MANAGEMENT COMMUNICATIONS

CITY OF MENASHA, WISCONSIN

DECEMBER 31, 2012

CITY OF MENASHA, WISCONSIN
December 31, 2012

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Schenck

CPAs AND SO MUCH MORE.

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") as of and for the year ended December 31, 2012. The City's financial statements, including our report thereon dated November 26, 2013 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, 2012, 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 2012-01	Preparation of Annual Financial Report
Finding 2012-02	Capital Asset Additions
Finding 2012-03	Financial Reporting for Federal and State Financial Assistance
Finding 2012-04	Late Submittal of City's Reporting Package in Accordance with OMB Circular A-133

These findings are described in detail in the schedule of findings and questioned costs on pages 74 - 77 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. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position* and GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities* for the year ended December 31, 2012. 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 November 26, 2013. 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 November 26, 2013 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
November 26, 2013

November 26, 2013

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

This representation letter is provided in connection with your audit of the financial statements of the City of Menasha, Wisconsin, Wisconsin, (the "City"), which comprise the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information as of December 31, 2012, and the respective changes in the financial position and where applicable, cash flows for the year then ended, and the related notes to the financial statements for the purpose of expressing opinions as to whether the financial statements are presented fairly, in all material respects, in accordance with accounting principles generally accepted in the United States of America.

Certain representations in this letter are described as being limited to matters that are material. Items in No. 45 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, regardless of size, if they involve an omission or misstatement of accounting information that, in light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would be changed or influenced by the omission or misstatement. An omission or misstatement that is monetarily small in amount could be considered material as a result of qualitative factors.

We confirm, to the best of our knowledge and belief, as of November 26, 2013, the following representations made to you during your audit.

Financial Statements

1. We have fulfilled our responsibilities, as set out in the terms of the audit engagement letter dated November 9, 2012.

2. 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 required by accounting principles generally accepted in the United States of America to be included in the financial reporting entity.

3. We acknowledge our responsibility for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

4. We acknowledge our responsibility for the design, implementation, and maintenance of internal control to prevent and detect fraud.

5. Significant assumptions we used in making accounting estimates are reasonable.

6. Related party relationships and transactions, including revenues, expenditures/expenses, loans, transfers, leasing arrangements, and guarantees, and amounts receivable from or payable to related parties have been appropriately accounted for and disclosed in accordance with the requirements of accounting principles generally accepted in the United States of America.

7. All events subsequent to the date of the financial statements and for which accounting principles generally accepted in the United States of America requires adjustment or disclosure have been adjusted or disclosed. 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.

8. We are in agreement with the adjusting journal entries you have proposed, and they have been posted to the City's accounts.

9. We are not aware of any pending or threatened litigation, claims or assessments or unasserted claims or assessments that are required to be accrued or disclosed in the financial statements, and we have not consulted a lawyer concerning litigation, claims, or assessments.

10. Guarantees, whether written or oral, under which the City is contingently liable, if any, have been properly recorded or disclosed.

Information Provided

11. We have provided you with:

    a. Access to all information, of which we are aware, that is relevant to the preparation and fair presentation of the financial statements, such as records, documentation, and other matters.

    b. Additional information that you have requested from us for the purpose of the audit.

    c. Unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence.

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

12. All material transactions have been recorded in the accounting records and are reflected in the financial statements and the schedules of expenditures of federal awards and state financial assistance.

13. We have made an assessment of the risk that the financial statements may be materially misstated as a result of fraud. We have disclosed the results of our assessment as follows:

    a. We have no knowledge of any fraud or suspected fraud that affects the entity and involves:

        i. Management,

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

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

    b. We have no knowledge of any allegations of fraud or suspected fraud affecting the City's financial statements communicated by employees, former employees, regulators, or others.

14. We have disclosed to you all known instances of noncompliance or suspected noncompliance with provisions of laws, regulations, contracts, or grant agreements, or abuse, whose effects should be considered when preparing financial statements.

15. We are not aware of any pending or threatened litigation, claims, or assessments or unasserted claims or assessments that are required to be accrued or disclosed in the financial statements, and we have not consulted a lawyer concerning litigation, claims, or assessments.

16. We have disclosed to you the identity of the City's related parties and all the related party relationships and transactions of which we are aware.

Government - specific

17. We have made available to you all financial records and related data.

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

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

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

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

22. 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.

23. There are no violations or possible violations of budget ordinances, laws and regulations (including those pertaining to adopting, approving, and amending budgets), provisions of contracts and grant agreements, tax or debt limits, and any related debt covenants whose effects should be considered for disclosure in the financial statements, or as a basis for recording a loss contingency, or for reporting on noncompliance.

24. 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.

25. 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.

26. 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.

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

28. 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.

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

30. 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.

31. Components of net position (net investment in capital assets, restricted, and unrestricted) and components of fund balance (nonspendable, restricted, committed, assigned and unassigned) are properly classified and, if applicable, approved.

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

33. 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.

34. Revenues are appropriately classified in the statement of activities within program revenues or general revenues.

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

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

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

38. We have appropriately disclosed the City's policy regarding whether to first apply restricted or unrestricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position are available and have determined that net position were properly recognized under the policy.

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

40. 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 City's name" during the period significantly exceeded the amounts in those categories as of the balance sheet was properly disclosed in the financial statements.

41. Arrangements with financial institutions involving repurchase, reverse repurchase, or securities lending agreements, compensating balances, or other arrangements involving restrictions on cash

balances and line-of-credit or similar arrangements, have been properly recorded or disclosed in the financial statements.

