CITY OF MENASHA, WISCONSIN

ANNUAL FINANCIAL REPORT

DECEMBER 31, 2011

CITY OF MENASHA, WISCONSIN
December 31, 2011

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December 31, 2011

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INDEPENDENT AUDITORS' REPORT ON BASIC FINANCIAL STATEMENTS AND SUPPLEMENTARY SCHEDULES OF EXPENDITURES OF FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE

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, the discreetly presented component unit, 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, 2011, 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 consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall 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, the discreetly presented component unit, each major fund, and the aggregate remaining fund information of the City as of December 31, 2011, 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 a.5.J. the City has implemented GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, for the fiscal year ended December 31, 2011.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 25, 2012, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and 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 or on 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.

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Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the schedule of funding progress and the schedule of employer contributions on pages 3 through 9 and 51 through 52 be presented to supplement the basic financial statements. Such information, although not part of the financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's response to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's financial statements as a whole. The introductory section, the financial information listed in the table of contents as supplemental information, and the accompanying schedule of expenditures 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 financial statements. The supplemental information and schedules of expenditures of federal awards and state financial assistance are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole. The introductory section has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

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Certified Public Accountants
Green Bay, Wisconsin
September 25, 2012

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, 2011.

Financial Highlights

- The City's assets exceeded its liabilities as of December 31, 2011 by $40.7 million (net assets). Of this amount, $14.6 million (unrestricted net assets) may be used to meet the City's ongoing obligations to citizens and creditors.
- The City's total net assets increased by $6.6 million (increase of $2.5 million in governmental activities and an increase of $4.1 million in business-type activities).
- Property taxes levied to finance general City operations totaled $11,085,064, an increase of $204,466 from the prior year. Tax increments generated by the City's eleven tax incremental districts totaled $1,812,658.
- As of December 31, 2011, the City's governmental funds reported combined ending fund balances of $3.9 million, a decrease of $1.1 million in comparison with the prior year. Approximately 49% of this total amount, $1.9 million is available for spending at the City's discretion (unassigned fund balance).
- As of December 31, 2011, unassigned fund balance for the general fund was $1.9 million, or approximately 12% of total general fund expenditures. The general fund balance increased $244,223 during 2011. The City had a positive expenditure budget variance of $344,223 for the current year.
- Formed in 2009, the City storm water utility recorded a positive operating income of $305,926

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 32 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, debt service fund and steam utility fund, all of which are considered to be major funds. Data from the other 29 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 $40.7 million at the close of 2011.

City of Menasha, Wisconsin's Net Assets
(in thousands of dollars)

	Governmental Activities		Business-type Activities		Totals	
	2011	2010	2011	2010	2011	2010
Current and other assets	$ 26,878	$ 27,261	$ 31,754	$ 16,178	$ 58,632	$ 43,439
Capital assets	34,095	33,481	64,487	64,250	98,582	97,731
Total Assets	60,973	60,742	96,241	80,428	157,214	141,170
Long-term liabilities outstanding	25,211	27,702	71,408	59,539	96,619	87,241
Other liabilities	12,517	12,251	7,407	7,597	19,924	19,848
Total Liabilities	37,728	39,953	78,815	67,136	116,543	107,089
Net Assets						
Invested in capital assets, net of related debt	10,556	17,057	(8,092)	4,711	2,464	21,768
Restricted	4,235	2,853	19,381	3,690	23,616	6,543
Unrestricted	8,454	879	6,137	4,891	14,591	5,770
Total Net Assets	$ 23,245	$ 20,789	$ 17,426	$ 13,292	$ 40,671	$ 34,081

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 $19.3 million restricted for debt service, $2.0 million restricted for community development loans, $1.2 million restricted for capital projects and $.9 million restricted for special revenue purposes. The remaining balance of unrestricted net assets ($14,769,434) 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	
	2011	2010	2011	2010	2011	2010
Revenues						
Program Revenues						
Charges for services	$ 2,684	$ 2,539	$ 53,461	$ 51,635	$ 56,145	$ 54,174
Operating grants and contributions	1,184	1,184	-	-	1,184	1,184
Captial grants and contributions	1,714	1,062	146	706	1,860	1,768
General Revenues						
Property taxes	11,085	10,676	-	-	11,085	10,676
Other taxes	224	196	-	-	224	196
Grants and contributions not restricted to specific programs	4,314	4,346	-	-	4,314	4,346
Other	406	353	2,615	421	3,021	774
Total Revenues	21,611	20,356	56,222	52,762	77,833	73,118
Expenses						
General government	1,439	1,753	-	-	1,439	1,753
Public safety	7,015	7,663	-	-	7,015	7,663
Public works and sanitation	4,789	3,891	-	-	4,789	3,891
Health and human services	877	903	-	-	877	903
Culture and recreation	3,304	3,412	-	-	3,304	3,412
Conservation and development	625	432	-	-	625	432
Interest on long-term debt	1,157	1,679	-	-	1,157	1,679
Electric	-	-	44,247	42,814	44,247	42,814
Steam	-	-	1,205	3,360	1,205	3,360
Water	-	-	3,731	3,668	3,731	3,668
Telecommunications	-	-	66	81	66	81
Sewage treatment	-	-	1,979	1,314	1,979	1,314
Stormwater Utility	-	-	772	959	772	959
Total Expenses	19,206	19,733	52,000	52,196	71,206	71,929
Change in Net Assets Before Transfers	2,405	623	4,222	566	6,627	1,189
Transfers	88	(480)	(88)	480	-	-
Change in Net Assets	2,493	143	4,134	1,046	6,627	1,189
Net Assets - January 1, restated	20,752	20,646	13,292	12,246	34,044	32,892
Net Assets - December 31	$ 23,245	$ 20,789	$ 17,426	$ 13,292	$ 40,671	$ 34,081

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

Governmental activities. The change in net assets for 2011 was an increase of $2.5 million. The above transfer represents the payment in lieu of taxes that Menasha Utilities pays to the City, less a transfer to the Menasha Utilities for debt retirement.

Business-type activities. Menasha Utilities portion of the increase was $4.1 million.

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, 2011, the City's governmental funds reported combined ending fund balances of $3.8 million, a decrease of $1.1 million in comparison with the prior year. $2.8 million of the fund balance is *nonspendable or restricted* to indicate that it is not available for new spending. $.6 million is assigned, indicating there is a specific purpose for the revenues earned in these funds. The remaining fund balance of $.4 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, unassigned fund balance of the general fund was $1,926,449, while total fund balance increased to $2,248,561. As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents 12% of total general fund expenditures, while total fund balance represents 13.9% of that same amount.

The City's general fund balance increased $244,223 during the current year as positive expenditure variances of $585,611 helped overcome the anticipated budgeted variance of $100,000.

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 $1,612,365, a decrease of $446,667 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 $3,861,468 with a negative $20,269,887 recorded in capital assets net of related debt, $18,158,359 restricted for debt retirement, $892,394 restricted fo a lease obligation, $1,222,159 restricted for plant replacement and $3,858,443 as unrestricted. The fund experienced an increase in net assets of $3,772,451.

Total net assets of the sewage treatment operation at the end of the year amounted to $4,049,030. Included in net assets is $3,528,891 invested in capital assets and $520,139 as unrestricted. The fund experienced an increase in net assets of $55,932.

The City created a stormwater utility in 2009 by transferring assets from the governmental activities. The fund had an operating income of $304,076 in 2011 and ending net assets of $9,515,392

General Fund Budgetary Highlights

During the year, actual revenues were more than budgeted revenues by $89,337 with miscellaneous revenues providing the major variation. Actual expenditures were less than budgeted expenditures by $585,611 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, 2011 amounts to $98.6 million (net of accumulated depreciation). This investment in capital assets includes land, land improvements, buildings, machinery and equipment, vehicles, public domain infrastructure (highways, sidewalks, parking facilities), and construction in progress. The total increase in the City's investment in capital assets for the current year was $.9 million or .87% higher than last year.

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

Governmental Activities

- Increased accumulated depreciation accounted for the majority of the decrease in total assets for the governmental activities.

Business-Type Activities

- During 2011 the electric utility had developer and customer contributions of $134,201 with a total contributed plant of $1,850,113. The water utility had no developer contributions during the year with a total contributed plant of $1,187,110.

City of Menasha, Wisconsin's Capital Assets
(net of accumulated depreciation)

	Governmental Activities		Business-type Activities		Totals	
	2011	2010	2011	2010	2011	2010
Land	$ 9,040,876	$ 9,015,876	$ 2,573,733	$ 2,373,260	$ 11,614,609	$ 11,389,136
Buildings	11,928,215	10,538,215	19,592,504	19,604,156	31,520,719	30,142,371
Improvements other than buildings	-	-	57,694,550	57,037,082	57,694,550	57,037,082
Machinery and equipment	8,107,578	7,921,728	40,953,485	40,691,972	49,061,063	48,613,700
Infrastructure	28,279,901	29,113,172	-	-	28,279,901	29,113,172
Construction in progress	132,484	132,484	1,367,506	693,884	1,499,990	826,368
Other assets	-	-	268,407	289,676	268,407	289,676
Less: Impairment of assets			(23,554,874)	(23,554,874)	(23,554,874)	(23,554,874)
Less: Accumulated depreciation	(23,393,868)	(23,240,948)	(34,408,287)	(32,884,786)	(57,802,155)	(56,125,734)
Total	$ 34,095,186	$ 33,480,527	$ 64,487,024	$ 64,250,370	$ 98,582,210	$ 97,730,897

Long-term debt. At the end of the current fiscal year, the City had total bonded debt outstanding of $81,774,807. Of this amount, $43,810,412 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	
	2011	2010	2011	2010	2011	2010
General Obligation Debt						
Bonds	$ 5,105,000	$ 5,710,000	$ -	$ -	$ 5,105,000	$ 5,710,000
Notes	18,363,330	20,087,453	20,342,082	17,605,000	38,705,412	37,692,453
Total General Obligation	23,468,330	25,797,453	20,342,082	17,605,000	43,810,412	43,402,453
Bond anticipation notes	-	-	-	-	-	-
Note anticipation notes	-	-	-	-	-	-
Revenue bonds	-	-	14,582,290	18,721,476	14,582,290	18,721,476
Revenue bond anticipation notes	-	-	22,777,166	22,777,166	22,777,166	22,777,166
Due to Town of Menasha	-	-	604,939	429,222	604,939	429,222
Promissory notes	-	-	-	-	-	-
Total	$ 23,468,330	$ 25,797,453	$ 58,306,477	$ 59,532,864	$ 81,774,807	$ 85,330,317

During the year, the City's long-term debt decreased $3.5 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 $51,442,860.

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 2012 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, 2011

	Governmental Activities	Business-type Activities	Totals	Component Unit Redevelopment Authority
ASSETS				
Cash and investments	$ 7,929,422	$ 2,255,236	$ 10,184,658	$ 44,168
Receivables				
Taxes	6,729,150	-	6,729,150	-
Accounts	792,363	4,668,897	5,461,260	-
Special assessments	6,078,500	-	6,078,500	-
Loans	3,022,071	-	3,022,071	-
Internal balances	430,815	(430,815)	-	-
Due from other governments	233,519	103,644	337,163	-
Inventories and prepaid items	322,112	668,065	990,177	-
Deferred charges	167,928	447,762	615,690	-
Restricted assets				
Cash and investments	-	24,038,580	24,038,580	-
Other assets	1,171,629	-	1,171,629	-
Interest receivable	-	2,352	2,352	-
Capital assets, nondepreciable				
Land	9,040,876	2,573,733	11,614,609	-
Other assets	-	268,407	268,407	-
Construction in progress	132,484	1,367,506	1,499,990	-
Capital assets, depreciable				
Buildings and improvements	11,928,215	19,592,504	31,520,719	-
Improvements other than buildings	-	57,694,550	57,694,550	-
Machinery and equipment	8,107,578	40,953,485	49,061,063	-
Impairment of capital assets	-	(23,554,874)	(23,554,874)	-
Infrastructure	28,279,901	-	28,279,901	-
Less: Accumulated depreciation	(23,393,868)	(34,408,287)	(57,802,155)	-
TOTAL ASSETS	60,972,695	96,240,745	157,213,440	44,168
LIABILITIES				
Accounts payable	577,075	4,077,017	4,654,092	-
Accrued and other current liabilities	8,986	1,230,403	1,239,389	-
Accrued interest payable	342,339	1,014,454	1,356,793	-
Due to other governments	679	-	679	-
Unearned revenues	11,588,050	1,085,508	12,673,558	-
Long-term obligations				
Due within one year	4,237,658	24,434,564	28,672,222	-
Due in more than one year	20,972,815	46,972,909	67,945,724	-
TOTAL LIABILITIES	37,727,602	78,814,855	116,542,457	-
NET ASSETS				
Invested in capital assets, net of related debt	10,556,317	(8,091,510)	2,464,807	-
Restricted for				
Debt service	1,181,550	18,158,359	19,339,909	-
Capital projects	-	1,222,159	1,222,159	-
Community development loans	1,972,333	-	1,972,333	-
Special revenue funds	1,080,884	-	1,080,884	-
Unrestricted	8,454,009	6,136,882	14,590,891	44,168
TOTAL NET ASSETS	$ 23,245,093	$ 17,425,890	$ 40,670,983	$ 44,168

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, 2011

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government				
Governmental Activities				
General government	$ 1,439,167	$ 336,418	$ -	$ -
Public safety	7,015,179	405,880	201,768	801,536
Public works	4,789,041	620,883	834,516	912,856
Health and human services	876,486	365,153	111,552	-
Culture and recreation	3,303,881	929,019	17,002	-
Conservation and development	625,169	26,756	18,687	-
Interest on debt	1,157,169	-	-	-
Total Governmental Activities	19,206,092	2,684,109	1,183,525	1,714,392
Business-type Activities				
Electric utility	44,246,993	45,510,872	-	134,201
Steam utility	1,205,164	-	-	-
Water utility	3,730,732	4,742,265	-	-
Telecommunication utility	66,230	98,152	-	11,839
Sewerage system	1,979,103	2,034,667	-	-
Stormwater utility	771,516	1,075,592	-	-
Total Business-type Activities	51,999,738	53,461,548	-	146,040
Total Primary Government	$ 71,205,830	$ 56,145,657	$ 1,183,525	$ 1,860,432
Component Unit				
Redevelopment Authority	$ 5,691	$ -	$ -	$ -

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
Gain on sale of asset
Transfers
Total general revenues and transfers

Change in net assets

Net assets - January 1

Prior period adjustment

Net assets - January 1, restated

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	Component Unit Redevelopment Authority
$ (1,102,749)	$ -	$ (1,102,749)	$ -
(5,605,995)	-	(5,605,995)	-
(2,420,786)	-	(2,420,786)	-
(399,781)	-	(399,781)	-
(2,357,860)	-	(2,357,860)	-
(579,726)	-	(579,726)	-
(1,157,169)	-	(1,157,169)	-
(13,624,066)	-	(13,624,066)	-
-	1,398,080	1,398,080	-
-	(1,205,164)	(1,205,164)	-
-	1,011,533	1,011,533	-
-	43,761	43,761	-
-	55,564	55,564	-
-	304,076	304,076	-
-	1,607,850	1,607,850	-
(13,624,066)	1,607,850	(12,016,216)	-
-	-	-	(5,691)
7,229,422	-	7,229,422	-
2,042,984	-	2,042,984	-
1,812,658	-	1,812,658	-
223,439	-	223,439	-
4,314,174	-	4,314,174	-
123,797	206,045	329,842	606
248,919	2,408,712	2,657,631	49,253
33,118	266	33,384	-
88,564	(88,564)	-	-
16,117,075	2,526,459	18,643,534	49,859
2,493,009	4,134,309	6,627,318	44,168
20,788,875	13,291,581	34,080,456	-
(36,791)	-	(36,791)	-
20,752,084	13,291,581	34,043,665	-
$ 23,245,093	$ 17,425,890	$ 40,670,983	$ 44,168

