

**CITY OF MENASHA
TAX INCREMENTAL DISTRICT NUMBER TWO
MENASHA, WISCONSIN**

AUDIT REPORT

**FROM DATE OF CREATION
THROUGH MAY 2, 2011**

CITY OF MENASHA
TAX INCREMENTAL DISTRICT NUMBER TWO
MENASHA, WISCONSIN
From Date of Creation Through May 2, 2011

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INDEPENDENT AUDITORS' REPORT

To the City Council
City of Menasha, Wisconsin

We have audited the accompanying financial schedules as listed in the accompanying table of contents of the City of Menasha Tax Incremental District Number Two (the "District"), Menasha, Wisconsin, as of May 2, 2011 and from the date the District was created through May 2, 2011. These financial schedules are the responsibility of the City's management. Our responsibility is to express an opinion on the financial schedules based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial schedules 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 District'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 schedules. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall schedule presentation. We believe that our audit provides a reasonable basis for our opinion.

As discussed in Note A, the financial schedules present only the transactions of the District and are not intended to present fairly the financial position of the City of Menasha, Wisconsin, and the results of its operations and cash flows of its proprietary funds in accordance with accounting principles generally accepted in the United States of America.

In our opinion, the financial schedules referred to above present fairly, in all material respects, the financial position and results of operations of the District as of May 2, 2011 and from the creation date of the District through May 2, 2011, in conformity with the basis of accounting described in Note A.

Management has omitted the management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic 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. Our opinion on the basic financial statements is not affected by this missing information.

Certified Public Accountants
Green Bay, Wisconsin
October 26, 2011

FINANCIAL SCHEDULES

CITY OF MENASHA
TAX INCREMENTAL DISTRICT NUMBER TWO
MENASHA WISCONSIN
 Balance Sheet
 May 2, 2011

	TID No.2 Fund
ASSETS	
Cash and investments	\$ 140,015
TOTAL ASSETS	<u>\$ 140,015</u>
 LIABILITIES AND FUND BALANCE	
LIABILITIES	
Accounts payable	\$ 3,000
Refund to overlying districts	137,011
Due to other funds	4
Total Liabilities	<u>140,015</u>
 FUND BALANCE	
Undesignated	<u>-</u>
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 140,015</u>

The notes to financial schedules are an integral part of this schedule.

CITY OF MENASHA
TAX INCREMENTAL DISTRICT NUMBER TWO
MENASHA WISCONSIN

Historical Summary of Project Costs, Project Revenues and
Excess Project Revenues over Project Expenditures
From Date of Creation Through May 2, 2011

PROJECT COSTS

Capital expenditures	\$ 25,237
Planning and administrative	424,863
Interest and fiscal charges	452,380
TOTAL PROJECT COSTS	<u>902,480</u>

PROJECT REVENUES

Tax increments	1,017,227
Intergovernmental	6,027
Interest	16,237
TOTAL PROJECT REVENUES	<u>1,039,491</u>

EXCESS PROJECT REVENUES OVER PROJECT EXPENDITURES

\$ (137,011)

The notes to financial schedules are an integral part of this schedule.

CITY OF MENASHA
TAX INCREMENTAL DISTRICT NUMBER TWO
MENASHA WISCONSIN
Historical Summary of Sources, Uses and Status of Funds
From Date of Creation Through May 2, 2011

SOURCES OF FUNDS

Tax increments	\$ 1,017,227
Intergovernmental	6,027
Interest	16,237
Proceeds from long-term debt	1,693,000
Total Sources	2,732,491

USE OF FUNDS

Capital expenditures	25,237
Planning and administrative	424,863
Principal on long-term debt	1,693,000
Interest and fiscal charges	452,380
Refund to overlying districts	137,011
Total Uses	2,732,491

FUND BALANCE - MAY 2, 2011	\$ -
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The notes to financial schedules are an integral part of this schedule.