42. 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.

43. 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.

44. Capital assets have been evaluated for impairment as a result of significant and unexpected decline in service utility.

45. 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 direct 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 SEFA and SSFA information no later than the date we issue the supplementary information and the auditors' 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 auditors' 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 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 all 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.

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

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

46. 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: _____
Don Merkes
Mayor

Signed: _____
Jennifer Sassman
Interim Comptroller/Treasurer

GENERAL CITY

FINANCIAL COMMENTS

1. City Fund Balances

Presented below is a summary of the City's governmental fund balances on December 31, 2012 including a comparison to the prior year. This information is provided to assist management in assessing financial results for 2012 and for indicating financial resources available at the start of the 2013 budget year.

	12/31/12	12/31/11
General Fund		
Nonspendable		
Inventories and prepaid items	$ 326,200	$ 322,112
Due from other funds	386,098	-
Assigned for subsequent year expenditures	233,813	-
Unassigned	1,417,607	1,926,449
Total Fund Balance	2,363,718	2,248,561
Special Revenue Funds		
Restricted		
Housing rehabilitation revolving loans	33,129	24,536
Community development block grant	125,044	134,056
Tax Incremental District No. 1	637	50,589
Library endowment	257,565	243,774
Hattie Minor Scholarship	36,886	39,023
Public safety donations	-	1,149
Heckrodt Nature Center	7,560	5,021
Senior Center memorials	7,290	5,606
Senior Center fund raising	1,450	1,450
Assigned		
Marina operations	10,160	2,065
Park development	177,760	154,077
Post employment sick leave reserve	-	538
Unassigned		
Tax Incremental District No. 3	(169,033)	(36,613)
Recycling	(133,796)	(202,006)
Lead paint reduction	(15,858)	(15,858)
Public safety donations	(3,129)	-
FEMA Grant	-	(67,758)
Total Special Revenue Funds	335,665	339,649
Debt Service Fund		
Nonspendable		
Long-term advance	253,842	430,815
Due from other funds	879,920	-
Restricted	200,407	1,181,550
Total Debt Service Fund	1,334,169	1,612,365

(Continued)

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

	12/31/12	12/31/11
Capital Projects Funds		
Restricted		
Tax Incremental District No. 5	655,471	391,375
Tax Incremental District No. 10	827	5,762
Assigned		
Roadways at River's Edge	3,183	3,183
2008 Capital projects	278,972	281,914
Capital improvements	10,396	10,396
Tax Incremental District No. 9	288,445	178,543
Unassigned		
Capital facilities	(1,918)	(124,006)
Tax Incremental District No. 4	(198,418)	(113,925)
Tax Incremental District No. 6	(141,330)	(387,669)
Tax Incremental District No. 7	(418,158)	(346,462)
Tax Incremental District No. 8	(163,967)	(106,011)
Tax Incremental District No. 11	(39,909)	(47,084)
Tax Incremental District No. 12	(372,373)	(61,635)
Total Capital Projects Funds	(98,779)	(315,619)
Total Governmental Fund Balances	$ 3,934,773	$ 3,884,956

The City's general and debt service funds report a nonspendable fund balance related to deficit cash positions of the City's tax incremental districts. Because the cash deficits are not expected to be repaid within one year, portions of the fund balance of each fund is not currently available to appropriate.

The City's general fund increased $115,157 during the year. The City's unassigned fund balance currently is $1,417,607 or 9% of the City's 2012 general fund expenditures.

2. City's Debt Position

At December 31, 2012, the City has outstanding general obligation debt totaling $41,677,001. Annual principal and interest maturities of the outstanding general obligation debt on December 31, 2012 are allocated as follows:

Year Ended December 31	General City		Menasha Utilities		Total G.O. Debt	
	Principal	Interest	Principal	Interest	Principal	Interest
2013	$ 1,967,600	$ 742,200	$ 1,222,100	$ 462,500	$ 3,189,700	$ 1,204,700
2014	7,099,300	795,500	937,200	747,400	8,036,500	1,542,900
2015	1,877,800	503,700	974,700	709,900	2,852,500	1,213,600
2016	1,951,900	427,300	1,011,900	672,700	2,963,800	1,100,000
2017	3,293,000	345,900	1,054,200	630,400	4,347,200	976,300
2018-2022	4,036,700	722,200	5,936,600	2,486,300	9,973,300	3,208,500
2023-2027	1,544,372	190,400	7,223,300	1,199,600	8,767,672	1,390,000
2028-2031	-		1,546,329	141,300	1,546,329	141,300
	$ 21,770,672	$ 3,727,200	$ 19,906,329	$ 7,050,100	$ 41,677,001	$ 10,777,300

The City's tax incremental financing districts are responsible for outstanding debt of $13,185,000 and these debt payments will be recovered from future tax increments generated.