CITY OF MENASHA, WISCONSIN
Balance Sheet
Governmental Funds
December 31, 2011

	General	Debt Service	Other Governmental Funds	Total Governmental Funds
ASSETS				
Cash and investments	$ 3,415,851	$ 1,936,847	$ 1,961,227	$ 7,313,925
Receivables				
Taxes	4,367,384	1,159,763	1,133,110	6,660,257
Delinquent personal property taxes	68,893	-	-	68,893
Accounts	792,222	-	30	792,252
Special assessments	3,470	6,075,030	-	6,078,500
Loans	-	-	3,022,071	3,022,071
Due from other funds	1,179,468	-	-	1,179,468
Due from other governments	174,195	-	59,324	233,519
Inventories and prepaid items	322,112	-	-	322,112
Other assets	-	-	140,409	140,409
Advance to other funds	-	430,815	-	430,815
TOTAL ASSETS	$ 10,323,595	$ 9,602,455	$ 6,316,171	$ 26,242,221
LIABILITIES AND FUND BALANCES				
Liabilities				
Accounts payable	$ 426,736	$ -	$ 56,245	$ 482,981
Accrued and other current liabilities	8,986	-	-	8,986
Due to other funds	-	-	1,179,468	1,179,468
Due to other governments	679	-	-	679
Deferred revenues	7,638,633	7,990,090	5,056,428	20,685,151
Total Liabilities	8,075,034	7,990,090	6,292,141	22,357,265
Fund Balances				
Nonspendable				
Inventories and prepaid items	322,112	-	-	322,112
Long-term advance	-	430,815	-	430,815
Restricted				
Debt service	-	1,181,550	-	1,181,550
Library endowment	-	-	243,774	243,774
Community development	-	-	158,592	158,592
TID project plan	-	-	626,269	626,269
Hattie Minor Scholarship	-	-	39,023	39,023
Public safety	-	-	1,149	1,149
Heckrodt nature center	-	-	5,021	5,021
Senior center	-	-	7,056	7,056
Assigned				
Special revenue funds	-	-	156,680	156,680
Capital projects	-	-	295,493	295,493
Unassigned				-
General fund	1,926,449	-	-	1,926,449
Special revenue funds	-	-	(322,235)	(322,235)
Capital projects funds	-	-	(1,186,792)	(1,186,792)
Total Fund Balances	2,248,561	1,612,365	24,030	3,884,956
TOTAL LIABILITIES AND FUND BALANCES	$ 10,323,595	$ 9,602,455	$ 6,316,171	$ 26,242,221

(Continued)

CITY OF MENASHA, WISCONSIN
Balance Sheet (Continued)
Governmental Funds
December 31, 2011

Reconciliation to the Statement of Net Assets

Total Fund Balances as shown on previous page		$ 3,884,956
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.		31,541,788
Other long-term assets are not available to pay current period expenditures and therefore are deferred in the funds.		
Special assessments		6,075,030
Loans receivable		3,022,071
Internal service funds reported in the statement of net assets as governmental activities (see page 18)		4,106,132
Some liabilities are not due and payable in the current period and, therefore, are not reported in the funds.		
Bonds and notes payable	$(23,468,330)	
Debt premium	(70,539)	
Compensated absences	(1,537,208)	
OPEB liability	(134,396)	
Deferred charges - bond issues	167,928	
Accrued interest on long-term obligations	(342,339)	(25,384,884)
Net Assets of Governmental Activities as Reported on the Statement of Net Assets (see page 10)		$ 23,245,093

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
For the Year Ended December 31, 2011

	General	Debt Service	Other Governmental Funds	Total Governmental Funds
Revenues				
Taxes	$ 7,258,507	$ 2,042,984	$ 2,007,012	$ 11,308,503
Special assessments	-	215,621	-	215,621
Intergovernmental	5,141,001	-	1,058,031	6,199,032
Licenses and permits	416,707	-	-	416,707
Fines and forfeits	146,244	-	-	146,244
Public charges for services	470,849	-	251,895	722,744
Intergovernmental charges for services	1,297,845	-	36,268	1,334,113
Miscellaneous	165,493	28,516	357,745	551,754
Total Revenues	14,896,646	2,287,121	3,710,951	20,894,718
Expenditures				
Current				
General government	1,308,164	-	26,287	1,334,451
Public safety	7,295,669	-	233,021	7,528,690
Public works	3,252,863	-	629,278	3,882,141
Health and human services	850,942	-	3,849	854,791
Culture and recreation	2,886,345	-	258,145	3,144,490
Conservation and development	253,015	-	214,029	467,044
Other	-	-	303,083	303,083
Debt service				
Principal	-	3,757,893	-	3,757,893
Interest and fiscal charges	-	2,061,038	-	2,061,038
Capital outlay	-	-	1,180,193	1,180,193
Total Expenditures	15,846,998	5,818,931	2,847,885	24,513,814
Excess of Revenues Over (Under) Expenditures	(950,352)	(3,531,810)	863,066	(3,619,096)
Other Financing Sources (Uses)				
Long-term debt issued	285,000	1,000,000	-	1,285,000
Transfers in	1,432,240	2,085,143	772,665	4,290,048
Transfers out	(522,665)	-	(2,638,903)	(3,161,568)
Total Other Financing Sources (Uses)	1,194,575	3,085,143	(1,866,238)	2,413,480
Net Change in Fund Balances	244,223	(446,667)	(1,003,172)	(1,205,616)
Fund Balances - January 1	2,004,338	2,059,032	922,397	4,985,767
Prior Period Adjustment	-	-	104,805	104,805
Fund Balances - January 1, restated	2,004,338	2,059,032	1,027,202	5,090,572
Fund Balances - December 31	$ 2,248,561	$ 1,612,365	$ 24,030	$ 3,884,956

(Continued)

CITY OF MENASHA, WISCONSIN
Statement of Revenues, Expenditures and Changes in Fund Balances (Continued)
Governmental Funds
For the Year Ended December 31, 2011

Reconciliation to the Statement of Activities

Net Change in Fund Balances from previous page		$ (1,205,616)
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.		
Capital outlay reported in governmental fund statements	$ 1,725,978	
Depreciation expense reported in the statement of activities	(1,189,688)	
Amount by which capital outlays are greater than depreciation in current period		536,290
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 decreased by:		132,957
Some capital assets acquired and other development expenditures incurred during the year were financed with debt. Debt issued is reported in the governmental funds as an other financing source. In the statement of net assets, however, debt constitutes a long-term liability. The amount of debt proceeds reported in the governmental fund statements is:		(285,000)
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:		2,614,123
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.		37,112
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:		(29,389)
The net revenue of internal service funds is reported with governmental activities.		57,524
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		635,008
Change in Net Assets of Governmental Activities as Reported in the Statement of Activities (see pages 11 - 12)		$ 2,493,009

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

CITY OF MENASHA, WISCONSIN

Statement of Revenues, Expenditures and Changes in Fund Balance -
Budget and Actual
General Fund
For the Year Ended December 31, 2011

	Budgeted Amounts		Actual	Variance Final Budget - Positive
	Original	Final	Amounts	(Negative)
Revenues				
Taxes	$ 7,242,400	$ 7,242,400	$ 7,258,507	$ 16,107
Intergovernmental	5,106,690	5,106,690	5,141,001	34,311
Licenses and permits	415,302	415,302	416,707	1,405
Fines and forfeits	165,000	165,000	146,244	(18,756)
Public charges for services	452,922	452,922	470,849	17,927
Intergovernmental charges for services	1,313,995	1,313,995	1,297,845	(16,150)
Miscellaneous	111,000	111,000	165,493	54,493
Total Revenues	14,807,309	14,807,309	14,896,646	89,337
Expenditures				
Current				
General government	1,368,861	1,368,861	1,308,164	60,697
Public safety	7,580,002	7,580,002	7,295,669	284,333
Public works and sanitation	3,346,853	3,346,853	3,252,863	93,990
Health and human services	815,464	815,464	850,942	(35,478)
Culture and recreation	3,013,526	3,013,526	2,886,345	127,181
Conservation and development	307,903	307,903	253,015	54,888
Total Expenditures	16,432,609	16,432,609	15,846,998	585,611
Excess of Revenues Over (Under) Expenditures	(1,625,300)	(1,625,300)	(950,352)	674,948
Other Financing Sources (Uses)				
Long-term debt issued	313,000	313,000	285,000	(28,000)
Transfers in	1,427,300	1,427,300	1,432,240	4,940
Transfers out	(215,000)	(215,000)	(522,665)	(307,665)
Total Other Financing Sources (Uses)	1,525,300	1,525,300	1,194,575	(330,725)
Net Change in Fund Balance	(100,000)	(100,000)	244,223	344,223
Fund Balance - January 1	2,004,338	2,004,338	2,004,338	-
Fund Balance - December 31	$ 1,904,338	$ 1,904,338	$ 2,248,561	$ 344,223

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, 2011

	Business-type Activities - Enterprise Funds				Governmental Activities - Internal Service Funds
	Menasha Utilities	Sewage Treatment	Stormwater Utility	Totals	
ASSETS					
Cash and investments	$ 961,204	$ 328,752	$ 965,280	$ 2,255,236	$ 615,497
Receivables					
Accounts	4,554,057	114,840	-	4,668,897	111
Inventories and prepaid expenses	668,065	-	-	668,065	-
Due from other governments	-	92,855	10,789	103,644	-
Restricted assets					
Cash and investments	23,978,580	60,000	-	24,038,580	-
Other assets	-	-	-	-	1,031,220
Interest receivable	2,352	-	-	2,352	-
Deferred charges	447,762	-	-	447,762	-
Capital assets, nondepreciable					
Land	1,257,399	-	1,316,334	2,573,733	44,216
Other assets	268,407	-	-	268,407	-
Impairment of capital assets	(23,554,874)	-	-	(23,554,874)	-
Construction in progress	674,069	693,437	-	1,367,506	132,484
Capital assets, depreciable					
Buildings	19,592,504	-	-	19,592,504	928,181
Improvements other than buildings	40,903,639	7,421,382	9,369,529	57,694,550	-
Machinery and equipment	40,953,485	-	-	40,953,485	5,989,503
Less: Accumulated depreciation	(31,984,198)	(992,650)	(1,431,439)	(34,408,287)	(4,540,986)
TOTAL ASSETS	78,722,451	7,718,616	10,230,493	96,671,560	4,200,226
LIABILITIES					
Accounts payable	3,904,749	62,105	110,163	4,077,017	94,094
Accrued and other current liabilities	1,230,403	-	-	1,230,403	-
Accrued interest payable	1,000,251	14,203	-	1,014,454	-
Unearned revenue	1,085,508	-	-	1,085,508	-
Advance from other funds	430,815	-	-	430,815	-
Long-term obligations					
Due within one year	24,221,764	188,979	23,821	24,434,564	-
Due in more than one year	42,987,493	3,404,299	581,117	46,972,909	-
TOTAL LIABILITIES	74,860,983	3,669,586	715,101	79,245,670	94,094
NET ASSETS					
Invested in capital assets, net of related debt	(20,269,887)	3,528,891	8,649,486	(8,091,510)	2,553,398
Restricted for					
Debt service	18,158,359	-	-	18,158,359	-
Lease obligation	892,394	-	-	892,394	-
Plant replacement	1,222,159	-	-	1,222,159	-
Unrestricted	3,858,443	520,139	865,906	5,244,488	1,552,734
TOTAL NET ASSETS	$ 3,861,468	$ 4,049,030	$ 9,515,392	$ 17,425,890	$ 4,106,132

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

For the Year Ended December 31, 2011

	Business-type Activities - Enterprise Funds				Governmental Activities - Internal Service Funds
	Menasha Utilities	Sewage Treatment	Stormwater Utility	Totals	
Operating Revenues					
Charges for services	$ 50,057,156	$ 2,034,667	$ 1,075,592	$ 53,167,415	$ 1,908,276
Other	294,133	-	-	294,133	-
Total Operating Revenues	50,351,289	2,034,667	1,075,592	53,461,548	1,908,276
Operating Expenses					
Operation and maintenance	45,245,810	1,797,449	677,850	47,721,109	1,274,562
Insurance payments and claims	-	-	-	-	345,514
Depreciation and amortization	1,737,112	108,807	93,666	1,939,585	296,894
Taxes	242,445	-	-	242,445	-
Total Operating Expenses	47,225,367	1,906,256	771,516	49,903,139	1,916,970
Operating Income (Loss)	3,125,922	128,411	304,076	3,558,409	(8,694)
Nonoperating Revenues (Expenses)					
Investment income	204,093	368	1,584	206,045	33,101
Merchandising and jobbing	5,275	-	-	5,275	-
Interest and fiscal charges	(2,023,752)	(72,847)	-	(2,096,599)	-
Gain on disposal of capital assets	-	-	266	266	33,117
Miscellaneous	2,403,437	-	-	2,403,437	-
Total Nonoperating Revenues (Expenses)	589,053	(72,479)	1,850	518,424	66,218
Income Before Contributions and Transfers	3,714,975	55,932	305,926	4,076,833	57,524
Capital contributions	146,040	-	-	146,040	-
Transfers out	(88,564)	-	-	(88,564)	-
Change in Net Assets	3,772,451	55,932	305,926	4,134,309	57,524
Net Assets - January 1	89,017	3,993,098	9,209,466	13,291,581	4,190,204
Prior period adjustment	-	-	-	-	(141,596)
Net Assets - January 1, restated	89,017	3,993,098	9,209,466	13,291,581	4,048,608
Net Assets - December 31	$ 3,861,468	$ 4,049,030	$ 9,515,392	$ 17,425,890	$ 4,106,132

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

CITY OF MENASHA, WISCONSIN
Statement of Cash Flows
Proprietary Funds
For the Year Ended December 31, 2011

