 54 establishes five components of fund balance as follows:

Nonspendable

Nonspendable fund balance includes amounts that cannot be spent because they are either not in a spendable form or legally or contractually required to be remained intact. This classification includes but is not limited to prepaid items, inventory, long-term receivables and principal amounts of an endowment.

Restricted

Restricted fund balance includes amounts that cannot be spent because they are 1) externally imposed by creditors (through debt covenants), grantors, donors or laws or regulations of other governments, or 2) imposed by law through constitutional provisions or enabling legislation.

Committed

Committed fund balance includes amount that cannot be spent pursuant to constraints imposed by formal action of the Common Council which must occur prior to the end of the reporting period. These committed amounts cannot be used for any other purpose unless the Common Council removes or changes the committed amount. The primary difference between restricted fund balance and committed fund balance is externally versus internally committed.

Assigned

Assigned fund balance includes amounts constrained by the City's intent to be used for a specific purpose, as established by the Common Council, a designated committee or designated City official, but are neither restricted nor committed. This represents a balance that is easily removable or modifiable from the balance's current assignment. Since GASB 34 prohibits the reporting resources in a governmental fund that is not assigned to the purpose of that fund, with the exception of the general fund, any available financial resources in a particular governmental fund not classified under the previous three classifications would be reported as assigned.

Unassigned

Unassigned fund balance is the amount that has not been previously classified to the other classifications. A positive balance may be reported only in the general fund while, if financial resources of other governmental funds are less than nonspendable, restricted and committed fund balance components, the negative balance will be recorded as unassigned.

GASB Statement No. 54 also revised the definition of the general, special revenue, debt service, capital projects and permanent funds. The primary clarification involves the use of special revenue funds by establishing a requirement that special revenue funds be used to "account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects". Based on these definitions, it is likely many governments will need to eliminate certain special revenue funds because the government no longer expects substantial inflows of restricted or committed revenue sources and report the activity in the general fund.

While the new standard is effective for the City's financial statements ending December 31, 2011, we recommend the City review its current classifications to determine the proper reporting of governmental funds and fund balance. Early implementation is encouraged by the statement.