Legal Margin for New Debt

The City's legal margin for creation of additional general obligation debt on December 31, 2012 was $8,164,966 as follows:

Equalized valuation of the City		$ 992,831,200
Statutory limitation percentage		(x) 5%
General obligation debt limitation, per Section 67.03 of the Wisconsin Statutes		49,641,560
Total outstanding general obligation debt applicable to debt limitation	$ 41,677,001	
Less: Amounts available for financing general obligation debt		
Debt service fund	200,407	
Net outstanding general obligation debt applicable to debt limitation		41,476,594
Legal Margin for New Debt		$ 8,164,966

3. Tax Incremental Districts

The City has created and recorded financial activity in ten tax incremental districts as of December 31, 2012. 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, 2012 is presented below:

	Net Unreimbursed Project Costs	Outstanding Long-term Debt
Tax Incremental District No. 1	$ 247,714	$ -
Tax Incremental District No. 3	2,082	610,000
Tax Incremental District No. 4	888,797	695,000
Tax Incremental District No. 5	1,902,900	2,800,000
Tax Incremental District No. 6	2,556,331	2,415,000
Tax Incremental District No. 7	1,928,159	1,510,000
Tax Incremental District No. 8	963,967	800,000
Tax Incremental District No. 9	4,066,554	4,355,000
Tax Incremental District No. 10	220,172	-
Tax Incremental District No. 11	39,909	-
Tax Incremental District No. 12	372,373	-
	$ 13,188,958	$ 13,185,000

As previously indicated, many of the Districts are in deficit cash positions, resulting in a use of general or debt service funds. In some cases, debt service funds were increased in prior years to cover the deficit cash positions due to transfers for debt service. We recommend the City evaluate the financial status of each District in the upcoming year.

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, 2012 and 2011.

	2012	2011
Operating Revenues		
Charges for services	$ 1,212,853	$ 1,366,092
Operating Expenses		
Operation and maintenance	941,365	956,287
Depreciation	343,998	296,894
Total Operating Expenses	1,285,363	1,253,181
Operating Income	(72,510)	112,911
Nonoperating Revenues		
Interest revenue	453	393
Gain on disposal of capital assets	676	33,117
Total Nonoperating Revenues	1,129	33,510
Changes in Net Position	(71,381)	146,421
Net Position - January 1	2,982,719	2,977,894
Prior period adjustment	-	(141,596)
Net Position - December 31	$ 2,911,338	$ 2,982,719

The City has used cash generated from operations to finance annual capital asset purchases. During 2012, capital assets of $629,190 were acquired by the City. As of December 31, 2012, the City had cash and investments of $135,885 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 2012 transactions, with a comparison to 2011, for the property and liability self-insurance fund follows:

	2012	2011
Operating Revenues		
Charges for services	$ 98,565	$ 96,825
Other	47,285	-
Total Operating Revenues	145,850	96,825
Operating Expenses		
Operation and Maintenance	34	-
Insurance payments and claims	98,724	218,998
Total Operating Expenses	98,758	218,998
Operating Income (Loss)	47,092	(122,173)
Nonoperating Revenues		
CVMIC dividend	34,392	32,708
Changes in Net Position	81,484	(89,465)
Net Position - January 1	1,123,444	1,212,909
Net Position - December 31	$ 1,204,928	$ 1,123,444

The liability self-insurance fund generated operating income of $47,092 for 2012, compared to an operating loss of $122,173 for the prior year due to fluctuating claims. At December 31, 2012 the City has $176,988 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 2012 transactions with a comparison to 2011 is presented below:

	2012	2011
Operating Revenues		
Charges for services	$ 125,012	$ 127,084
Operating Expenses		
Dental insurance claims	6,536	114,692
Administrative fees	117,899	11,824
Total Operating Expenses	124,435	126,516
Changes in Net Position	577	568
Deficit - January 1	(31)	(599)
Net Position (Deficit) - December 31	$ 546	$ (31)

On December 31, 2012, the dental insurance internal service fund reported a claim liability of $4,069 based on the requirements of GASB Statement No. 10.

COMMENTS AND OBSERVATIONS

1. **Status of Prior Year Comment - Segregation of Duties**

   In our prior year management letter comment, we discussed that there certain departments within the City that have staff perform substantially all accounting functions, which under ideal conditions should be segregated.

   While limited segregation of duties is not unusual for a municipality the size of the City, we continue to recommend management review internal controls and identify cost effective alternatives to improve the internal control structure, when possible.

2. **Prior Period Adjustment**

   The prior year financial statements were restated to reflect a transfer of land and the related notes payable of $3.9 million from the Menasha Redevelopment Authority (RDA) to the City. Note D 12 to the financial statements provides additional information on this adjustment. In addition, audit entries were proposed to record an interest payment and related development incentive to RDA from the City's tax incremental district no. 12.

   Because both the RDA and City are related but legally separate entities, it is important that financial transactions are properly recorded in the RDA throughout the year to reflect ongoing activity of the RDA.

CITY OF MENASHA, WISCONSIN

ANNUAL FINANCIAL REPORT

DECEMBER 31, 2012

CITY OF MENASHA, WISCONSIN
December 31, 2012

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CPAs AND SO MUCH MORE.

INDEPENDENT AUDITORS' REPORT

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

Report on the Financial Statements

We have audited the accompanying 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 ("the City") as of and for the year ended December 31, 2012, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express opinions on these 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 involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the City's preparation and fair presentation of the financial statements in order to design 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. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

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 discretely presented component unit, each major fund, and the aggregate remaining fund information of the City as of December 31, 2012, and the respective changes in financial position and, where applicable, cash flows thereof and the budgetary comparison for the general fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As described in Note A.5.h, the City has implemented GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position* and GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, for the year ended December 31, 2012. Our opinions are not modified with respect to this matter.

As described in Note D.12, the City and its discretely presented component unit restated their net position as of January 1, 2012 to reflect the City's acquisition of property and subsequent sale to the Redevelopment Authority of the City of Menasha. Our opinions are not modified with respect to this matter.