CITY OF MENASHA
TAX INCREMENTAL DISTRICT NUMBER TWO
MENASHA, WISCONSIN

Schedule of Revenues, Expenditures and Changes in Fund Balance
From Date of Creation Through May 2, 2011

	Creation - 12/31/99	2000	2001	2002	2003	2004	2005	2006
Revenues								
Tax increments	\$ 324,524	\$ 45,816	\$ 49,276	\$ 53,926	\$ 53,405	\$ 56,481	\$ 59,924	\$ 59,814
Intergovernmental	-	945	604	719	179	645	461	384
Other	16,237	-	-	-	-	-	-	-
Total Revenues	340,761	46,761	49,880	54,645	53,584	57,126	60,385	60,198
Expenditures								
Capital outlay	414,027	-	-	-	-	-	-	-
Other	566	1,260	-	-	-	-	-	-
Debt service								
Principal retirement	261,000	51,000	53,250	55,500	57,750	60,000	56,250	-
Interest and fiscal charges	368,204	13,975	11,999	9,869	7,566	5,111	2,531	-
Debt issuance and agency fees	64,222	-	-	-	-	-	-	-
Total Expenditures	1,108,019	66,235	65,249	65,369	65,316	65,111	58,781	-
Excess of Revenues Over (Under) Expenditures	(767,258)	(19,474)	(15,369)	(10,724)	(11,732)	(7,985)	1,604	60,198
Other Financing Sources (Uses)								
Debt issued	1,692,750	-	-	-	-	-	-	-
Principal of refinanced bonds	(1,098,000)	-	-	-	-	-	-	-
Advance from other funds	172,520	19,465	15,369	10,724	11,732	7,985	-	-
Repayment of advance from other funds	-	-	-	-	-	-	(1,604)	(60,200)
Refund to overlying districts	-	-	-	-	-	-	-	-
Total Other Financing Sources (Uses)	767,270	19,465	15,369	10,724	11,732	7,985	(1,604)	(60,200)
Net Change in Fund Balance	12	(9)	-	-	-	-	-	(2)
Fund Balance - Beginning	-	12	3	3	3	3	3	3
Fund Balance - Ending	\$ 12	\$ 3	\$ 3	\$ 3	\$ 3	\$ 3	\$ 3	\$ 1

(Continued)

CITY OF MENASHA
TAX INCREMENTAL DISTRICT NUMBER TWO
MENASHA, WISCONSIN
 Schedule of Revenues, Expenditures and Changes in Fund Balance (Continued)
 From Date of Creation Through May 2, 2011

	2007	2008	2009	2010	2011	Total	Project Plan
Revenues							
Tax increments	\$ 61,298	\$ 63,072	\$ 63,736	\$ 66,597	\$ 59,358	\$ 1,017,227	
Intergovernmental	203	590	485	425	387	6,027	
Other	-	-	-	-	-	16,237	
Total Revenues	61,501	63,662	64,221	67,022	59,745	1,039,491	-
Expenditures							
Capital outlay	-	-	-	-	-	414,027	530,000
Other	-	-	-	150	3,000	4,976	-
Debt service	-	-	-	-	-	-	-
Principal retirement	-	-	-	-	-	594,750	-
Interest and fiscal charges	-	-	-	-	-	419,255	100,000
Debt issuance and agency fees	-	-	-	-	-	64,222	-
Total Expenditures	-	-	-	150	3,000	1,497,230	630,000
Excess of Revenues Over (Under)	61,501	63,662	64,221	66,872	56,745	(457,739)	
Expenditures							
Other Financing Sources (Uses)							
Debt issued	-	-	-	-	-	1,692,750	
Principal of refinanced bonds	-	-	-	-	-	(1,098,000)	
Advance from other funds	-	-	-	-	-	237,795	
Repayment of advance from other funds	(61,500)	(63,660)	(50,827)	-	(4)	(237,795)	
Refund to overlying districts	-	-	-	-	(137,011)	(137,011)	
Total Other Financing Sources (Uses)	(61,500)	(63,660)	(50,827)	-	(137,015)	457,739	
Net Change in Fund Balance	1	2	13,394	66,872	(80,270)	-	
Fund Balance - Beginning	1	2	4	13,398	80,270	-	
Fund Balance - Ending	2	4	13,398	80,270	-	-	

The notes to financial schedules are an integral part of this schedule.