	Enterprise Funds				Governmental Activities - Internal Service Funds
	Menasha Utilities	Sewage Treatment	Stormwater Utility	Totals	
Cash Flows from Operating Activities					
Cash received from customers	$ 50,415,412	$ 2,001,854	$ 1,075,887	$ 53,493,153	$ 1,942,784
Cash paid to suppliers	(43,214,519)	(1,607,509)	(380,377)	(45,202,405)	(1,139,302)
Cash paid to employees	(2,496,899)	(191,841)	(376,844)	(3,065,584)	(423,307)
Net Cash Provided by Operating Activities	4,703,994	202,504	318,666	5,225,164	380,175
Cash Flows from Noncapital and Related Financing Activities					
Transfers to general fund	(1,048,710)	-	-	(1,048,710)	-
Advances to (from) other governments	-	-	254,443	254,443	-
Net Cash Provided (Used) by Noncapital and Related Financing Activities	(1,048,710)	-	254,443	(794,267)	-
Cash Flows from Capital and Related Financing Activities					
Acquisition of capital assets	(1,583,722)	(693,437)	(199,581)	(2,476,740)	(541,242)
Debt proceeds	4,136,878	681,027	175,716	4,993,621	-
Principal payments on capital debt	(6,289,718)	(158,305)	-	(6,448,023)	-
Received from City for debt payment	1,039,916	-	-	1,039,916	
Proceeds from sale and leaseback transaction	15,560,554	-	-	15,560,554	-
Advances to (from) other funds	(455,954)	(74,887)	-	(530,841)	-
Interest payments on capital debt	(1,917,331)	(70,747)	-	(1,988,078)	-
Received on debt settlement	418,188	-	-	418,188	-
Proceeds from sale of capital assets	-	-	267	267	57,680
Asset disposal costs and salvage	65,385	-	-	65,385	-
Contributions from property owners	146,040	-	-	146,040	-
Net Cash Provided (Used(by Capital and Related Financing Activities	11,120,236	(316,349)	(23,598)	10,780,289	(483,562)
Cash Flows from Investing Activities					
Interest received on investments	257,565	368	1,584	259,517	33,101
Sale of ATC LLC	2,739,444	-	-	2,739,444	-
Cash Provided by Investing Activities	2,997,009	368	1,584	2,998,961	33,101
Change in Cash and Cash Equivalents	17,772,529	(113,477)	551,095	18,210,147	(70,286)
Cash and Cash Equivalents - January 1	7,167,255	502,229	414,185	8,083,669	685,783
Cash and Cash Equivalents - December 31	$ 24,939,784	$ 388,752	$ 965,280	$ 26,293,816	$ 615,497
Reconciliation of Operating Income (Loss) to Net Cash Provided by Operating Activities:					
Operating income (loss)	$ 3,125,922	$ 128,411	$ 304,076	$ 3,558,409	$ (8,694)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:					
Depreciation and amortization	1,966,127	108,807	93,666	2,168,600	296,894
Merchandising and jobbing	5,275	-	-	5,275	-
Miscellaneous	(252,820)	-	-	(252,820)	-
Changes in assets and liabilities					
Accounts receivable	115,362	(32,813)	295	82,844	34,508
Inventories and prepaid expenses	14,783	-	-	14,783	-
Deferred debits	(37,425)	-	-	(37,425)	-
Accounts payable	(48,103)	(1,901)	(79,371)	(129,375)	57,467
Accrued and other liabilities	14,290	-	-	14,290	-
Deferred credits	(199,417)	-	-	(199,417)	-
Net Cash Provided by Operating Activities	$ 4,703,994	$ 202,504	$ 318,666	$ 5,225,164	$ 380,175
Reconciliation of cash and cash equivalents					
Cash and investments	$ 961,204	$ 328,752	$ 965,280	$ 2,255,236	$ 615,497
Restricted and other cash and investments	23,978,580	60,000	-	24,038,580	-
Total Cash and Cash Equivalents	$ 24,939,784	$ 388,752	$ 965,280	$ 26,293,816	$ 615,497

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, 2011

	Agency Fund
ASSETS	
Cash and investments	$ 6,439,330
Taxes receivable	10,192,521
TOTAL ASSETS	$ 16,631,851
LIABILITIES	
Due to other governments	$ 16,631,851

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

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 identified the Menasha Redevelopment Authority as a component unit that is required to be included in the basic financial statements in accordance with standards established by GASB Statement Nos. 14 and 39.

2. Individual Component Unit Disclosure

   DISCRETELY PRESENTED COMPONENT UNIT
   The component unit column in the combined financial statements represent the financial data of the Menasha Redevelopment Authority (RDA). It is reported in a separate column to emphasize that the RDA is legally separate from the City. The board of the RDA is appointed by the City Council. Wisconsin Statutes provide for circumstances whereby the City can impose their will on the RDA, and also create a potential financial benefit to or burden on the City. See Note D3. As a component unit, the RDA's financial statements have been presented as a discrete column in the basic financial statements. The information presented is for the fiscal year ended December 31, 2011. Separate financial statements are not prepared for the RDA.

   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*.

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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.

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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 nonspendable 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.

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 nonspendable fund balance 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 nonspendable fund balance 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 Activities	Business-type Activities
	Years	
Assets		
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, 2011. 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, 2011.

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

For the year ended December 31, 2011, the City implemented GASB Statement No. 54 *Fund Balance Reporting and Governmental Fund Type Definitions.* The Statement provides more clearly defined fund balance classifications that comprise a hierarchy based primarily on the extent to which the City is bound to honor constraints on the specific purposes for which fund balance amounts can be spent. The following classifications describe the relative strength of the spending constraints placed on the purposes for which resources can be used:

- Nonspendable fund balance - Amounts that are not in spendable form (such as inventory, prepaid items, or long-term receivables) or are legally or contractually required to remain intact.

- Restricted fund balance - Amounts that are constrained for specific purposes by external parties (such as grantor or bondholders), through constitutional provisions, or by enabling legislation.

- Committed fund balance - Amounts that are constrained for specific purposes by action of the City Council. These constraints can only be removed or changed by the City Council using the same action that was used to create them.

- Assigned fund balance - Amounts that are constrained for specific purposes by action of City management. Residual amounts in any governmental fund, other than the General Fund, are also reported as assigned.

- Unassigned fund balance - Amounts that are available for any purpose. Positive unassigned amounts are only reported in the General Fund.

The City has not adopted a fund balance spend-down policy regarding the order in which fund balance will be utilized. When a policy does not specify the spend-down policy, GASB Statement No. 54 indicates that restricted funds would be spent first, followed by committed funds, and then assigned funds. Unassigned funds would be spent last.

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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.

NOTE B - STEWARDSHIP AND COMPLIANCE (Continued)

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, 2011.

2. Deficit Fund Equity
The following funds had deficit fund equity as of December 31, 2011:

Funds	Deficit Fund Balance
Special Revenue Funds	
Tax incremental district No. 3	$ 36,613
Recycling	202,006
Lead paint reduction	15,858
FEMA Grant	67,758
Capital Projects Funds	
Capital facility	124,006
Tax incremental district No. 4	113,925
Tax incremental district No. 6	387,669
Tax incremental district No. 7	346,462
Tax incremental district No. 8	106,011
Tax incremental district No. 11	47,084
Tax incremental district No. 12	61,635
Internal Service Fund	
Dental Insurance	31

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

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.

NOTE C - DETAILED NOTES ON ALL FUNDS (Continued)

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 $40,706,736 on December 31, 2011 as summarized below:

Petty cash and cash on hand	$	6,863
Deposits with financial institutions		38,620,097
Investments		2,079,776
	$	40,706,736

Reconciliation to the basic financial statements:		
Statement of Net Assets		
Cash and investments	$	10,184,658
Restricted cash and investments		24,038,580
Component unit		
Cash and investments		44,168
Fiduciary Fund		
Agency Fund		6,439,330
	$	40,706,736

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.

NOTE C - DETAILED NOTES ON ALL FUNDS (Continued)

Deposits with financial institutions within the State of Wisconsin are insured by the Federal Deposit Insurance Corporation (FDIC) in the amount of $250,000 for time and savings deposits and $250,000 for demand deposits per official custodian per insured depository institution. Deposits with financial institutions located outside the state of Wisconsin are insured by the FDIC in the amount of $250,000 for all time accounts, savings accounts and interest-bearing demand deposit accounts per official custodian per depository institution. In addition, the City's non-interest bearing transaction accounts are fully insured through December 31, 2012. Also, 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, 2011, none of the City's deposits with financial institutions were in excess of federal depository insurance limits and uncollateralized (or collateralized with securities held by the pledging financial institution or its trust department or agent but not in the City's name).

On December 31, 2011, the City held repurchase agreement investment of $1,561,113 of which the underlying securities are held by the investment's counterparty, not in the name of the City.

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
Repurchase Agreements	$ 1,561,113	$ -	$ -	$ -	$ 1,561,113
U.S. Government Agency Securities	173,065	-	-	-	173,065
Wisconsin Local Government Investment Pool	344,681	-	-	-	344,681
Totals	$ 2,078,859	$ -	$ -	$ -	$ 2,078,859

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:

		Remaining Maturity (in Months)			
Investment Type	Amount	12 Months or Less	13 to 24 Months	25 to 60 Months	More Than 60 Months
Repurchase Agreements	$ 1,561,113	$ 1,561,113	$ -	$ -	$ -
U.S. Government Agency Securities	173,065	-	-	-	173,065
Wisconsin Local Government Investment Pool	344,681	344,681	-	-	-
Totals	$ 2,078,859	$ 1,905,794	$ -	$ -	$ 173,065

NOTE C - DETAILED NOTES ON ALL FUNDS (Continued)

Investment in Wisconsin Local Government Investment Pool

The City has investments in the Wisconsin local government investment pool of $344,681 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, 2011, 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.

3. Restricted and Other Assets

Restricted assets on December 31, 2011 totaled $25,212,561 as detailed below:

Governmental Activities	
Capitalization deposit with CVMIC	$ 1,031,220
Beneficial interest in library endowment funds held by the Community Foundation	140,409
Total Governmental Activities	1,171,629
Business-type Activities	
Menasha Utilities	
Cash and investments	23,978,580
Interest accrued	2,352
Total Menasha Utilities	23,980,932
Sewage Treatment	
Equipment replacement	60,000
Total Restricted and Other Assets	$ 25,212,561

NOTE C - DETAILED NOTES ON ALL FUNDS (Continued)

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

Bond redemption fund	$ 18,158,359
Capital Addition Fund	1,222,159
Depreciation fund	256,453
Lease Reserve Fund	892,394
Utility reserve fund	153,276
Working Capital Reserve	2,178,225
Chemical Stabilization Fund	215,098
Unfunded Liability	269,418
Post Employment Health Benefits Fund	175,222
Energy Conservation Fund	283,994
Other Investments	173,982
Total Cash and Investments	$ 23,978,580

4. Capital Assets

Capital asset activity for the year ended December 31, 2011 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities:				
Capital assets, not being depreciated:				
Land	$ 9,015,876	$ 25,000	$ -	$ 9,040,876
Construction in progress	132,484	-	-	132,484
Total capital assets, not being depreciated	9,148,360	25,000	-	9,173,360
Capital assets, being depreciated:				
Buildings and improvements	10,538,215	1,390,000	-	11,928,215
Machinery and equipment	7,921,728	571,277	385,427	8,107,578
Infrastructure	29,113,172	280,943	1,114,214	28,279,901
Subtotals	47,573,115	2,242,220	1,499,641	48,315,694
Less accumulated depreciation for:				
Buildings and improvements	5,198,892	234,160	-	5,433,052
Machinery and equipment	5,320,638	407,635	219,448	5,508,825
Infrastructure	12,721,418	844,787	1,114,214	12,451,991
Subtotals	23,240,948	1,486,582	1,333,662	23,393,868
Total capital assets, being depreciated, net	24,332,167	755,638	165,979	24,921,826
Governmental activities capital assets, net	$ 33,480,527	$ 780,638	$ 165,979	34,095,186
Less: related long-term debt outstanding related to capital assets net of unamortized premium of $70,539.				23,538,869
Invested in capital assets, net of related debt				$ 10,556,317

NOTE C - DETAILED NOTES ON ALL FUNDS (Continued)

	Beginning Balance	Increases	Decreases	Ending Balance
Business-type activities:				
Capital assets, not being depreciated:				
Land	$ 2,373,260	$ 200,473	$ -	$ 2,573,733
Other assets	289,676	-	21,269	268,407
Construction in progress	693,884	673,622	-	1,367,506
Total capital assets, not being depreciated	3,356,820	874,095	21,269	4,209,646
Capital assets, being depreciated:				
Buildings and improvements	19,604,156	169,772	181,424	19,592,504
Improvements other than buildings	57,037,082	891,817	234,349	57,694,550
Machinery and equipment	40,691,972	583,039	321,526	40,953,485
Subtotals	117,333,210	1,644,628	737,299	118,240,539
Less accumulated depreciation for:				
Steam utility	10,713,686	-	18,021	10,695,665
Electric distribution utility	13,039,899	1,106,651	334,600	13,811,950
Energy services utility	92,139	9,265	-	101,404
Telecommunications utility	348,583	31,767	8,936	371,414
Water utility	6,468,863	818,444	283,542	7,003,765
Sewage treatment utility	883,843	108,807	-	992,650
Stormwater utility	1,337,773	93,666	-	1,431,439
Subtotals	32,884,786	2,168,600	645,099	34,408,287
Total capital assets, being depreciated, net	84,448,424	(523,972)	92,200	83,832,252
Business-type activities capital assets, net	87,805,244	350,123	113,469	88,041,898
Less Impairment of steam utility	23,554,874	-	-	23,554,874
Business-type activities capital assets, net	$ 64,250,370	$ 350,123	$ 113,469	64,487,024
Less: related long-term debt outstanding related to capital assets				72,578,534
Invested in capital assets, net of related debt				$ (8,091,510)

NOTE C - DETAILED NOTES ON ALL FUNDS (Continued)

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

Governmental activities	
General government	$ 45,913
Public safety	117,479
Public works	1,144,905
Health and human services	10,546
Culture and recreation	167,618
Conservation and development	121
Total depreciation expense - governmental activities	$ 1,486,582
Business-type activities	
Electric distribution utility	1,106,651
Energy services utility	9,265
Telecommunications utility	31,767
Water utility	818,444
Sewage treatment utility	108,807
Stormwater utility	93,666
Total depreciation expense - business-type activities	$ 2,168,600

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, 2011 are detailed below:

	Interfund Receivables	Interfund Payables
General fund	$ 1,179,468	$ -
Special Revenue Funds		
Tax Incremental District No. 3	-	30,116
Recycling	-	68,721
Lead Paint Reduction	-	15,858
FEMA Grant	-	127,082
Capital Project Funds		
Capital Facility	-	122,006
Tax Incremental District No. 4	-	87,289
Tax Incremental District No. 6	-	243,092
Tax Incremental District No. 7	-	312,449
Tax Incremental District No. 8	-	89,533
Tax Incremental District No. 11	-	21,897
Tax Incremental District No. 12	-	61,425
Totals	$ 1,179,468	$ 1,179,468

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.

NOTE C - DETAILED NOTES ON ALL FUNDS (Continued)

The Menasha Utilities portion of the City's unfunded pension obligation totaled $430,815. 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
2012	$ 176,974	$ 12,578	$ 189,552
2013	253,841	4,696	258,537
	$ 430,815	$ 17,274	$ 448,089

Interfund transfers for the year ended December 31, 2011 were as follows:

	Transfer to:			
	General Fund	Debt Service Fund	Nonmajor Government Funds	Total
Transfers from:				
Major Governmental Funds				
General Fund	$ -	$ -	$ 522,665	$ 522,665
Nonmajor Government Funds	303,760	2,085,143	250,000	2,638,903
Enterprise Fund				
Menasha Utilities	1,128,480	-	-	1,128,480
Totals	$ 1,432,240	$ 2,085,143	$ 772,665	$ 4,290,048

Transfers are used to (1) compensate the general fund for services provided including accounting, legal, and engineering, (2) pay back advances and debt service, (3) transfer the annual tax equivalent to the municipality, (4) pay the steam utility legal expenses.