Other Matters

Required Supplementary Information

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 4 through 10 and 53 through 54 be presented to supplement the basic financial statements. Such information, although not 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. 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 responses 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.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The financial information listed in the table of contents as supplementary information and the 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 basic financial statements.

The supplementary 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 basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information, the schedules of expenditures of federal awards and the schedule of state financial assistance are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated September 30, 2013, 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* in considering the City's internal control over financial reporting and compliance.

Schenck SC

Certified Public Accountants
Green Bay, Wisconsin
November 26, 2013

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, 2012.

Financial Highlights

- The City's assets and deferred outflows exceeded its liabilities and deferred inflows as of December 31, 2012 by $48.2 million (net position). Of this amount, $5.5 million (unrestricted net position) may be used to meet the City's ongoing obligations to citizens and creditors.
- The City's total net position increased by $8.6 million (increase of $.8 million in governmental activities and an increase of $7.8 million in business-type activities with $5.4 million of that increase due to forgiveness of debt).
- Property taxes levied to finance general City operations totaled $11,362,147, an increase of $277,083 from the prior year. Tax increments generated by the City's eleven tax incremental districts totaled $1,757,603.
- As of December 31, 2012, the City's governmental funds reported combined ending fund balances of $3,934,773, an increase $49,817 in comparison with the prior year.
- As of December 31, 2012, unassigned fund balance for the general fund was $1.4 million, or approximately 9% of total general fund expenditures. The general fund balance increased $115,157 during 2012. The City had a positive expenditure budget variance of $452,057 for the current year.

Overview of the Basic Financial Statements

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

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

The *statement of net position* presents information on all of the City's assets and liabilities, with the difference between the two reported as *net position*. Over time, increases or decreases in net position 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 position changed during the most recent year. All changes in net position 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 11 - 13 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 30 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 14 - 18 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 19 - 21 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 22 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 23 - 52 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 position. As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the City, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by $48.2 million at the close of 2012.

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

	Governmental Activities		Business-type Activities		Totals	
	2012	2011	2012	2011	2012	2011
Current and other assets	$ 25,489	$ 26,878	$ 15,081	$ 31,754	$ 40,570	$ 58,632
Capital assets	33,787	34,095	65,608	64,487	99,395	98,582
Total Assets	59,276	60,973	80,689	96,241	139,965	157,214
Deferred outflows of resources						
Tower Painting	-	-	91	-	91	-
Long-term liabilities outstanding	23,618	25,211	48,503	71,408	72,121	96,619
Other liabilities	1,225	1,139	6,997	7,407	8,222	8,546
Total Liabilities	24,843	26,350	55,500	78,815	80,343	105,165
Deferred inflows of resources						
Property taxes	11,468	11,378	-	-	11,468	11,378
Net Position						
Net investment in capital assets	11,975	10,556	21,773	(8,092)	33,748	2,464
Restricted	5,717	4,235	3,294	19,381	9,011	23,616
Unrestricted	5,273	8,454	213	6,137	5,486	14,591
Total Net Position	$ 22,965	$ 23,245	$ 25,280	$ 17,426	$ 48,245	$ 40,671

By far the largest portion of the City's net position 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 position represents resources that are subject to external restrictions on how they may be used and consist of $3.8 million restricted for community development loans, $.5 million restricted for debt service, $.9 million restricted for capital projects and $.5 million restricted for other purposes. The remaining balance of unrestricted net position ($5.3 million) may be used to meet the City's ongoing obligations to citizens and creditors.

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

City of Menasha, Wisconsin's Change in Net Position (In thousands of dollars)						
	Governmental Activities		Business-type Activities		Totals	
	2012	2011	2012	2011	2012	2011
Revenues						
Program Revenues						
Charges for services	$ 2,811	$ 2,684	$ 55,506	$ 53,461	$ 58,317	$ 56,145
Operating grants and contributions	970	1,184	-	-	970	1,184
Captial grants and contributions	125	1,714	417	146	542	1,860
General Revenues						
Property taxes	11,362	11,085	-	-	11,362	11,085
Other taxes	186	224	-	-	186	224
Grants and contributions not restricted to specific programs	4,118	4,314	-	-	4,118	4,314
Other	684	406	77	2,615	761	3,021
Total Revenues	20,256	21,611	56,000	56,222	76,256	77,833
Expenses						
General government	1,249	1,439	-	-	1,249	1,439
Public safety	7,878	7,015	-	-	7,878	7,015
Public works and sanitation	4,100	4,789	-	-	4,100	4,789
Health and human services	855	877	-	-	855	877
Culture and recreation	3,208	3,304	-	-	3,208	3,304
Conservation and development	674	625	-	-	674	625
Interest on long-term debt	1,046	1,157	-	-	1,046	1,157
Electric	-	-	46,501	44,247	46,501	44,247
Steam	-	-	909	1,205	909	1,205
Water	-	-	3,767	3,731	3,767	3,731
Telecommunications	-	-	65	66	65	66
Sewage treatment	-	-	1,734	1,979	1,734	1,979
Stormwater Utility	-	-	1,057	772	1,057	772
Total Expenses	19,010	19,206	54,033	52,000	73,043	71,206
Change in Net Position Before Transfers	1,246	2,405	1,967	4,222	3,213	6,627
Transfers	(459)	88	459	(88)	-	-
Change in Net Position	787	2,493	2,426	4,134	3,213	6,627
Forgiveness of debt	-	-	5,428	-	5,428	-
Prior period adjustment	(899)	-	-	-	(899)	-
Change in accounting principle	(168)	-	-	-	(168)	-
Net Position - January 1, restated	23,245	20,752	17,426	13,292	40,671	34,044
Net Position - December 31	$ 22,965	$ 23,245	$ 25,280	$ 17,426	$ 48,245	$ 40,671

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

Governmental activities. 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. The change in net position for 2012 was an increase of $7.9 million with Menasha Utilities operation contributing $2.4 million while the forgiveness of Menasha Utilities debt was an increase of $5.4 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, *unassigned 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, 2012, the City's governmental funds reported combined ending fund balances of $3.9 million, an increase of $50 thousand in comparison with the prior year. $3.5 million of the fund balance is *nonspendable or restricted* to indicate that it is not available for new spending. $0.7 million is assigned, indicating there is a specific purpose for the revenues earned in these funds. Unassigned fund balance is a deficit $0.2 million.