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CITY OF MENASHA
TAX INCREMENTAL DISTRICT NUMBER TWO
MENASHA, WISCONSIN
Notes to Financial Schedules
May 2, 2011

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial schedules of the City of Menasha ("the City") Tax Incremental District Number Two ("District"), Menasha, Wisconsin, have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units and the requirements of Wisconsin Statutes Section 66.1105. 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 District are described below:

1. Reporting Entity

Tax Incremental District Number Two (District) was created by a City Council resolution with a creation date of December 19, 1986 in accordance with Section 66.1105 of the Wisconsin Statutes. The statutory purpose of a tax incremental district is to allow a municipality to recover development and improvement costs in a designated area from the property taxes generated on the increased value of the property after the creation date of the District. The tax on the increased value is called a tax increment. The statutes allow the City to collect the increments until the net project costs have been fully recovered, or until 27 years after the creation of the District, whichever occurs first. Costs unrecovered at District termination are the responsibility of the City.

2. Purpose of Audit Report

Wisconsin Statutes require detail audits of tax incremental districts when a district is terminated. The City terminated the District on May 2, 2011. The scope of this audit extends beyond the scope of an audit performed in accordance with auditing standards generally accepted in the United States of America. Because the City's annual audits for its financial statements have not included the statutory audits for Tax Incremental District Number Two, the City has authorized a separate statutory audit of the District for all transactions from the date of creation through May 2, 2011.

3. Measurement Focus and Basis of Accounting

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. Project costs, other than interest on long-term debt, are recorded when the related fund liability is incurred.

District increments are recorded as revenues in the year due. Intergovernmental aids and grants are recognized as revenues in the period the related expenditures are incurred, if applicable, or when the City is entitled to the aids. Other revenues are recognized when received in cash or when measurable and available under the criteria described above.

Financial transactions for the District were reported special revenue and capital projects funds during the life of the District and the financial transactions were consolidated for purposes of this report; therefore, amounts shown in the accompanying financial schedules will not directly correlate with amounts shown in the City's basic financial statements during this period. Detail descriptions of the purpose of these funds can be found in the City's basic financial statements.

4. Use of Estimates

The preparation of financial schedules in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial schedules and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

CITY OF MENASHA
TAX INCREMENTAL DISTRICT NUMBER TWO
MENASHA, WISCONSIN
Notes to Financial Schedules
May 2, 2011

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

5. Project Plan Budget

The project plan budget included in the financial schedules was taken from the District's original project plan as follows:

	Creation/ Adoption Date	Approved Project Costs
Original Project Plan	12/19/1986	\$ 630,000
There were no amendments to the project plan		

6. Assets, Liabilities and Net Assets or Equity

a. Cash and Investments

Cash of the District consist of demand and time deposits with financial institutions held by the City and are carried at cost.

b. Interfund Receivables and Payables

The District's project plan expenditures were financed by interfund advances from other City funds and represented a payable of the District. As of the November 2, 2010, all interfund advances were retired by the District.

c. Property Taxes

Property taxes are levied by the City during December and become an enforceable lien on property the following January 1. Property taxes generated within District boundaries that exceed property taxes generated on the tax incremental base of the District, which was established by the State of Wisconsin upon creation, are retained by the District and reported as tax increments in the financial schedules.

7. Long-term Debt

The District has retired all long-term liabilities for the 1986, 1989 and 1994 debt issues of the district.