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	$ -	$ 7,440,645
Debt service	-	1,915,060
Other governmental funds		
Special revenue funds		
Tax Incremental District No. 1	-	109,610
Tax Incremental District No. 3	-	19,452
Recycling	-	264,863
Capital projects fund		
Tax Incremental District No. 4	-	79,744
Tax Incremental District No. 5	-	285,855
Tax Incremental District No. 6	-	432,838
Tax Incremental District No. 7	-	101,829
Tax Incremental District No. 8	-	49,332
Tax Incremental District No. 9	-	562,411
Tax Incremental District No. 10	-	41,126
Tax Incremental District No. 11	-	75,406
Postponed special assessments and developer receivables		
Major governmental funds		
Debt service	6,075,030	-
Loans receivable		
Other governmental funds		
Capital projects fund		
Tax Incremental District No. 5	1,208,330	-
Special revenue funds		
Housing rehab	28,016	-
Community development block grant	1,785,725	-
Revenues collected in advance		
General fund	-	197,988
Other governmental funds		
Marina	-	11,891
	$ 9,097,101	$ 11,588,050

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 $28,016 and $1,785,725 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, 2011:

	Outstanding 1/1/11	Issued	Retired	Outstanding 12/31/11	Due Within One Year
Governmental activities:					
General Obligation Debt					
Bonds	$ 5,710,000	$ -	$ 605,000	$ 5,105,000	$ 740,000
Notes	20,087,453	285,000	2,009,123	18,363,330	3,497,658
Total General Obligation Debt	25,797,453	285,000	2,614,123	23,468,330	4,237,658
Debt premium	99,699	-	29,160	70,539	-
OPEB liability	95,256	39,140	-	134,396	-
Compensated absences	1,709,305	-	172,097	1,537,208	-
Governmental activities					
Total long-term obligations	$ 27,701,713	$ 324,140	$ 2,815,380	$ 25,210,473	$ 4,237,658
Business-type activities:					
General Obligation Debt					
Notes	$ 17,605,000	$ 3,880,853	$ 1,143,771	$ 20,342,082	$ 435,753
Revenue bonds	18,721,476	937,052	5,076,238	14,582,290	847,116
Revenue bond anticipation notes	22,777,166	-	-	22,777,166	22,777,166
Due to Town of Menasha	429,222	175,716	-	604,938	23,821
Due to the City of Menasha	806,998	-	376,183	430,815	176,974
Capital leases	6,527	13,322,485	228,015	13,100,997	350,708
Business-type activities					
Total long-term obligations	$ 60,346,389	$ 18,316,106	$ 6,824,207	$ 71,838,288	$ 24,611,538

Total interest paid during the year on long-term debt totaled $3,082,223.

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, 2011 totaled $43,810,412 and was comprised of the following issues:

Governmental Activities:	
Bonds	
$1,305,000 issued 12/15/01; $120,000 to $150,000 due annually through 2017; interest 4.6% to 4.875%	$ 820,000
$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 1/1/04; $100,000 to $115,000 due annually through 2018; interest 3.4% to 4.3%	715,000
$2,565,000 issued 6/15/05; $385,000 to $475,000 due annually through 2016; interest 4.25% to 4.65%	2,180,000
Total Bonds	5,105,000
Notes	
$4,530,000 issued 3/1/03; $400,000 to $1,480,000 due annually through 2013; interest 3.5% to 3.7%	2,880,000
$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 4.0%	200,000
$2,490,000 issued 6/15/05; $2,490,000 due in 2014; interest 4.0%	2,490,000
$2,345,000 issued 8/1/06; $125,000 due in 2011 and $1,685,000 due in 2014; interest 4.25% to 5.00%	1,685,000
$4,715,000 issued 8/1/08; $175,000 to $4,000,000 due annually through 2013; interest 5.35% to 6.40%	4,210,000
$5,280,000 issued 8/1/08; $175,000 to $2,300,000 due annually throuth 2017; interest 4.25% to 4.40%	4,705,000
$1,300,000 issued 8/10/10; monthly payments of $9,135 through July, 2012 with a final payment due of $1,170,121 in August, 2012; interest of 3.25%	1,208,330
$150,000 issued 7/18/11; monthly payments of $14,327 to $17,389 due annually beginning in 2012 through 2021; interest 3.75%	150,000
$135,000 issued 10/25/11; monthly payments of $11,172 to $17,546 due annually beginning in 2013 through 2021; interest 3.75%	135,000
Total Notes	18,363,330
Total Governmental Activities Outstanding General Obligation Debt	23,468,330

NOTE C - DETAILED NOTES ON ALL FUNDS (Continued)

Business-type Activities:	
Notes	
$7,000,000 issued 12/1/09; $55,301 to $653,658 due annually through 2027; interest 5.5%	6,944,699
$6,930,000 issued 3/29/10; $88,469 to $645,310 due annually through 2027; interest 5.5%	6,841,530
$2,675,000 issued 9/7/10; $18,246 to $220,226 due annually 2012 through 2030; interest 5.25%	2,675,000
$1,000,000 issued 2011; $11,784 to $83,500 due annually through 2030; interest 5.0%	1,000,000
$2,880,853 issued 2011; $94,827 to $219,602 due annually through 2031; interest 5.0%	2,880,853
	20,342,082
Total General Obligation Debt	$ 43,810,412

Annual principal and interest maturities of the outstanding general obligation debt of $43,810,412 on December 31, 2011 are detailed below:

Year Ended	Governmental Activities		Business-type Activities		Totals	
December 31	Principal	Interest	Principal	Interest	Principal	Interest
2012	$ 4,237,658	$ 1,020,464	$ 435,753	$ 1,109,617	$ 4,673,411	$ 2,130,081
2013	7,559,125	858,081	614,879	1,095,166	8,174,004	1,953,247
2014	5,397,000	513,320	873,841	1,036,204	6,270,841	1,549,524
2015	1,323,012	276,184	920,989	989,055	2,244,001	1,265,239
2016	1,379,043	217,960	968,110	941,935	2,347,153	1,159,895
2017-2021	3,572,492	245,923	5,695,223	3,855,003	9,267,715	4,100,926
2022-2026	-	-	7,408,182	2,142,045	7,408,182	2,142,045
2027-2031	-	-	3,425,105	376,071	3,425,105	376,071
	$ 23,468,330	$ 3,131,932	$ 20,342,082	$ 11,545,096	$ 43,810,412	$ 14,677,028

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

Legal Margin for New Debt

The City's legal margin for creation of additional general obligation debt on December 31, 2011 was $8,813,998 as follows:

Equalized valuation of the City		$ 1,028,857,200
Statutory limitation percentage		(x) 5%
General obligation debt limitation, per Section 67.03 of the Wisconsin Statutes		51,442,860
Total outstanding general obligation debt applicable to debt limitation	$ 43,810,412	
Less: Amounts available for financing general obligation debt		
Debt service fund	1,181,550	
Net outstanding general obligation debt applicable to debt limitation		42,628,862
Legal Margin for New Debt		$ 8,813,998

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, 2011 totaled $14,582,290 and were composed of the following issues:

Revenue Bonds	
$1,076,097 Clean Water Fund Loan dated 11/24/04; $991,397 received; $45,844 to $62,122 due annually through 2024; interest 2.365%	$ 704,600
$12,061,890 Clean Water Fund Loan dated 4/26/06; $12,061,890 received; $585,443 to $812,092 due annually through 2025; interest 2.365%	9,810,135
$779,363 Clean Water Fund Loan dated 4/11/07; $394,158 received; $18,485 to $26,673 due annually through 2026; interest 2.475%	464,127
$2,733,387 Clean Water Fund Loan dated 3/8/08; $2,530,286 received; $112,462 to $163,466 due annually through 2027; interest 2.365%	2,207,651
$678,908 Clean Water Fund Loan dated 4/22/09; $644,286 received; $27,185 to $42,534 due annually through 2028; interest 2.668%	590,622
$872,956 Clean Water Fund Loan dated 11/9/11; $681,027 received; $31,938 to $49,830 due annually through 2031; interest 2.4%	805,155
Total Revenue Bonds	$ 14,582,290

Annual principal and interest maturities of the above outstanding enterprise fund revenue bonds of $14,582,290 on December 31, 2011 are shown below:

Year Ended December 31	Business-type Activities		
	Principal	Interest	Total
2012	$ 847,116	$ 335,590	$ 1,182,706
2013	867,265	316,742	1,184,007
2014	887,893	295,868	1,183,761
2015	909,012	274,498	1,183,510
2016	930,633	252,619	1,183,252
2017-2021	4,995,937	916,246	5,912,183
2022-2026	4,659,118	298,521	4,957,639
2026-2031	485,316	15,972	501,288
	$ 14,582,290	$ 2,706,056	$ 17,288,346

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

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 $17,288,346. Principal and interest paid for the current year and total customer net revenues were $5,567,415 and $4,999,581, respectively.

Revenue Bond Anticipation Notes	
$12,600,000 issued 2005; $11,935,386 due in 2009; interest 4.35%	$ 11,935,386
$11,500,000 issued 2006; $10,841,780 due in 2009; interest 5.7%	10,841,780
Total Revenue Bond Anticipation Notes	$ 22,777,166

Annual principal and interest maturities of the above outstanding enterprise fund revenue bond anticipation notes of $22,777,166 on December 31, 2011 are as shown below:

Year Ended December 31	Business-type Activities		
	Principal	Interest	Total
2009	$ 22,777,166	$ 1,206,210	$ 23,983,376

The City has defaulted on the 2005 and 2006 revenue bond anticipation notes. This is discussed further in Note D.11.

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, 2011:

Year Ended December 31	Business-type Activities Principal
2012	$ 1,191,946
2013	1,191,946
2014	1,191,946
2015	1,191,946
2016	1,191,946
2017-2021	5,959,732
2022-2026	5,959,732
2027-2031	5,164,566
Total Payments	23,043,760
Amount representing interest	9,942,763
Principal amount outstanding	$ 13,100,997

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	$ 167,508	$ 5,324,661	$ 796,623
Due from other funds	-	72,440	154,532
Restricted	17,450,000	5,078,658	1,452,274
Noncurrent			
Net Capital Assets	12,456,065	15,200,210	19,930,935
Advance to other funds	-	1,171,060	-
Other	89,172	88,236	179,209
Total Assets	30,162,745	26,935,265	22,513,573
Liabilities			
Current	841,834	4,216,813	1,311,369
Due to other funds	-	203,556	-
Noncurrent			
City advance	-	162,122	268,693
Advance from other funds	-	-	569,727
Long-term	40,238,395	13,932,657	13,869,866
Total Liabilities	41,080,229	18,515,148	16,019,655
Net Assets			
Invested in capital assets net of related debt	(27,782,330)	2,099,213	5,491,342
Restricted			
Debt service	17,450,000	-	708,359
Lease obligation	-	892,394	-
Plant replacement	-	1,222,159	-
Unrestricted	(585,154)	4,206,351	294,217
Total Net Assets	$ (10,917,484)	$ 8,420,117	$ 6,493,918
Operating Revenues			
Charges for services	$ -	$ 45,305,206	$ 4,637,182
Other	-	189,050	105,083
Total Operating Revenues	-	45,494,256	4,742,265
Operating Expenses			
Operating	262,207	42,735,986	2,540,297
Depreciation	-	933,944	740,866
Total Operating Expenses	262,207	43,669,930	3,281,163
Operating Income (Loss)	(262,207)	1,824,326	1,461,102
Nonoperating Income (Expenses)			
Interest revenue	-	198,577	5,466
Merchandising and jobbing	-	4,419	856
Interest and fiscal charges	(942,957)	(607,846)	(449,569)
Miscellaneous	230,239	2,449,844	(282,865)
Total Nonoperating Income (Expenses)	(712,718)	2,044,994	(726,112)
Income Before Contributions, Extraordinary Losses and Transfers	(974,925)	3,869,320	734,990
Customer contributions	-	134,201	-
Transfers in	18,586,625	1,693,976	-
Transfers out	-	(18,026,802)	(552,517)
Change in Net Assets	17,611,700	(12,329,305)	182,473
Net Assets - January 1	(28,529,184)	20,749,422	6,311,445
Net Assets - December 31	$ (10,917,484)	$ 8,420,117	$ 6,493,918

NOTE D - OTHER INFORMATION (Continued)

2. Component Unit
This report contains the Menasha Redevelopment Authority (RDA) which is included as a component unit. Financial information is presented as a discrete column in the statement of net assets and the statement of activities.

In addition to the basic financial statements and the preceding notes to financial statements which apply, the following are additional disclosures related to the RDA.

a) Cash and Investments – At year end, the carrying amount of the RDA's deposits and investments was $44,168. This amount is included in the totals presented in NOTE C1.

3. 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 hired before July 1, 2011 and expected to work over 600 hours a year (440 hours for teachers and educational support employees) or hired on or after July 1, 2011 and expected to work over 1200 hours a year (880 hours for teachers and educational support employees) are eligible to participate in the WRS. Covered employees in the General/Teacher/ Educational Support Personnel category are required by statute to contribute 5.8% of their salary (6.65% for Executives and Elected Officials, 5.8% for Protective Occupations with Social Security, and 5.8% 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, 2011 was $11,259,976; the employer's total payroll was $9,734,070. The total required contribution for the year ended December 31, 2011 was $1,379,109, which consisted of $746,848 covered payroll from the employer and $632,261 of covered payroll from employees. Of the $632,261 required contributions for employee for the year ended December 31, 2011, $571,514 was financed by the City and $60,747 was financed by the employees. Total contributions for the years ending December 31, 2010 and 2009 were $1,404,746 and $1,401,934 respectively, equal to the required contributions for each year. The payroll covered by the WRS for the year ended December 31, 2011 of $11,512,879 includes $1,757,920 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.

NOTE D - OTHER INFORMATION (Continued)

4. Wisconsin Public Power Incorporated Contract (WPPI)

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

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

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

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

The electric operation purchases power through Wisconsin Public Power, Inc. for distribution to its customers. Total purchases under this arrangement amounted to approximately $40.1 million in 2011.

5. 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.

NOTE D - OTHER INFORMATION (Continued)

The claims liability of $32,966 reported in the fund at December 31, 2011 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, 2011, the property and liability insurance internal service fund has available $1,123,444 for future unreported claims. Changes in the fund's claim liability amount for 2010 and 2011 follow:

	Liability January 1	Current Claims and Changes in Estimates	Claim Payments	Liability December 31
2010	$ 9,843	$ 35,752	$ 37,393	$ 8,202
2011	8,202	200,157	175,393	32,966

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 $5,816 reported in the fund at December 31, 2011, 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, 2011, the dental insurance internal service fund has available $-0- for future unreported claims. Changes in the fund's claims liability amount for 2010 and 2011 follow:

	Liability January 1	Current Claims and Changes in Estimates	Claim Payments	Liability December 31
2010	$ 3,809	$ 116,350	$ 113,732	$ 6,427
2011	6,427	126,515	127,126	5,816

NOTE D - OTHER INFORMATION (Continued)

6. 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	4,763
Adjustment to annual required contribution	(13,251)
Annual OPEB cost (expense)	76,616
Contributions made	37,476
Change in net OPEB obligation	39,140
OPEB obligation - beginning of year	95,256
OPEB obligation - end of year	$ 134,396

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, 2011 is 30 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 through 2011 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
12/31/2010	85,104	44.04%	95,256
12/31/2011	76,616	48.91%	134,396

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%.

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 on an open basis. The remaining amortization period at December 31, 2011 was 30 years.

7. 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, 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, No. 11, and No. 12 were created in 1997, 1998, 1998, 2002, 2004, 2004, 2006, 2008, and 2011 respectively, and therefore are still eligible to incur project costs. Accordingly, TID No. 4, 5, 6, 7, 8, 9, 10 11, and 12 are accounted for as capital projects funds.

NOTE D - OTHER INFORMATION (Continued)

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, 2011 from future excess tax increment revenues follows:

Net Unreimbursed Project Costs	
Tax Incremental District No. 1	$ 357,762
Tax Incremental District No. 3	(30,337)
Tax Incremental District No. 4	929,303
Tax Incremental District No. 5	2,396,407
Tax Incremental District No. 6	2,902,669
Tax Incremental District No. 7	1,931,463
Tax Incremental District No. 8	956,010
Tax Incremental District No. 9	4,336,456
Tax Incremental District No. 10	244,237
Tax Incremental District No. 11	47,084
Tax Incremental District No. 12	61,635
	$ 14,132,689

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.