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 $1,417,607, while total fund balance increased to $2,363,718. 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 8.8% of total general fund expenditures, while total fund balance represents 14.7% of that same amount.

The City's general fund balance increased $115,157 during the current year primarily due to positive revenue variances.

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 $1,334,169, a decrease of $278,196 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 position of Menasha Utilities at the end of the year amounted to $11,631,864 with $9,641,164 recorded in net investment in capital assets, $694,321 restricted for debt retirement, $894,470 restricted for a lease obligation, $1,705,429 restricted for plant replacement and a negative $1,303,520 as unrestricted. The fund experienced an increase in net position of $2,342,620, plus its debt forgiveness of $5,427,776.

Total net position of the sewage treatment operation at the end of the year amounted to $4,158,775. Included in net position is $3,551,259 recorded in net investment in capital assets and $670,516 as unrestricted. The fund experienced an increase in net position of $109,745.

The City created a stormwater utility in 2009 by transferring assets from the governmental activities. Total net position of the sewage treatment operation at the end of the year amounted to $9,489,851. Included in net position is $8,580,716 recorded in net investment in capital assets and $909,135 as unrestricted. The fund experienced a decrease in net position of $25,541.

General Fund Budgetary Highlights

During the year, actual revenues were more than budgeted revenues by $111,881 with miscellaneous revenues providing the major variation. Actual expenditures were less than budgeted expenditures by $452,057 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, 2012 amounts to $99.4 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 $.8 million or .2% lower than last year.

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

Governmental Activities

- The City added machinery and equipment of $400 thousand in the current year.

Business-Type Activities

- Menasha Utilities reclassified buildings, machinery and equipment and the related impairment loss related to the steam plant into an account titled property held for sale during 2012. Menasha Utilities capital asset additions related to some main replacement projects and improvements to its distribution plant though normal operations.

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

	Governmental Activities		Business-type Activities		Totals	
	2012	2011	2012	2011	2012	2011
Land	$ 9,040,876	$ 9,040,876	$ 2,510,216	$ 2,573,733	$ 11,551,092	$ 11,614,609
Buildings	12,000,676	11,928,215	8,641,927	19,592,504	20,642,603	31,520,719
Improvements other than buildings	-	-	47,979,711	57,694,550	47,979,711	57,694,550
Machinery and equipment	8,493,534	8,107,578	17,581,082	40,953,485	26,074,616	49,061,063
Infrastructure	28,349,936	28,279,901	-	-	28,349,936	28,279,901
Construction in progress	132,484	132,484	1,504,960	1,367,506	1,637,444	1,499,990
Other assets	-	-	284,314	268,407	284,314	268,407
Property held for sale	-	-	12,452,066	-	12,452,066	-
Less: Impairment of assets	-	-	-	(23,554,874)	-	(23,554,874)
Less: Accumulated depreciation	(24,230,350)	(23,393,868)	(25,346,625)	(34,408,287)	(49,576,975)	(57,802,155)
Total	$ 33,787,156	$ 34,095,186	$ 65,607,651	$ 64,487,024	$ 99,394,807	$ 98,582,210

Long-term debt. At the end of the current fiscal year, the City had total bonded debt outstanding of $57,523,135. Of this amount, $41,677,001 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	
	2012	2011	2012	2011	2012	2011
General Obligation Debt						
Bonds	$ 4,365,000	$ 5,105,000	$ -	$ -	$ 4,365,000	$ 5,105,000
Notes	17,405,672	18,363,330	19,906,329	20,342,082	37,312,001	38,705,412
Total General Obligation	21,770,672	23,468,330	19,906,329	20,342,082	41,677,001	43,810,412
Revenue bonds	-	-	15,266,092	14,582,290	15,266,092	14,582,290
Revenue bond anticipation notes	-	-	-	22,777,166	-	22,777,166
Due to Town of Menasha	-	-	580,042	604,939	580,042	604,939
Total	$ 21,770,672	$ 23,468,330	$ 35,752,463	$ 58,306,477	$ 57,523,135	$ 81,774,807

During the year, the City's long-term debt decreased $24.3 million due primarily to repayment of governmental activities debt and the forgiveness of a portion of the revenue bond anticipation notes.

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 $49,641,560.

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.