Proceeds of long-term debt issues not recorded as fund liabilities are reflected as "Sources of Funds" in the operating settlement of the recipient fund. Retirement of these issues is reported as an expenditure in the year in which the debt matures or is repaid, whichever is earlier.

8. Claims and Judgments

Claims and judgments are recorded as liabilities if all the conditions of Governmental Accounting Standards Board pronouncements are met. Claims and judgments that would normally be liquidated with expendable available financial resources are recorded during the year as expenditures in the governmental funds. If they are not liquidated with expendable available financial resources, a liability is shown in the long-term debt footnote disclosure. The related expenditure is recognized when the liability is liquidated.

CITY OF MENASHA
TAX INCREMENTAL DISTRICT NUMBER TWO
MENASHA, WISCONSIN
Notes to Financial Schedules
May 2, 2011

NOTE B - CASH AND TEMPORARY INVESTMENTS

The District invests its funds in accordance with the provisions of the Wisconsin Statutes 66.0603(lm) and 67.11(2).

Investments are stated at fair value, which is the amount at which an investment could be exchanged in a current transaction between willing parties. Fair values are based on quoted market prices. No investments are reported at amortized cost. Adjustments necessary to record investments at fair value are recorded in the operating statement as increases or decreases in investment income.

The District, as a fund of the City, maintains separate and common cash and investment accounts at the same financial institutions utilized by the City. Federal depository insurance and the State of Wisconsin Guarantee fund insurance apply to the City of Menasha, Wisconsin as an individual municipality and, accordingly, the amount of insured funds is not determinable for the District.

NOTE C - ACTIVITY SUBSEQUENT TO THE CLOSE OF THE DISTRICT

The District was officially closed by City Council resolution on May 2, 2011 and notice filed with the State of Wisconsin. No tax increment along with the related tax-exempt computer aid payment received from the State of Wisconsin was certified prior to the date of close of the District; therefore, the 2010 tax increment and exempt computer aid payment received in 2011 were the last payments for the district. No other payments will be received by the district.

NOTE D - REFUND TO OVERLYING DISTRICTS

The refund to overlying districts of \$137,011 is calculated based on increments collected in excess of project costs using the ratio of tax levies in the 2010 tax roll.

A summary of the total due, along with each overlying district's portion of the payment, are as follows:

	2010 Levy	Portion of Levy	Balance Due
City of Menasha	\$ 8,937,499	39.76%	\$ 54,476
Menasha School District	7,594,323	33.78%	46,282
Fox Valley Technical College	1,416,223	6.30%	8,632
Winnebago County	4,532,234	20.16%	27,621
	<u>\$ 22,480,279</u>	100.00%	<u>\$ 137,011</u>

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**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH TAX
INCREMENTAL DISTRICT LAWS, REGULATIONS AND PROJECT PLAN**

To the City Council
City of Menasha, Wisconsin

We have audited the accompanying financial schedules as listed in the accompanying table of contents of the City of Menasha Tax Incremental District Number Two (the "District"), Menasha, Wisconsin, as of May 2, 2011 and from the date the District was created through May 2, 2011 and have issued our report thereon dated October 26, 2011.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial schedule is free of material misstatement.

Compliance with tax incremental district laws, regulations and the project plan applicable to the District is the responsibility of the City of Menasha, Wisconsin's management. As part of obtaining reasonable assurance about whether the accompanying financial schedules are free of material misstatement, we performed tests of the City of Menasha, Wisconsin's compliance with Wisconsin State Statutes Section 66.1105 and the project plan. However, it should be noted that our objective was not to provide an opinion on overall compliance with such provisions. Accordingly, we do not express such an opinion.

The results of our tests indicate that, with respect to the items tested, the City of Menasha, Wisconsin complied, in all material respects, with the provisions referred to in the preceding paragraph. With respect to items not tested, nothing came to our attention that caused us to believe that the City of Menasha, Wisconsin had not complied, in all material respects, with those provisions.

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

Certified Public Accountants
Green Bay, Wisconsin
October 26, 2011