8. Major Customer
During 2011, the City's electric utility billed SCA Tissue $20,882,221. This represents 46% of electric utility operating revenue. No other utility customer accounted for more than 20% of operating revenue.

9. Property Tax Levy Limit
Wisconsin state statutes provide for a limit on the property tax levies for all Wisconsin cities, villages, towns and counties. For the 2011 budget year, the increase in the maximum allowable tax levy is limited 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% per year. The actual limit for the City for the 2011 budget was 3.0%. For the 2012 budget year, Wisconsin statutes limit the increase in the maximum allowable tax levy to the change in the City's January 1 equalized value as a result of net new construction. The actual limit for the City for the 2012 budget was .61%. Debt service for debt authorized after July 1, 2005 is exempt from the levy limit. In addition, Wisconsin statutes allow the limit to be adjusted for the increase in debt service authorized prior to July 1, 2005 and in certain other situations.

NOTE D - OTHER INFORMATION (Continued)

10. Contingencies

a. The City contracts with Neenah-Menasha Sewerage Commission (the "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. Representatives of 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 resources damages, is $1.5 billion dollars (collectively "Estimated Remediation 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 and there are various motions yet pending in the action. The Commission and City continue to vigorously defend the action.

On October 14, 2010, the United States of America and the State of Wisconsin filed suit in the federal district court in Green Bay against various defendants including the Neenah-Menasha Sewerage Commission (Commission). The complaint alleges the Commission received PCB–containing wastewater from several facilities – including the WTM Facility, the John Strange Facility, and the Kimberly Clark Neenah and Badger Globe Facilities and in turn discharged partially treated PCB–containing wastewater from those facilities to the Lower Fox River. In their claim for relief they seek, among other things, judgment for unreimbursed response costs and damages resulting from releases of hazardous substances. The City has put its insurance carriers on notice but they have denied a duty to defend or indemnify. Some of the carriers have accepted the tender of defense but have asserted a claim that they may seek to recover defense costs which they pay, a claim the Commission/City vigorously disputes. The City may seek to recover any judgment from its insurance carriers and/or other responsible entities. The Commission and City are vigorously defending the action.

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.

NOTE D - OTHER INFORMATION (Continued)

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. 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 and EPA in an attempt to work out a resolution to these environmental issues in a cooperative fashion.

e. In January 2012, Menasha Utilities discovered an electric meter multiplier error that resulted in incorrect data being used to calculate the monthly billing for a large industrial customer. This resulted in an overbilling to that customer over a six year period totaling $1,754,724. Starting in March 2012, that customer will receive a refund of the overbilling in monthly payments, including interest, for 24 months. The overbilling of one customer resulted in the under-billing of remaining customers. This issue was brought before the Public Service Commission of Wisconsin (PSC). On March 1, 2012, the PSC authorized the use of the power cost adjustment clause (PCAC) to collect $734,948 of the under-billing through the PCAC over a 24 month period.

11. Prior Period Adjustment

The following adjustments were made to the City's prior year financial statements:

Library Endowment Special Revenue Fund	
Unrecorded bank accounts	$ 104,805
City Garage Internal Service Fund	
Equipment disposed of in prior years	(141,596)
Net Change - Governmental Activities	$ (36,791)

12. Subsequent Event

On December 1, 2011, the United States District Court issued a judgment approving the settlement agreement with the bondholders of the Steam Utility. On January 5, 2012, funds of $17,500,000 were released for distribution in accordance with the settlement agreement to a court appointed trustee.

REQUIRED SUPPLEMENTAL INFORMATION

CITY OF MENASHA, WISCONSIN
SCHEDULE OF FUNDING PROGRESS
OTHER POST-EMPLOYMENT BENEFIT PLAN
December 31, 2011

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, 2011

Year Ended December 31,	Employer Contributions	Annual Required Contribution (ARC)	Percentage Contributed
2010	$ 37,476	$ 85,104	44.04%
2011	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, 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.

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.

NONMAJOR GOVERNMENTAL FUNDS (Continued)

SPECIAL REVENUE FUNDS (Continued)

Public Safety Donations
To account for donations received by the City.

Heckrodt Nature Center
To account for donations received by the City.

Senior Center Memorials
To account for donations received by the City.

FEMA Grant
To account for FEMA grant received by the City.

Senior Center Fund Raising
To account for collections and disbursements relating to activities offered by the senior center.

Storm Utility
This fund accounts for resources used in the closing of the steam utility plant.

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, No. 11 and No. 12 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, 2011

	Special Revenue Funds								
	Housing Rehab	Community Development Block Grant	Marina Operations	Tax Incremental District #1	Tax Incremental District #3	Park Development	Recycling	Post Employment Sick Leave Reserve	Lead Paint Reduction
ASSETS									
Cash and investments	$ 24,536	$ 134,056	$ 20,284	$ 87,201	$ -	$ 154,077	$ -	$ 538	$ -
Receivables									
Taxes	-	-	-	72,998	12,955	-	161,786	-	-
Accounts	-	-	-	-	-	-	30	-	-
Loans	28,016	1,785,725	-	-	-	-	-	-	-
Due from other governments	-	-	-	-	-	-	-	-	-
Other assets	-	-	-	-	-	-	-	-	-
TOTAL ASSETS	$ 52,552	$ 1,919,781	$ 20,284	$ 160,199	$ 12,955	$ 154,077	$ 161,816	$ 538	$ -
LIABILITIES AND FUND BALANCES (DEFICIT)									
Liabilities									
Accounts payable	$ -	$ -	$ 6,328	$ -	$ -	$ -	$ 30,238	$ -	$ -
Due to other funds	-	-	-	-	30,116	-	68,721	-	15,858
Deferred revenues	28,016	1,785,725	11,891	109,610	19,452	-	264,863	-	-
Total Liabilities	28,016	1,785,725	18,219	109,610	49,568	-	363,822	-	15,858
Fund Balances (Deficit)									
Restricted									
Library endowment	-	-	-	-	-	-	-	-	-
Community development	24,536	134,056	-	-	-	-	-	-	-
TID project plan	-	-	-	50,589	-	-	-	-	-
Hattie Minor Scholarship	-	-	-	-	-	-	-	-	-
Public safety donations	-	-	-	-	-	-	-	-	-
Heckrodt nature center	-	-	-	-	-	-	-	-	-
Senior center	-	-	-	-	-	-	-	-	-
Assigned									
Special revenue funds	-	-	2,065	-	-	154,077	-	538	-
Capital projects funds	-	-	-	-	-	-	-	-	-
Unassigned, reported in									
Special revenue funds	-	-	-	-	(36,613)	-	(202,006)	-	(15,858)
Capital projects funds	-	-	-	-	-	-	-	-	-
Total Fund Balances (Deficit)	24,536	134,056	2,065	50,589	(36,613)	154,077	(202,006)	538	(15,858)
TOTAL LIABILITIES AND FUND BALANCES (DEFICIT)	$ 52,552	$ 1,919,781	$ 20,284	$ 160,199	$ 12,955	$ 154,077	$ 161,816	$ 538	$ -

(Continued)

CITY OF MENASHA, WISCONSIN
Combining Balance Sheet
Nonmajor Governmental Funds
December 31, 2011

	Special Revenue Funds (Continued)								
	Library Endowment	Hattie Minor Scholarship	Public Safety Donations	Heckrodt Nature Center	Senior Center Memorials	FEMA Grant	Senior Center Fund Raising	Steam Utility	Total Special Revenue Funds
ASSETS									
Cash and investments	$ 103,365	$ 39,023	$ 1,224	$ 5,021	$ 5,606	$ -	$ 1,450	$ 17,394	$ 593,775
Receivables									
Taxes	-	-	-	-	-	-	-	-	247,739
Accounts	-	-	-	-	-	-	-	-	30
Loans	-	-	-	-	-	-	-	-	1,813,741
Due from other governments	-	-	-	-	-	59,324	-	-	59,324
Other assets	140,409	-	-	-	-	-	-	-	140,409
TOTAL ASSETS	$ 243,774	$ 39,023	$ 1,224	$ 5,021	$ 5,606	$ 59,324	$ 1,450	$ 17,394	$ 2,855,018
LIABILITIES AND FUND BALANCES (DEF									
Liabilities									
Accounts payable	$ -	$ -	$ 75	$ -	$ -	$ -	$ -	$ 17,394	$ 54,035
Due to other funds	-	-	-	-	-	127,082	-	-	241,777
Deferred revenues	-	-	-	-	-	-	-	-	2,219,557
Total Liabilities	-	-	75	-	-	127,082	-	17,394	2,515,369
Fund Balances (Deficit)									
Restricted									
Library endowment	243,774	-	-	-	-	-	-	-	243,774
Community development	-	-	-	-	-	-	-	-	158,592
TID project plan	-	-	-	-	-	-	-	-	50,589
Hattie Minor Scholarship	-	39,023	-	-	-	-	-	-	39,023
Public safety donations	-	-	1,149	-	-	-	-	-	1,149
Heckrodt nature center	-	-	-	5,021	-	-	-	-	5,021
Senior center	-	-	-	-	5,606	-	1,450	-	7,056
Assigned									
Special revenue funds	-	-	-	-	-	-	-	-	156,680
Capital projects funds	-	-	-	-	-	-	-	-	-
Unassigned, reported in									
Special revenue funds	-	-	-	-	-	(67,758)	-	-	(322,235)
Capital projects funds	-	-	-	-	-	-	-	-	-
Total Fund Balances (Deficit)	243,774	39,023	1,149	5,021	5,606	(67,758)	1,450	-	339,649
TOTAL LIABILITIES AND FUND BALANCES (DEFICIT)	$ 243,774	$ 39,023	$ 1,224	$ 5,021	$ 5,606	$ 59,324	$ 1,450	$ 17,394	$ 2,855,018

(Continued)

CITY OF MENASHA, WISCONSIN
Combining Balance Sheet
Nonmajor Governmental Funds
December 31, 2011

	Capital Projects Funds						
	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	$ 281,914	$ -	$ 10,396	$ -	$ 486,857	$ -	$ -
Receivables							
Taxes	-	-	-	53,108	190,373	288,261	67,816
Accounts	-	-	-	-	-	-	-
Loans	-	-	-	-	1,208,330	-	-
Due from other governments	-	-	-	-	-	-	-
Other assets	-	-	-	-	-	-	-
TOTAL ASSETS	$ 281,914	$ -	$ 10,396	$ 53,108	$ 1,885,560	$ 288,261	$ 67,816
LIABILITIES AND FUND BALANCES (DEF							
Liabilities							
Accounts payable	$ -	$ 2,000	$ -	$ -	$ -	$ -	$ -
Due to other funds	-	122,006	-	87,289	-	243,092	312,449
Deferred revenues	-	-	-	79,744	1,494,185	432,838	101,829
Total Liabilities	-	124,006	-	167,033	1,494,185	675,930	414,278
Fund Balances (Deficit)							
Restricted							
Library endowment	-	-	-	-	-	-	-
Community development	-	-	-	-	-	-	-
TID project plan	-	-	-	-	391,375	-	-
Hattie Minor Scholarship	-	-	-	-	-	-	-
Public safety donations	-	-	-	-	-	-	-
Heckrodt nature center	-	-	-	-	-	-	-
Senior center	-	-	-	-	-	-	-
Assigned							
Special revenue funds	-	-	-	-	-	-	-
Capital projects funds	281,914	-	10,396	-	-	-	-
Unassigned, reported in							
Special revenue funds	-	-	-	-	-	-	-
Capital projects funds	-	(124,006)	-	(113,925)	-	(387,669)	(346,462)
Total Fund Balances (Deficit)	281,914	(124,006)	10,396	(113,925)	391,375	(387,669)	(346,462)
TOTAL LIABILITIES AND FUND BALANCES (DEFICIT)	$ 281,914	$ -	$ 10,396	$ 53,108	$ 1,885,560	$ 288,261	$ 67,816

(Continued)

CITY OF MENASHA, WISCONSIN
Combining Balance Sheet
Nonmajor Governmental Funds
December 31, 2011

	Capital Projects Funds (Continued)							
	Tax Incremental District #8	Tax Incremental District #9	Tax Incremental District #10	Tax Incremental District #11	Tax Incremental District #12	Roadways at River's Edge	Total Capital Project Funds	Total Governmental Funds
ASSETS								
Cash and investments	$ -	$ 565,603	$ 19,499	$ -	$ -	$ 3,183	$ 1,367,452	$ 1,961,227
Receivables								
Taxes	32,854	175,351	27,389	50,219	-	-	885,371	1,133,110
Accounts	-	-	-	-	-	-	-	30
Loans	-	-	-	-	-	-	1,208,330	3,022,071
Due from other governments	-	-	-	-	-	-	-	59,324
Other assets	-	-	-	-	-	-	-	140,409
TOTAL ASSETS	$ 32,854	$ 740,954	$ 46,888	$ 50,219	$ -	$ 3,183	$ 3,461,153	$ 6,316,171
LIABILITIES AND FUND BALANCES (DEF								
Liabilities								
Accounts payable	$ -	$ -	$ -	$ -	$ 210	$ -	$ 2,210	$ 56,245
Due to other funds	89,533	-	-	21,897	61,425	-	937,691	1,179,468
Deferred revenues	49,332	562,411	41,126	75,406	-	-	2,836,871	5,056,428
Total Liabilities	138,865	562,411	41,126	97,303	61,635	-	3,776,772	6,292,141
Fund Balances (Deficit)								
Restricted								
Library endowment	-	-	-	-	-	-	-	243,774
Community development	-	-	-	-	-	-	-	158,592
TID project plan	-	178,543	5,762	-	-	-	575,680	626,269
Hattie Minor Scholarship	-	-	-	-	-	-	-	39,023
Public safety donations	-	-	-	-	-	-	-	1,149
Heckrodt nature center	-	-	-	-	-	-	-	5,021
Senior center	-	-	-	-	-	-	-	7,056
Assigned								
Special revenue funds	-	-	-	-	-	-	-	156,680
Capital projects funds	-	-	-	-	-	3,183	295,493	295,493
Unassigned, reported in								
Special revenue funds	-	-	-	-	-	-	-	(322,235)
Capital projects funds	(106,011)	-	-	(47,084)	(61,635)	-	(1,186,792)	(1,186,792)
Total Fund Balances (Deficit)	(106,011)	178,543	5,762	(47,084)	(61,635)	3,183	(315,619)	24,030
TOTAL LIABILITIES AND FUND BALANCES (DEFICIT)	$ 32,854	$ 740,954	$ 46,888	$ 50,219	$ -	$ 3,183	$ 3,461,153	$ 6,316,171

CITY OF MENASHA, WISCONSIN
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended December 31, 2011