All of these factors were considered in preparing the City's budget for the 2013 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 Position
December 31, 2012

	Governmental Activities	Business-type Activities	Totals	Component Unit Redevelopment Authority
ASSETS				
Cash and investments	$ 7,756,460	$ 2,386,495	$ 10,142,955	$ 168,247
Receivables				
Taxes	7,220,536	-	7,220,536	-
Accounts	699,403	4,901,183	5,600,586	-
Special assessments	940,346	-	940,346	-
Loans	6,892,917	-	6,892,917	-
Land contract receivable	38,891	-	38,891	570,432
Internal balances	253,842	(253,842)	-	-
Due from other governments	181,083	75,109	256,192	-
Inventories and prepaid items	326,200	792,720	1,118,920	-
Restricted assets				
Cash and investments	-	7,176,207	7,176,207	-
Other assets	1,179,018	-	1,179,018	-
Interest receivable	-	3,803	3,803	-
Capital assets, nondepreciable				
Land	9,040,876	2,510,216	11,551,092	-
Other assets	-	284,314	284,314	-
Construction in progress	132,484	1,504,960	1,637,444	-
Property held for sale	-	12,452,066	12,452,066	3,179,500
Capital assets, depreciable				
Buildings and improvements	12,000,676	8,641,927	20,642,603	-
Improvements other than buildings	-	47,979,711	47,979,711	-
Machinery and equipment	8,493,534	17,581,082	26,074,616	-
Infrastructure	28,349,936	-	28,349,936	-
Less: Accumulated depreciation	(24,230,350)	(25,346,625)	(49,576,975)	-
TOTAL ASSETS	59,275,852	80,689,326	139,965,178	3,918,179
DEFERRED OUTFLOWS OF RESOURCES				
Tower painting	-	91,092	91,092	-
LIABILITIES				
Accounts payable	679,199	4,292,922	4,972,121	792
Accrued and other current liabilities	49,415	2,101,231	2,150,646	-
Accrued interest payable	304,247	393,530	697,777	-
Due to other governments	719	-	719	3,900,000
Unearned revenues	190,202	209,496	399,698	-
Long-term obligations				
Due within one year	1,967,600	2,554,323	4,521,923	-
Due in more than one year	21,650,710	45,948,426	67,599,136	-
TOTAL LIABILITIES	24,842,092	55,499,928	80,342,020	3,900,792
DEFERRED INFLOWS OF RESOURCES				
Property taxes	11,468,372	-	11,468,372	-
NET POSITION				
Net investment in capital assets	11,975,105	21,773,139	33,748,244	-
Restricted for				
Debt service	454,249	694,321	1,148,570	-
Capital projects	945,380	1,705,429	2,650,809	-
Lease obligation	-	894,470	894,470	-
Community development loans	3,848,700	-	3,848,700	-
Other purposes	468,924	-	468,924	-
Unrestricted	5,273,030	213,131	5,486,161	17,387
TOTAL NET POSITION	$ 22,965,388	$ 25,280,490	$ 48,245,878	$ 17,387

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, 2012

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions
Primary Government				
Governmental Activities				
General government	$ 1,249,339	$ 334,057	$ -	$ -
Public safety	7,877,559	508,352	60,148	125,371
Public works	4,099,488	648,962	770,083	-
Health and human services	855,867	363,772	114,056	-
Culture and recreation	3,208,053	949,021	9,861	-
Conservation and development	673,737	6,478	16,188	-
Interest on debt	1,045,886	-	-	-
Total Governmental Activities	19,009,929	2,810,642	970,336	125,371
Business-type Activities				
Electric utility	46,501,213	46,552,763	-	261,554
Steam utility	908,700	-	-	-
Water utility	3,766,944	5,709,575	-	156,033
Telecommunication utility	64,554	93,219	-	-
Sewerage system	1,733,867	2,052,374	-	-
Stormwater utility	1,057,353	1,098,003	-	-
Total Business-type Activities	54,032,631	55,505,934	-	417,587
Total Primary Government	$ 73,042,560	$ 58,316,576	$ 970,336	$ 542,958
Component Unit				
Redevelopment Authority	$ 260,975	$ 270,000	$ -	$ -

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 position

Forgiveness of debt

Net position - January 1

Prior period adjustment
Cumulative change in accounting principle

Net position - January 1, restated

Net position - December 31

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

Net (Expense) Revenue and Changes in Net Position			
Governmental Activities	Business-type Activities	Totals	Component Unit Redevelopment Authority
$ (915,282)	$ -	$ (915,282)	$ -
(7,183,688)	-	(7,183,688)	-
(2,680,443)	-	(2,680,443)	-
(378,039)	-	(378,039)	-
(2,249,171)	-	(2,249,171)	-
(651,071)	-	(651,071)	-
(1,045,886)	-	(1,045,886)	-
(15,103,580)	-	(15,103,580)	-
-	313,104	313,104	-
-	(908,700)	(908,700)	-
-	2,098,664	2,098,664	-
-	28,665	28,665	-
-	318,507	318,507	-
-	40,650	40,650	-
-	1,890,890	1,890,890	-
(15,103,580)	1,890,890	(13,212,690)	-
-	-	-	9,025
7,705,870	-	7,705,870	-
1,898,674	-	1,898,674	-
1,757,603	-	1,757,603	-
185,538	-	185,538	-
4,117,654	-	4,117,654	-
367,876	77,087	444,963	-
315,306	-	315,306	1,000
676	-	676	-
(458,847)	458,847	-	-
15,890,350	535,934	16,426,284	1,000
786,770	2,426,824	3,213,594	10,025
-	5,427,776	5,427,776	-
23,245,093	17,425,890	40,670,983	44,168
(898,547)	-	(898,547)	(36,806)
(167,928)	-	(167,928)	-
22,178,618	17,425,890	39,604,508	7,362
$ 22,965,388	$ 25,280,490	$ 48,245,878	$ 17,387