	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	$ -	$ -	$ -	$ 103,801	$ 59,358	$ 23,242	$ -	$ 194,354	$ -
Intergovernmental	-	-	-	631	387	1,866	-	65,713	-
Public charges for services	-	-	233,470	-	-	-	12,100	6,299	-
Intergovernmental charges for services	-	-	-	-	-	-	-	36,268	-
Miscellaneous	6,591	26,122	-	-	-	647	280	34,333	14,344
Total Revenues	6,591	26,122	233,470	104,432	59,745	25,755	12,380	336,967	14,344
Expenditures									
Current									
General government	-	-	-	-	-	-	-	-	26,287
Public safety	-	-	-	-	-	-	-	-	231,790
Public works	-	-	-	-	-	-	-	452,799	65,840
Health and human services	-	-	-	-	-	-	-	-	3,849
Culture and recreation	-	-	212,351	-	-	-	3,500	-	11,545
Conservation and development	7,480	33,616	-	150	85,685	150	-	-	-
Other	-	-	-	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-	-	-	-
Total Expenditures	7,480	33,616	212,351	150	85,685	150	3,500	452,799	339,311
Excess of Revenues Over (Under) Expenditures	(889)	(7,494)	21,119	104,282	(25,940)	25,605	8,880	(115,832)	(324,967)
Other Financing Sources (Uses)									
Transfers in	-	-	-	-	-	-	-	-	219,582
Transfers out	-	-	(20,000)	(169,560)	(54,330)	(162,065)	-	-	-
Net Change in Fund Balances	(889)	(7,494)	1,119	(65,278)	(80,270)	(136,460)	8,880	(115,832)	(105,385)
Fund Balances (Deficits) - January 1	25,425	141,550	946	115,867	80,270	99,847	145,197	(86,174)	105,923
Prior period adjustment	-	-	-	-	-	-	-	-	-
Fund Balances (Deficits) - January 1 restated	25,425	141,550	946	115,867	80,270	99,847	145,197	(86,174)	105,923
Fund Balances (Deficits) - December 31	$ 24,536	$ 134,056	$ 2,065	$ 50,589	$ -	$ (36,613)	$ 154,077	$ (202,006)	$ 538

(Continued)

CITY OF MENASHA, WISCONSIN
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended December 31, 2011

	Special Revenue Funds (Continued)									
	Lead Paint Reduction	Library Endowment	Hattie Minor Scholarship	Public Safety Donations	Heckrodt Nature Center	Senior Center Memorials	FEMA Grant	Senior Center Fund Raising	Steam Utility	Total Special Revenue Funds
Revenues										
Taxes	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 380,755
Intergovernmental	-	-	-	-	-	-	-	-	-	68,597
Public charges for services	-	-	-	-	-	26	-	-	-	251,895
Intergovernmental charges for services	-	-	-	-	-	-	-	-	-	36,268
Miscellaneous	-	16,187	271	275	8,596	830	59,324	-	-	167,800
Total Revenues	-	16,187	271	275	8,596	856	59,324	-	-	905,315
Expenditures										
Current										
General government	-	-	-	-	-	-	-	-	-	26,287
Public safety	-	-	-	1,231	-	-	-	-	-	233,021
Public works	-	-	-	-	-	-	110,639	-	-	629,278
Health and human services	-	-	-	-	-	-	-	-	-	3,849
Culture and recreation	-	24,442	3,000	-	-	-	3,307	-	-	258,145
Conservation and development	-	-	-	-	6,840	-	13,136	-	-	147,057
Other	-	-	-	-	-	-	-	-	303,083	303,083
Capital outlay	-	-	-	-	4,260	-	-	-	-	4,260
Total Expenditures	-	24,442	3,000	1,231	11,100	-	127,082	-	303,083	1,604,980
Excess of Revenues Over (Under) Expenditures	-	(8,255)	(2,729)	(956)	(2,504)	856	(67,758)	-	(303,083)	(699,665)
Other Financing Sources (Uses)										
Transfers in	-	-	-	-	-	-	-	-	303,083	522,665
Transfers out	-	-	-	-	-	-	-	-	-	(405,955)
Net Change in Fund Balances	-	(8,255)	(2,729)	(956)	(2,504)	856	(67,758)	-	-	(582,955)
Fund Balances (Deficits) - January 1	(15,858)	147,224	41,752	2,105	7,525	4,750	-	1,450	-	817,799
Prior period adjustment	-	104,805	-	-	-	-	-	-	-	104,805
Fund Balances (Deficits) - January 1 restated	(15,858)	252,029	41,752	2,105	7,525	4,750	-	1,450	-	922,604
Fund Balances (Deficits) - December 31	$ (15,858)	$ 243,774	$ 39,023	$ 1,149	$ 5,021	$ 5,606	$ (67,758)	$ 1,450	$ -	$ 339,649

(Continued)

CITY OF MENASHA, WISCONSIN
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended December 31, 2011

	Captal Projects Funds						
	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	$ -	$ -	$ -	$ 84,484	$ 272,424	$ 348,538	$ 108,498
Intergovernmental	-	801,536	-	1,386	163,588	1,922	-
Public charges for services	-	-	-	-	-	-	-
Intergovernmental charges for services	-	-	-	-	-	-	-
Miscellaneous	1,199	269	-	123	184,854	-	3,500
Total Revenues	1,199	801,805	-	85,993	620,866	350,460	111,998
Expenditures							
Current							
General government	-	-	-	-	-	-	-
Public safety	-	-	-	-	-	-	-
Public works	-	-	-	-	-	-	-
Health and human services	-	-	-	-	-	-	-
Culture and recreation	-	-	-	-	-	-	-
Conservation and development	-	-	-	150	150	150	150
Other	-	-	-	-	-	-	-
Capital outlay	-	1,047,328	-	-	5,374	10,165	-
Total Expenditures	-	1,047,328	-	150	5,524	10,315	150
Excess of Revenues Over (Under) Expenditures	1,199	(245,523)	-	85,843	615,342	340,145	111,848
Other Financing Sources (Uses)							
Transfers in	-	-	-	-	-	-	-
Transfers out	-	-	-	(171,294)	(670,017)	(381,138)	(180,565)
Net Change in Fund Balances	1,199	(245,523)	-	(85,451)	(54,675)	(40,993)	(68,717)
Fund Balances (Deficits) - January 1	280,715	121,517	10,396	(28,474)	446,050	(346,676)	(277,745)
Prior period adjustment	-	-	-	-	-	-	-
Fund Balances (Deficits) - January 1 restated	280,715	121,517	10,396	(28,474)	446,050	(346,676)	(277,745)
Fund Balances (Deficits) - December 31	$ 281,914	$ (124,006)	$ 10,396	$ (113,925)	$ 391,375	$ (387,669)	$ (346,462)

(Continued)

CITY OF MENASHA, WISCONSIN
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended December 31, 2011

	Capital Projects Funds (Continued)							
	Tax Incremental District #8	Tax Incremental District #9	Tax Incremental District #10	Tax Incremental District #11	Tax Incremental District #12	Roadways at River's Edge	Total Capital Projects Funds	Total Governmental Funds
Revenues								
Taxes	$ 75,011	$ 581,987	$ 70,538	$ 84,777	$ -	$ -	$ 1,626,257	$ 2,007,012
Intergovernmental	10,091	1,566	9,345	-	-	-	989,434	1,058,031
Public charges for services	-	-	-	-	-	-	-	251,895
Intergovernmental charges for services	-	-	-	-	-	-	-	36,268
Miscellaneous	-	-	-	-	-	-	189,945	357,745
Total Revenues	85,102	583,553	79,883	84,777	-	-	2,805,636	3,710,951
Expenditures								
Current								
General government	-	-	-	-		-	-	26,287
Public safety	-	-	-	-	-	-	-	233,021
Public works	-	-	-	-	-	-	-	629,278
Health and human services	-	-	-	-	-	-	-	3,849
Culture and recreation	-	-	-	-	-	-	-	258,145
Conservation and development	150	150	149	4,288	61,635	-	66,972	214,029
Other	-	-	-	-	-	-	-	303,083
Capital outlay	-	12,111	30,331	70,624	-	-	1,175,933	1,180,193
Total Expenditures	150	12,261	30,480	74,912	61,635	-	1,242,905	2,847,885
Excess of Revenues Over (Under) Expenditures	84,952	571,292	49,403	9,865	(61,635)	-	1,562,731	863,066
Other Financing Sources (Uses)								
Transfers in	-	-	250,000	-		-	250,000	772,665
Transfers out	(106,622)	(314,202)	(409,110)	-	-	-	(2,232,948)	(2,638,903)
Net Change in Fund Balances	(21,670)	257,090	(109,707)	9,865	(61,635)	-	(420,217)	(1,003,172)
Fund Balances (Deficits) - January 1	(84,341)	(78,547)	115,469	(56,949)	-	3,183	104,598	922,397
Prior period adjustment	-	-	-	-	-	-	-	104,805
Fund Balances (Deficits) - January 1 restated	(84,341)	(78,547)	115,469	(56,949)	-	3,183	104,598	1,027,202
Fund Balances (Deficits) - December 31	$ (106,011)	$ 178,543	$ 5,762	$ (47,084)	$ (61,635)	$ 3,183	$ (315,619)	$ 24,030

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.

Information Technology
To account for services provided to other City departments by the information technology department.

CITY OF MENASHA, WISCONSIN
Combining Statement of Net Assets
Internal Service Funds
December 31, 2011

	City Garage	Property and Liability Insurance	Dental Insurance	Information Technology	Totals
ASSETS					
Cash and investments	$ 459,624	$ 131,861	$ 5,674	$ 18,338	$ 615,497
Accounts receivable	-	-	111	-	111
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	5,989,503	-	-	-	5,989,503
Less: Accumulated depreciation	(4,540,986)	-	-	-	(4,540,986)
TOTAL ASSETS	3,013,022	1,163,081	5,785	18,338	4,200,226
LIABILITIES					
Accounts payable	30,303	39,637	5,816	18,338	94,094
TOTAL LIABILITIES	30,303	39,637	5,816	18,338	94,094
NET ASSETS					
Invested in capital assets	2,553,398	-	-	-	2,553,398
Unrestricted	429,321	1,123,444	(31)	-	1,552,734
TOTAL NET ASSETS	$ 2,982,719	$ 1,123,444	$ (31)	$ -	$ 4,106,132

CITY OF MENASHA, WISCONSIN
Combining Statement of Revenues, Expenses and Changes in Net Assets
Internal Service Funds
For the Year Ended December 31, 2011

	City Garage	Property and Liability Insurance	Dental Insurance	Information Technology	Totals
Operating Revenues					
Charges for services	$ 1,366,092	$ 96,825	$ 127,084	$ 318,275	$ 1,908,276
Operating Expenses					
Operation and maintenance	956,287	-	-	318,275	1,274,562
Insurance payments and claims	-	218,998	126,516	-	345,514
Depreciation	296,894	-	-	-	296,894
Total Operating Expenses	1,253,181	218,998	126,516	318,275	1,916,970
Operating Income (Loss)	112,911	(122,173)	568	-	(8,694)
Nonoperating Revenues					
Investment income	393	32,708	-	-	33,101
Gain on disposal of capital assets	33,117	-	-	-	33,117
Total Nonoperating Revenues	33,510	32,708	-	-	66,218
Change in Net Assets	146,421	(89,465)	568	-	57,524
Net Assets (Deficit) - January 1	2,977,894	1,212,909	(599)	-	4,190,204
Prior period adjustment	(141,596)	-	-	-	(141,596)
Net Assets (Deficit) - January 1, restated	2,836,298	1,212,909	(599)	-	4,048,608
Net Assets (Deficit) - December 31	$ 2,982,719	$ 1,123,444	$ (31)	$ -	$ 4,106,132

CITY OF MENASHA, WISCONSIN
Combining Statement of Cash Flows
Internal Service Funds
For the Year Ended December 31, 2011

	City Garage	Property and Liability Insurance	Dental Insurance	Information Technology	Totals
Cash Flows from Operating Activities					
Cash received from customers	$ 1,366,002	$ 131,534	$ 126,973	$ 318,275	$ 1,942,784
Cash paid to suppliers	(523,672)	(188,566)	(127,127)	(299,937)	(1,139,302)
Cash paid to employees	(423,307)	-	-	-	(423,307)
Net Cash Provided (Used) by Operating Activities	419,023	(57,032)	(154)	18,338	380,175
Cash Flows from Capital and Related Financing Activities					
Acquisition of capital assets	(541,242)	-	-	-	(541,242)
Proceeds from sale of capital assets	57,680	-	-	-	57,680
Net Cash Used by Capital and Related Financing Activities	(483,562)	-	-	-	(483,562)
Cash Flows from Investing Activities					
Interest and dividends received	393	32,708	-	-	33,101
Change in Cash and Cash Equivalents	(64,146)	(24,324)	(154)	18,338	(70,286)
Cash and Cash Equivalents - January 1	523,770	156,185	5,828	-	685,783
Cash and Cash Equivalents - December 31	$ 459,624	$ 131,861	$ 5,674	$ 18,338	$ 615,497
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:					
Operating income (loss)	$ 112,911	$ (122,173)	$ 568	$ -	$ (8,694)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:					
Depreciation	296,894	-	-	-	296,894
Changes in assets and liabilities					
Accounts receivable	(90)	34,709	(111)	-	34,508
Accounts payable	9,308	30,432	(611)	18,338	57,467
Net Cash Provided (Used) by Operating Activities	$ 419,023	$ (57,032)	$ (154)	$ 18,338	$ 380,175

ADDITIONAL INDEPENDENT AUDITORS' REPORT FOR BASIC FINANCIAL STATEMENTS

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REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

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

We have audited the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Menasha, Wisconsin, as of and for the year ended December 31, 2011, which collectively comprise the City of Menasha, Wisconsin's basic financial statements and have issued our report thereon dated September 25, 2012. 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

Management of City of Menasha, Wisconsin is responsible for establishing and maintaining effective 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 City's 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 questioned costs as items 2011-01 and 2011-02 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.

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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 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*.

We noted certain matters that we reported to management of the City of Menasha, Wisconsin in a separate letter dated September 25, 2012.

City of Menasha, Wisconsin response to the findings identified in our audit are described in the accompanying schedule of prior year audit findings and corrective action plan. We did not audit City of Menasha, Wisconsin's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of management, the Mayor and the City Council, and is not intended to be and should not be used by anyone other than these specified parties.

Schenck SC

Certified Public Accountants
Green Bay, Wisconsin
September 25, 2012

FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE

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REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR FEDERAL AND STATE PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133 AND THE STATE SINGLE AUDIT GUIDELINES

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

Compliance

We have audited City of Menasha, Wisconsin'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* issued by the Wisconsin Department of Administration that could have a direct and material effect on each of City of Menasha, Wisconsin's major federal and state programs for the year ended December 31, 2011. City of Menasha, Wisconsin's major federal and state programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal and state programs is the responsibility of City of Menasha, Wisconsin's management. Our responsibility is to express an opinion on City of Menasha, Wisconsin's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and the *State Single Audit Guidelines* issued by the Wisconsin Department of Administration. Those standards, OMB Circular A-133 and the *State Single Audit Guidelines* require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal or state program occurred. An audit includes examining, on a test basis, evidence about City of Menasha, Wisconsin's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on City of Menasha, Wisconsin's compliance with those requirements.

In our opinion, City of Menasha, Wisconsin complied, in all material respects, with the requirements referred to above that could have a direct and material effect on each of its major federal and state programs for the year ended December 31, 2011.

Internal Control Over Compliance

Management of City of Menasha, Wisconsin is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal and state programs. In planning and performing our audit, we considered City of Menasha, Wisconsin's internal control over compliance with the requirements that could have a direct and material effect on a major federal or state program to determine the 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*, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

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A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal or state program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal or state program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of the internal control over compliance 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 compliance that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, we identified a certain deficiency in internal control over compliance that we consider to be a significant deficiency as described in the accompanying schedule of findings and questioned costs as items 2011-03. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal or state program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

City of Menasha, Wisconsin's responses to the findings identified in our audit are described in the accompanying schedule of prior year audit findings and corrective action plan. We did not audit City of Menasha, Wisconsin's responses and, accordingly, we express no opinion on the responses.

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

Schenck SC

Certified Public Accountants
Green Bay, Wisconsin
September 25, 2012

CITY OF MENASHA, WISCONSIN
Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2011

Grantor Agency/Federal Program Title	Pass-through Agency	Federal CFDA Number	Revenues: (Accrued) or Deferred Revenue 1/1/11	Revenues: Cash Received	Revenues: Accrued or (Deferred) Revenue 12/31/11	Revenues: Total Revenues	Total Expenditures
U.S. DEPARTMENT OF COMMERCE							
Economic Adjustment Assistance	WI Department of Commerce	11.307	$ -	$ 83,271	$ -	$ 83,271	$ 83,271
U.S. DEPARTMENT OF JUSTICE							
Homeland Security/Preparedness Volunteer Training	WI Department of Justice Assistance	16.964	-	4,258	-	4,258	4,258
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES							
Aging Cluster							
Grants for Supportive Services and Senior Centers (Title III-B)	Greater Wisconsin Agency on Aging Resources	93.044	-	47,151	2,141	49,292	49,292
Public Health Emergency Preparedness	WI Department of Health Services	93.069	(37,315)	62,127	3,616	28,428	28,428
Immunization Cluster							
Immunization Grants	WI Department of Health Services	93.268	-	8,785	-	8,785	8,785
ARRA - Immunization Grants	WI Department of Health Services	93.712	(2,866)	2,866	-	-	-
Total Immunization Cluster			(2,866)	11,651	-	8,785	8,785
Medical Assistance Program	WI Department of Health Services	93.778	-	842	-	842	842
Preventative Health and Health Services Block Grant	WI Department of Health Services	93.991	-	3,849	-	3,849	3,849
Maternal and Child Health Services Block Grant	WI Department of Health Services	93.994	-	11,040	-	11,040	11,040
Total U.S. Department of Health and Human Services			(40,181)	136,660	5,757	102,236	102,236
U.S. DEPARTMENT OF HOMELAND SECURITY							
ARRA - Assistance to Firefighters	Direct Program	97.115	-	803,422	-	803,422	803,422
TOTAL EXPENDITURES OF FEDERAL AWARDS			$ (40,181)	$ 1,027,611	$ 5,757	$ 993,187	$ 993,187

The notes to the schedule of expenditures of federal awards are an integral part of this schedule.

CITY OF MENASHA, WISCONSIN
Schedule of State Financial Assistance
For the Year Ended December 31, 2011

Grantor Agency/State Program Title	Pass-through Agency	State I.D. Number	Revenues: (Accrued) or Deferred Revenue 1/1/11	Revenues: Cash Received	Revenues: Accrued or (Deferred) Revenue 12/31/11	Revenues: Total Revenues	Total Expenditures
DEPARTMENT OF HEALTH SERVICES							
GPR Lead Poison	Direct Program	435.157720	$ -	$ 2,715	$ -	$ 2,715	$ 2,715
Maternal & Child Health Service Block Grant	Direct Program	435.159320	-	842	-	842	842
Total Department of Health Services			-	3,557	-	3,557	3,557
DEPARTMENT OF JUSTICE							
Law Enforcement Training	Direct Program	456.377	(5,400)	5,580	-	180	180
TOTAL STATE PROGRAMS			$ (5,400)	$ 9,137	$ -	$ 3,737	$ 3,737

The notes to the schedule of state financial assistance are an integral part of this schedule.

CITY OF MENASHA, WISCONSIN
Menasha, Wisconsin
Notes to the Schedule of Expenditures of Federal Awards and the Schedule of State Financial Assistance
For the Year Ended December 31, 2011

NOTE A - BASIS OF PRESENTATION

The accompanying schedules of expenditures of federal awards and state financial assistance include the federal and state grant activity of the City of Menasha, Wisconsin and are presented on the modified accrual basis of accounting. The information in these schedules is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* and the *State Single Audit Guidelines*. Therefore, some amounts presented in these schedules may differ from amounts presented in, or used in the preparation of, the basic financial statements.

NOTE B - OVERSIGHT AGENCIES

The U.S. Department of Homeland Security is the federal oversight agency for the City. The Wisconsin Department of Health Services is the state oversight agency for the City.

CITY OF MENASHA, WISCONSIN
Menasha, Wisconsin
Schedule of Findings and Questioned Costs
For the Year Ended December 31, 2011

Section I - Summary of Auditors' Results

Basic Financial Statements	
Type of auditors' report issued:	Unqualified
Internal control over financial reporting:	
• Material weakness(es) identified?	No
• Significant deficiency(ies) identified?	Yes
Noncompliance material to basic financial statements noted?	No
Federal Awards and State Financial Assistance	
Internal control over major programs:	
• Material weakness(es) identified?	No
• Significant deficiencies identified?	Yes
Type of auditors' report issued on compliance for major programs	Unqualified
Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of Circular A-133?	Yes
Any audit findings disclosed that are required to be reported in accordance with the *State Single Audit Guidelines*?	Yes
Identification of major federal and state programs:	

CFDA Number	Name of Federal Program
97.044	ARRA - Assistance to Firefighters

State ID Number	Name of State Program
435.157720	GPR Lead Poison

Audit threshold used to determine between Type A and Type B programs:	
Federal	$300,000
State	$100,000
Auditee qualified as a low-risk auditee:	No

Section II - Basic Financial Statement Findings

Finding No.	Control Deficiencies

2011-01 **Year End Financial Reporting**

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

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

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

Effect: The financial statements of the City could be misstated and not detected and corrected in a timely manner without our review and posting of entries.

Recommendation: We recommend the City continue reviewing the 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.

Section II - Basic Financial Statement Findings (Continued)

Finding No.	Control Deficiencies

2011-02 **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.

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

Recommendation: We recommend the accounting personnel continue to review the capital assets records of the City.

Section III - Federal Award and State Financial Assistance Findings

Finding No.	Internal Control Deficiencies

2011-03 **Financial Reporting for Federal and State Financial Assistance**

Federal CFDA #: All federal programs.
State IDs: All state programs.

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

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

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

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.

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

CITY OF MENASHA, WISCONSIN
Menasha, Wisconsin
Schedule of Findings and Questioned Costs (Continued)
For the Year Ended December 31, 2011

Section IV - Other Issues

Does the auditor's report of the notes to the financial statement include disclosure with regard to substantial doubt as to the auditee's ability to continue as a going concern?	_____	Yes	X	No
Does the audit report show audit issues (i.e., material non-compliance, non-material non-compliance, questioned costs, material weakness, significant deficiency, management letter comment, excess revenue or excess reserve) related to grants/contracts with funding agencies that require audits to be in accordance with the *State Single Audit Guidelines*:				
Department of Health Services	X	Yes	_____	No
Department of Justice	X	Yes	_____	No
Was a Management Letter or other document conveying audit comments issued as a result of this audit?	X	Yes	_____	No

Name and signature of shareholder

David L. Maccoux, CPA

Date of report

September 25, 2012

CITY OF MENASHA, WISCONSIN
Menasha, Wisconsin
Schedule of Prior Year Audit Findings and Corrective Action Plan
For the Year Ended December 31, 2011

Status of Prior Year Audit Findings

The findings noted in the 2010 Schedule of Findings and Responses has been reported to the proper state agencies. Management continues to believe the cost to hire additional staff to eliminate the control deficiency identified as 2010-01, 2010-02 and 2010-03 outweigh the benefits to be received. Management reviews the financial report prepared by Schenck.

Corrective Action Plan for Audit Findings

Finding No.	Corrective Action Plan
2011-01	**Year End Closing and Financial Reporting** Management believes that the cost of hiring additional staff to prepare year end GASB 34 conversion entries and to prepare financial reports outweighs the benefits to be received. Management has reviewed financial statements and other information prepared by Schenck prior to issuance of the report.
2011-02	**Assistance with Capital Asset Records** Management believes the cost for additional staff time to maintain the capital asset records outweigh the benefits to be received. Management has reviewed capital asset records prepared by Schenck prior to issuance of the report.
2011-03	**Financial Reporting for Federal and State Financial Assistance** Management believes the cost of additional staff time and training to prepare these items outweigh the benefits to be received. Management has reviewed single audit reports and other information prepared by Schenck prior to the issuance of the report.

MANAGEMENT COMMUNICATIONS

CITY OF MENASHA, WISCONSIN

DECEMBER 31, 2011

CITY OF MENASHA, WISCONSIN
December 31, 2011

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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, 2011. The City's financial statements, including our report thereon dated September 25, 2012 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.

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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, 2011, 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 report on internal control over financial reporting is presented on pages 64 - 65 of the annual report.

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 2011-01	Year End Financial Reporting
Finding 2011-02	Assistance with Capital Asset Records
Finding 2011-03	Financial Reporting for Federal and State Financial Assistance

These findings are described in detail in the schedule of findings and questioned costs on pages 72 - 74 of the annual report.

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by the City are described in Note A to the financial statements. The City implemented GASB Statement No. 54 *Fund Balance Reporting and Governmental Fund Type Definitions* for the year ended December 31, 2011. 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. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates included in the financial statements were:

- Management's estimate of the other post employment benefits is based on an actuarial report. We evaluated the key factors and assumptions used to develop the other post employment benefits in determining that it is reasonable in relation to the financial statements taken as a whole.

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

- Management's estimate of the incurred, but not reported (IBNR) insurance reserves are based on actuarial projections of the expected cost of the ultimate settlement and administration of claims. We evaluated the key factors and assumptions used to develop the reserves in determining that it is reasonable in relation to the financial statements taken as a whole.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. The financial statements reflect all accounting adjustments proposed during our audit. 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 auditors' report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated September 25, 2012. The management representation letter follows this communication.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the 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 comments and observations section of this letter.

This communication, which does not affect our report dated September 25, 2012 on the financial statements of the City, is intended solely for the information and use of the Mayor and 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,

Schenck SC

Certified Public Accountants
Green Bay, Wisconsin
September 25, 2012

City of Menasha • Department of Finance

September 25, 2012

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

We are providing this letter in connection with your audit of the financial statements of the City of Menasha, Wisconsin as of December 31, 2011 and for the year then ended for the purpose of expressing opinions as to whether the financial statements present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Menasha, Wisconsin and the respective changes in the financial position and where applicable, cash flows thereof, in conformity with accounting principles generally accepted in the United States of America. We confirm that we are responsible for the fair presentation of the previously mentioned financial statements in conformity with accounting principles generally accepted in the United States of America. We are also responsible for adopting sound accounting policies, establishing and maintaining effective internal control over financial reporting, and preventing and detecting fraud.

Certain representations in this letter are described as being limited to matters that are material. Items in No. 38 are considered material based on the materiality criteria specified in OMB Circular A-133 and the *State Single Audit Guidelines* issued by the Wisconsin Department of Administration. Items are considered material if they involve an omission or misstatement of accounting information that, in light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would be changed or influenced by the omission or misstatement. An omission or misstatement that is monetarily small in amount could be considered material as a result of qualitative factors.

We confirm, to the best of our knowledge and belief, as of September 25, 2012, the following representations made to you during your audit.

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

2. We have made available to you all-

   a. Financial records and related data, and all audit or relevant monitoring reports, if any, received from funding sources.

   b. Minutes of the meetings of the City Council or summaries of actions of recent meetings for which minutes have not yet been prepared.

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

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4. There are no material transactions that have not been properly recorded in the accounting records underlying the financial statements or the schedules of expenditures of federal awards and state financial assistance.

5. We acknowledge our responsibility for the design and implementation of programs and controls to prevent and detect fraud.

6. We have no knowledge of any fraud or suspected fraud affecting the entity involving:

   a. Management,

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

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

7. We have no knowledge of any allegations of fraud or suspected fraud affecting the entity received in communications from employees, former employees, analysts, regulators, or others.

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

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

10. We have provided our views on reported findings, conclusions, and recommendations, as well as our planned corrective actions, for the report.

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

12. The following, if any, have been properly recorded or disclosed in the financial statements:

    a. Related party transactions, including revenues, expenditures/expenses, loans, transfers, leasing arrangements, and guarantees, and amounts receivable from or payable to related parties.

    b. Guarantees, whether written or oral, under which the City is contingently liable.

    c. All accounting estimates that could be material to the financial statements, including the key factors and significant assumptions underlying those estimates and measurements. We believe the estimates and measurements are reasonable in the circumstances.

    d. Joint ventures, jointly governed organizations, and other related organizations.

    e. Arrangements with financial institutions involving repurchase, reverse repurchase, or securities lending agreements, compensating balances, or other arrangements involving restrictions on cash balances and line of credit or similar arrangements.

    f. Participation in a public entity risk pool.

13. We are responsible for compliance with the laws, regulations, and provisions of contracts and grant agreements applicable to us, including tax or debt limits and debt contracts; and we have identified and disclosed to you all laws, regulations and provisions of contracts and grant agreements that we believe have a direct and material effect on the determination of financial statement amounts, or other

financial data significant to the audit objectives, including legal and contractual provisions for reporting specific activities in separate funds.

14. There are no—

    a. Violations or possible violations of budget ordinances, laws and regulations (including those pertaining to adopting, approving, and amending budgets), provisions of contracts and grant agreements, tax or debt limits, and any related debt covenants whose effects should be considered for disclosure in the financial statements, or as a basis for recording a loss contingency, or for reporting on noncompliance.

    b. Unasserted claims or assessments that our lawyer has advised us are probable of assertion and must be disclosed in accordance with generally accepted accounting principles.

    c. Other liabilities or gain or loss contingencies that are required to be accrued or disclosed by generally accepted accounting principles.

15. As part of your audit, you assisted with preparation of the financial statements and related notes, the schedule of expenditures of federal awards, and the schedule of state financial assistance. We have designated an individual with suitable skill, knowledge, or experience to oversee your services and have made all management decisions and performed all management functions. We have reviewed, approved, and accepted responsibility for those financial statements and related notes, the schedule of expenditures of federal awards, and the schedule of state financial assistance.

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

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

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

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

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

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

22. Components of net assets (invested in capital assets, net of related debt, restricted, and unrestricted) and components of fund balance (nonspendable, restricted, committed, assigned and unassigned) are properly classified and, if applicable, approved.

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

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

25. Revenues are appropriately classified in the statement of activities within program revenues, general revenues, contributions to term or permanent endowments, or contributions to permanent fund principal.

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

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

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

29. We acknowledge our responsibility for the required supplementary information (RSI). The RSI is measured and presented within prescribed guidelines and the methods of measurement and presentation have not changed from those used in the prior period. We have disclosed to you any significant assumptions and interpretations underlying the measurement and presentation of the RSI.

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

31. We agree with the findings of specialists in evaluating the other post-employment benefits, pension benefits, and incurred but not reported claims and have adequately considered the qualifications of the specialist in determining the amounts and disclosures used in the financial statements and underlying accounting records. We did not give or cause any instructions to be given to specialists with respect to the values or amounts derived in an attempt to bias their work, and we are not otherwise aware of any matters that have had an impact on the independence or objectivity of the specialists.

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

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

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

35. Capital assets have been evaluated for impairment as a result of significant and unexpected decline in service utility. Impairment loss and insurance recoveries have been properly recorded

36. We believe that the actuarial assumptions and methods used to measure pension and OPEB liabilities and costs for financial accounting purposes are appropriate in the circumstances.