CITY OF MENASHA, WISCONSIN
Balance Sheet
Governmental Funds
December 31, 2012

	General	Debt Service	Other Governmental Funds	Total Governmental Funds
ASSETS				
Cash and investments	$ 4,316,504	$ 745,980	$ 2,362,310	$ 7,424,794
Receivables				
Taxes	4,886,757	969,557	1,281,726	7,138,040
Delinquent personal property taxes	82,496	-	-	82,496
Accounts	676,936	-	2,467	679,403
Special assessments	1,416	938,930	-	940,346
Loans	-	3,900,000	2,992,917	6,892,917
Land contract receivable	-	38,891	-	38,891
Due from other funds	443,570	879,920	-	1,323,490
Due from other governments	181,083	-	-	181,083
Inventories and prepaid items	326,200	-	-	326,200
Other assets	-	-	147,798	147,798
Advance to other funds	-	253,842	221,000	474,842
TOTAL ASSETS	$ 10,914,962	$ 7,727,120	$ 7,008,218	$ 25,650,300
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES				
Liabilities				
Accounts payable	$ 537,539	$ -	$ 54,052	$ 591,591
Accrued and other current liabilities	49,415	-	-	49,415
Due to other funds	-	-	1,323,490	1,323,490
Due to other governments	719	-	-	719
Unearned revenues	178,414	-	11,788	190,202
Advance from other funds	-	-	221,000	221,000
Total Liabilities	766,087	-	1,610,330	2,376,417
Deferred Inflows of Resources				
Property taxes	7,785,157	1,515,130	2,168,085	11,468,372
Special assessments	-	938,930	-	938,930
Loans receivable	-	3,900,000	2,992,917	6,892,917
Land contract receivable	-	38,891	-	38,891
Total Deferred Inflows of Resources	7,785,157	6,392,951	5,161,002	19,339,110
Fund Balances				
Nonspendable				
Inventories and prepaid items	326,200	-	-	326,200
Long-term advance	-	253,842	-	253,842
Due from other funds	386,098	879,920	-	1,266,018
Restricted				
Debt service	-	200,407	-	200,407
Library endowment	-	-	257,565	257,565
Community development	-	-	158,173	158,173
TID project plan	-	-	945,380	945,380
Hattie Minor Scholarship	-	-	36,886	36,886
Heckrodt nature center	-	-	7,560	7,560
Senior center	-	-	8,740	8,740
Assigned	233,813	-	480,471	714,284
Unassigned				
General fund	1,417,607	-	-	1,417,607
Special revenue funds	-	-	(321,816)	(321,816)
Capital projects funds	-	-	(1,336,073)	(1,336,073)
Total Fund Balances	2,363,718	1,334,169	236,886	3,934,773
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	$ 10,914,962	$ 7,727,120	$ 7,008,218	$ 25,650,300

(Continued)

CITY OF MENASHA, WISCONSIN
Balance Sheet (Continued)
Governmental Funds
December 31, 2012

Reconciliation to the Statement of Net Position

Total Fund Balances as shown on previous page		$ 3,934,773
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets used in governmental activities are not current financial resources and therefore are not reported in the funds.		30,966,890
Other long-term assets are not available to pay current period expenditures and therefore are deferred in the funds.		
Special assessments		938,930
Loans receivable		6,892,917
Land contract receivable		38,891
Internal service funds reported in the statement of net position as governmental activities (see page 19)		4,115,544
Some liabilities are not due and payable in the current period and, therefore, are not reported in the funds.		
Bonds and notes payable	$ (21,770,672)	
Debt premium	(41,379)	
Compensated absences	(1,582,173)	
OPEB liability	(224,086)	
Accrued interest on long-term obligations	(304,247)	(23,922,557)
Net Position of Governmental Activities as Reported on the Statement of Net Position (see page 11)		$ 22,965,388

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, 2012

	General	Debt Service	Other Governmental Funds	Total Governmental Funds
Revenues				
Taxes	$ 7,626,545	$ 1,898,674	$ 2,022,466	$ 11,547,685
Special assessments	-	298,665	-	298,665
Intergovernmental	4,791,710	-	392,721	5,184,431
Licenses and permits	434,578	-	-	434,578
Fines and forfeits	135,858	-	-	135,858
Public charges for services	457,037	-	269,779	726,816
Intergovernmental charges for services	1,398,071	-	82,141	1,480,212
Miscellaneous	141,365	231,539	385,099	758,003
Total Revenues	14,985,164	2,428,878	3,152,206	20,566,248
Expenditures				
Current				
General government	1,301,529	-	-	1,301,529
Public safety	7,779,432	-	7,797	7,787,229
Public works	3,139,290	-	419,324	3,558,614
Health and human services	818,336	-	-	818,336
Culture and recreation	2,781,946	-	245,769	3,027,715
Conservation and development	245,972	-	354,244	600,216
Other	-	-	32,687	32,687
Debt service				
Principal	-	10,417,658	-	10,417,658
Interest and fiscal charges	-	1,100,609	-	1,100,609
Capital outlay	-	-	132,991	132,991
Total Expenditures	16,066,505	11,518,267	1,192,812	28,777,584
Excess of Revenues Over (Under) Expenditures	(1,081,341)	(9,089,389)	1,959,394	(8,211,336)
Other Financing Sources (Uses)				
Long-term debt issued	350,000	1,480,000	6,890,000	8,720,000
Transfers in	846,498	9,003,217	96,758	9,946,473
Transfers out	-	(1,672,024)	(8,733,296)	(10,405,320)
Total Other Financing Sources (Uses)	1,196,498	8,811,193	(1,746,538)	8,261,153
Net Change in Fund Balances	115,157	(278,196)	212,856	49,817
Fund Balances - January 1	2,248,561	1,612,365	24,030	3,884,956
Fund Balances - December 31	$ 2,363,718	$ 1,334,169	$ 236,886	$ 3,934,773