37. We do not plan to make frequent amendments to our other post-retirement benefit plans.

38. With respect to federal and state award programs:

a. We are responsible for understanding and complying with and have complied with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* and the *State Single Audit Guidelines* issued by the Wisconsin Department of Administration including requirements relating to preparation of the schedule of federal awards and the schedule of state financial assistance.

b. We have prepared the schedule of expenditures of federal awards in accordance with OMB Circular A-133 and the schedule of state financial assistance in accordance with *State Single Audit Guidelines*, and have identified and disclosed in the schedules of expenditures of federal awards and state financial assistance, expenditures made during the audit period for all awards provided by federal and state agencies in the form of grants, cost-reimbursement contracts, loans, loan guarantees, property (including donated surplus property), cooperative agreements, interest subsidies, insurance, food commodities, direct appropriations, and other assistance.

c. We acknowledge our responsibility for presenting the schedule of expenditures of federal awards (SEFA) in accordance with the requirements of OMB Circular A-133 §310.b and the schedule of state financial assistance (SSFA) in accordance with the requirements of the *State Single Audit Guidelines* and we believe the SEFA and SSFA, including their form and content, are fairly presented in accordance with the Circular and the Guidelines. The methods of measurement and presentation of the SEFA and SSFA have not changed from those used in the prior period and we have disclosed to you any significant assumptions and interpretations underlying the measurement and presentation of the SEFA and SSFA.

d. If the SEFA and SSFA are not presented with the audited financial statements, we will make the audited financial statements readily available to the intended users of the supplementary information no later than the date we issue the supplementary information and the auditor's report thereon.

e. We have identified and disclosed to you all of our government programs and related activities subject to OMB Circular A-133 and the *State Single Audit Guidelines*.

f. We are responsible for understanding and complying with, and have complied with the requirements of laws, regulations, and the provisions of contracts and grant agreements related to each of our federal and state programs and have identified and disclosed to you the requirements of laws, regulations, and the provisions of contracts and grant agreements that are considered to have a direct and material effect on each major federal and state program.

g. We are responsible for establishing and maintaining, and have established and maintained, effective internal control over compliance requirements applicable to federal and state programs that provide reasonable assurance that we are managing our federal and state awards in compliance with laws, regulations, and the provisions of contracts and grant agreements that could have a material effect on our federal and state programs. We believe the internal control system is adequate and is functioning as intended.

h. We have made available to you all contracts and grant agreements (including amendments, if any) and any other correspondence with federal and state agencies or pass-through entities relating to each major federal and state programs and related activities.

i. We have received no requests from a federal or state agency to audit one or more specific programs as a major program.

j. We have complied with the direct and material compliance requirements, (except for noncompliance disclosed to you) including when applicable, those set forth in the *OMB Circular A-133 Compliance Supplement* and the *State Single Audit Guidelines*, relating to federal and state awards and have identified and disclosed to you all amounts questioned and all known noncompliance with the requirements of federal and state awards.

k. We have disclosed any communications from grantors and pass-through entities concerning possible noncompliance with the direct and material compliance requirements, including communications received from the end of the period covered by the compliance audit to the date of the auditor's report.

l. We have disclosed to you the findings received and related corrective actions taken for previous audits, attestation engagements, and internal or external monitoring that directly relate to the objectives of the compliance audit, including findings received and corrective actions taken from the end of the period covered by the compliance audit to the date of the auditors' report.

m. Amounts claimed or used for matching were determined in accordance with relevant guidelines in OMB Circular A-87, *Cost Principles for State, Local, and Tribal Governments*, and OMB's *Uniform Administrative Requirements for Grants and Cooperative Agreements to State and Local Governments.*

n. We have disclosed to you our interpretation of compliance requirements that may have varying interpretations.

o. We have made available to you all documentation related to compliance with the direct and material compliance requirements, including information related to federal and state program financial reports and claims for advances and reimbursements.

p. We have disclosed to you the nature of any subsequent events that provide additional evidence about conditions that existed at the end of the reporting period affecting noncompliance during the reporting period.

q. There are no such known instances of noncompliance with direct and material compliance requirements that occurred subsequent to the period covered by the auditors' report.

r. No changes have been made in internal control over compliance or other factors that might significantly affect internal control, including any corrective action we have taken regarding significant deficiencies in internal control over compliance (including material weaknesses in internal control over compliance), have occurred subsequent to the date as of which compliance was audited.

s. Federal and state program financial reports and claims for advances and reimbursements are supported by the books and records from which the financial statements have been prepared.

t. We have charged costs to federal and state awards in accordance with applicable cost principles.

u. The copies of federal and state program financial reports provided you are true copies of the reports submitted, or electronically transmitted, to the respective federal and state agency or pass-through entity, as applicable.

v. We have considered the results of subrecipient audits and have made any necessary adjustments to our books and records. [Omit this item if there are no subrecipients.]

w. We are responsible for and have accurately prepared the summary schedule of prior audit findings to include all findings required to be included by OMB Circular A-133 and the *State Single Audit Guidelines* and we have provided you with information on the status of the follow-up on prior audit findings by federal and state awarding agencies and pass-through entities, including all management decisions.

x. We are responsible for and have accurately prepared the auditee section of the Data Collection Form as required by OMB Circular A-133.

y. We are responsible for preparing and implementing a corrective action plan for each audit finding

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

Signed: Thomas Stoffel
Thomas Stoffel
Comptroller/Treasurer

Signed: Jennifer Sassman
Jennifer Sassman,
Deputy Treasurer

GENERAL CITY

FINANCIAL COMMENTS

1. City Fund Balances

Presented below is a summary of the City's governmental fund balances on December 31, 2011 including a comparison to the prior year. This information is provided to assist management in assessing financial results for 2011 and for indicating financial resources available at the start of the 2012 budget year.

	12/31/11	12/31/10
General Fund		
Nonspendable		
Inventories and prepaid items	322,112	151,759
Assigned	-	482,766
Unassigned	1,926,449	1,369,813
Total Fund Balance	2,248,561	2,004,338
Special Revenue Funds		
Restricted		
Housing rehabilitation revolving loans	24,536	25,425
Community development block grant	134,056	141,550
Tax Incremental District No. 1	50,589	115,867
Tax Incremental District No. 2	-	80,270
Tax Incremental District No. 3	-	99,847
Library endowment	243,774	147,224
Hattie Minor Scholarship	39,023	41,752
Public safety donations	1,149	2,105
Heckrodt Nature Center	5,021	7,525
Senior Center memorials	5,606	4,750
Senior Center fund raising	1,450	1,450
Assigned		
Marina operations	2,065	946
Park development	154,077	145,197
Post employment sick leave reserve	538	105,923
Unassigned		
Tax Incremental District No. 3	(36,613)	-
Recycling	(202,006)	(86,174)
Lead paint reduction	(15,858)	(15,858)
FEMA Grant	(67,758)	-
Total Special Revenue Funds	339,649	817,799
Debt Service Fund		
Nonspendable		
Long-term advance	430,815	806,999
Restricted	1,181,550	1,252,033
Total Debt Service Fund	1,612,365	2,059,032

(Continued)

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

	12/31/11	12/31/10
Capital Projects Funds		
Restricted		
Tax Incremental District No. 5	391,375	446,050
Tax Incremental District No. 10	5,762	115,469
Assigned		
Roadways at River's Edge	3,183	3,183
2008 Capital projects	281,914	280,715
Capital improvements	10,396	10,396
Tax Incremental District No. 9	178,543	-
Capital facilities	-	121,517
Unassigned		
Capital facilities	(124,006)	-
Tax Incremental District No. 4	(113,925)	(28,474)
Tax Incremental District No. 6	(387,669)	(346,676)
Tax Incremental District No. 7	(346,462)	(277,745)
Tax Incremental District No. 8	(106,011)	(84,341)
Tax Incremental District No. 9	-	(78,547)
Tax Incremental District No. 11	(47,084)	(56,949)
Tax Incremental District No. 12	(61,635)	-
Total Capital Projects Funds	(315,619)	104,598
Total Governmental Fund Balances	$ 3,884,956	$ 4,985,767

The City's general fund increased $244,223 during the year. The City's unassigned fund balance currently is $1,926,449 or 12.2% of the City's 2011 general fund expenditures.

2. City's Debt Position

At December 31, 2011, the City has outstanding general obligation debt totaling $43,810,412. Annual principal and interest maturities of the outstanding general obligation debt on December 31, 2011 are allocated as follows:

Year Ended	General City		Menasha Utilities		Total G.O. Debt	
December 31	Principal	Interest	Principal	Interest	Principal	Interest
2012	$ 4,237,658	$ 1,020,464	$ 435,753	$ 1,109,617	$ 4,673,411	$ 2,130,081
2013	7,559,125	858,081	614,879	1,095,166	8,174,004	1,953,247
2014	5,397,000	513,320	873,841	1,036,204	6,270,841	1,549,524
2015	1,323,012	276,184	920,989	989,055	2,244,001	1,265,239
2016	1,379,043	217,960	968,110	941,935	2,347,153	1,159,895
2017-2021	3,572,492	245,923	5,695,223	3,855,003	9,267,715	4,100,926
2022-2026	-	-	7,408,182	2,142,045	7,408,182	2,142,045
2027-2031	-	-	3,425,105	376,071	3,425,105	376,071
	$ 23,468,330	$ 3,131,932	$ 20,342,082	$ 11,545,096	$ 43,810,412	$ 14,677,028

The City's tax incremental financing districts are responsible for outstanding debt of $14,078,331 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, 2011 was $8,813,998 as follows:

Equalized valuation of the City		$ 1,028,857,200
Statutory limitation percentage		(x) 5%
General obligation debt limitation, per Section 67.03 of the Wisconsin Statutes		51,442,860
Total outstanding general obligation debt applicable to debt limitation	$ 43,810,412	
Less: Amounts available for financing general obligation debt		
Debt service fund	1,181,550	
Net outstanding general obligation debt applicable to debt limitation		42,628,862
Legal Margin for New Debt		$ 8,813,998

3. Tax Incremental Districts

The City has created and recorded financial activity in ten tax incremental districts as of December 31, 2011. All project expenditures for TID No. 1 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, 2011 is presented below:

	Net Unreimbursed Project Costs	Outstanding Long-term Debt
Tax Incremental District No. 1	$ 357,762	$ -
Tax Incremental District No. 3	(30,337)	735,000
Tax Incremental District No. 4	929,303	820,000
Tax Incremental District No. 5	2,396,407	3,058,331
Tax Incremental District No. 6	2,902,669	2,515,000
Tax Incremental District No. 7	1,931,463	1,585,000
Tax Incremental District No. 8	956,010	850,000
Tax Incremental District No. 9	4,336,456	4,515,000
Tax Incremental District No. 10	244,237	-
Tax Incremental District No. 11	47,084	-
Tax Incremental District No. 12	61,635	-
	$ 14,132,689	$ 14,078,331

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, 2011 and 2010.

	2011	2010
Operating Revenues		
Charges for services	$ 1,366,092	$ 1,262,107
Operating Expenses		
Operation and maintenance	956,287	969,467
Depreciation	296,894	261,742
Total Operating Expenses	1,253,181	1,231,209
Operating Income	112,911	30,898
Nonoperating Revenues		
Interest revenue	393	600
Gain on disposal of capital assets	33,117	24,315
Total Nonoperating Revenues	33,510	24,915
Changes in Net Assets	146,421	55,813
Net Assets - January 1	2,977,894	2,922,081
Prior period adjustment	(141,596)	-
Net Assets - December 31	$ 2,982,719	$ 2,977,894

The City has used cash generated from operations to finance annual capital asset purchases. During 2011, capital assets of $541,242 were acquired by the City. As of December 31, 2011, the City had cash and investments of $459,624 to finance future operations and capital purchases.

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 2011 transactions, with a comparison to 2010, for the property and liability self-insurance fund follows:

	2011	2010
Operating Revenues		
Charges for services	$ 96,825	$ 166,316
Other	-	113
Total Operating Revenues	96,825	166,429
Operating Expenses		
Insurance payments and claims	218,998	35,752
Operating Income (Loss)	(122,173)	130,677
Nonoperating Revenues		
CVMIC dividend	32,708	-
Changes in Net Assets	(89,465)	130,677
Net Assets - January 1	1,212,909	1,082,232
Net Assets - December 31	$ 1,123,444	$ 1,212,909

The liability self-insurance fund generated an operating loss of $122,173 for 2011, compared to an operating income of $130,677 for the prior year due to fluctuating claims. At December 31, 2011 the City has $131,861 for future claims.

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 2011 transactions with a comparison to 2010 is presented below:

	2011	2010
Operating Revenues		
Charges for services	$ 127,084	$ 117,162
Operating Expenses		
Dental insurance claims	114,692	116,350
Administrative fees	11,824	7,108
Total Operating Expenses	126,516	123,458
Changes in Net Assets	568	(6,296)
Net Assets (Deficit) - January 1	(599)	5,697
Net Assets (Deficit) - December 31	$ (31)	$ (599)

On December 31, 2011, the dental insurance internal service fund reported a claim liability of $5,816 based on the requirements of GASB Statement No. 10.

COMMENTS AND OBSERVATIONS

1. Segregation of Duties

Under ideal conditions, there are many procedures and controls designed to limit the access of any one individual to all phases of an accounting transaction. Many municipalities and City departments do not have a large administrative staff, making it difficult to ideally segregate various procedures from any one individual. We identified departments within the City that have staff perform substantially all accounting functions, which under ideal conditions should be segregated. Because overlapping responsibilities do exist, the Finance Department and the City Council should rely on their direct knowledge of the City's operations and day-to-day contact with employees to control and safeguard assets.

Our review of the internal controls disclosed internal control situations in which segregation of duties is not feasible due to the limited number of staff within the various departments. Following are our observations and suggestions for improvement:

- The payroll department has one employee that processes the entire payroll, including adding employees and changing rates in the system. This could lead to fictitious employees being created or employees being paid unauthorized rates. We suggest the adding of employees and changing wages rates function be segregated from the processing of payroll.

- The parks and public works departments currently each have one employee that receipt collections, reconcile the deposit, and make the deposit with the treasurer. These employees are in the same office and we would suggest they reconcile each other's deposit.

- The police department has one employee receipt collections, make the deposit with the treasurer, and reconcile the receipts with no one else reviewing their work. This position is a job-share. We suggest each employee reconcile receipts issued by the other employee from the days they don't work.

- Public health has one position with record-keeping and custody of cash over receipts. Separating these duties would improve the internal control structure. There was also a lack of adequate documentation supporting receipts. We suggest the department standardize receipting procedures.

These types of internal control weaknesses require an increased amount of management involvement in the day-to-day operation of the City. This is not an unusual situation, but management should continue to be aware of these conditions, identify cost effective alternatives to improve the internal control structure when possible, and realize that the concentration of duties and responsibilities in a limited number of individuals is not desirable from a control point of view.

2. Library

During our audit, we discovered that the library held a bank account and certificates of deposit that weren't recorded in the City's general ledger. We suggest implementing a control where accounts cannot be opened without approval by the finance department.

3. Changes to Government Auditing Standards

The United States Government Accountability Office recently issued the 2011 revision to the Government Auditing Standards. This revision will be effective for your next audit and creates a framework we must follow to maintain our independence when we perform non-audit services for you.

During the current year audit, we have provided the following non-audit services to the City:

- Identifying reconciling items for certain general ledger accounts and proposing adjusting and closing entries to your general ledger;
- Proposing GASB 34 conversion entries to convert your fund financial statements to government-wide financial statements;
- Assisting with capital asset records, including calculating depreciation;
- Preparing financial statements, including related notes, based on your adjusted trial balance; and
- Compiling your schedule of expenditures of federal awards and state financial assistance based on grant awards, receipts and expenditures you provide to us.

In order for us to maintain our independence and to issue an unqualified opinion on your financial statements, you need to document steps that you take in order to accept responsibility for all non-audit services we provide to you. This includes:

- Understanding the services to be performed sufficiently to oversee them;
- Designating an individual who possess suitable skill, knowledge, or experience to oversee our services;
- Evaluating the adequacy and results of the services performed; and
- Accepting responsibility for the results of the services.

The new standards will be effective for your December 31, 2012 audit.