(Continued)

CITY OF MENASHA, WISCONSIN
Statement of Revenues, Expenditures and Changes in Fund Balances (Continued)
Governmental Funds
For the Year Ended December 31, 2012

Reconciliation to the Statement of Activities

Net Change in Fund Balances from previous page		$ 49,817
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	$ 631,987	
Depreciation expense reported in the statement of activities	(1,206,885)	
Amount by which capital outlays are greater than depreciation in current period		(574,898)
Certain employee benefits are reported in the governmental funds when amounts are paid. The statement of activities reports the value of benefits earned during the year. This year the accrual of these benefits increased by:		(134,655)
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 position, however, debt constitutes a long-term liability. The amount of debt proceeds reported in the governmental fund statements is:		(8,720,000)
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 position and does not affect the statement of activities. The amount of long-term obligation payments in the current year is:		10,417,658
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.		38,092
Governmental funds report the effect of premiums and discounts when the debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. These costs paid in excess of the amortization is:		29,160
The net revenue of internal service funds is reported with governmental activities.		9,412
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		(327,816)
Change in Net Position of Governmental Activities as Reported in the Statement of Activities (see pages 12 - 13)		$ 786,770

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, 2012

	Budgeted Amounts		Actual Amounts	Variance Final Budget - Positive (Negative)
	Original	Final		
Revenues				
Taxes	$ 7,644,259	$ 7,644,259	$ 7,626,545	$ (17,714)
Intergovernmental	4,741,097	4,741,097	4,791,710	50,613
Licenses and permits	447,835	447,835	434,578	(13,257)
Fines and forfeits	152,000	152,000	135,858	(16,142)
Public charges for services	437,625	437,625	457,037	19,412
Intergovernmental charges for services	1,376,389	1,377,967	1,398,071	20,104
Miscellaneous	72,500	72,500	141,365	68,865
Total Revenues	14,871,705	14,873,283	14,985,164	111,881
Expenditures				
Current				
General government	1,328,188	1,351,300	1,301,529	49,771
Public safety	7,854,127	8,071,864	7,779,432	292,432
Public works and sanitation	2,994,676	3,104,284	3,139,290	(35,006)
Health and human services	796,962	823,611	818,336	5,275
Culture and recreation	2,835,412	2,883,536	2,781,946	101,590
Conservation and development	280,586	283,967	245,972	37,995
Total Expenditures	16,089,951	16,518,562	16,066,505	452,057
Excess of Revenues Over (Under) Expenditures	(1,218,246)	(1,645,279)	(1,081,341)	563,938
Other Financing Sources				
Long-term debt issued	337,000	337,000	350,000	13,000
Transfers in	763,404	763,404	846,498	83,094
Total Other Financing Sources	1,100,404	1,100,404	1,196,498	96,094
Net Change in Fund Balance	(117,842)	(544,875)	115,157	660,032
Fund Balance - January 1	2,248,561	2,248,561	2,248,561	-
Fund Balance - December 31	$ 2,130,719	$ 1,703,686	$ 2,363,718	$ 660,032

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

CITY OF MENASHA, WISCONSIN
Statement of Net Position
Proprietary Funds
December 31, 2012

	Business-type Activities - Enterprise Funds				Governmental Activities - Internal Service Funds
	Menasha Utilities	Sewage Treatment	Stormwater Utility	Totals	
ASSETS					
Cash and investments	$ 947,157	$ 444,557	$ 994,781	$ 2,386,495	$ 331,666
Receivables					
Accounts	4,810,069	90,844	270	4,901,183	20,000
Inventories and prepaid expenses	792,720	-	-	792,720	-
Due from other governments	-	74,708	401	75,109	-
Restricted assets					
Cash and investments	7,106,207	70,000	-	7,176,207	-
Other assets	-	-	-	-	1,031,220
Interest receivable	3,803	-	-	3,803	-
Capital assets, nondepreciable					
Land	1,193,882	-	1,316,334	2,510,216	44,216
Other assets	284,314	-	-	284,314	-
Impairment of capital assets	-	-	-	-	-
Construction in progress	736,271	768,689	-	1,504,960	132,484
Property held for sale	12,452,066	-	-	12,452,066	-
Capital assets, depreciable					
Buildings	8,641,927	-	-	8,641,927	1,000,642
Improvements other than buildings	31,188,800	7,421,382	9,369,529	47,979,711	-
Machinery and equipment	17,581,082	-	-	17,581,082	6,284,020
Less: Accumulated depreciation	(22,720,063)	(1,101,457)	(1,525,105)	(25,346,625)	(4,641,096)
TOTAL ASSETS	63,018,235	7,768,723	10,156,210	80,943,168	4,203,152
DEFERRED OUTFLOWS OF RESOURCES					
Tower painting	91,092	-	-	91,092	-
LIABILITIES					
Accounts payable	4,148,001	58,604	86,317	4,292,922	87,608
Accrued and other current liabilities	2,101,231	-	-	2,101,231	-
Accrued interest payable	379,541	13,989	-	393,530	-
Unearned revenue	209,496	-	-	209,496	-
Advance from other funds	253,842	-	-	253,842	-
Long-term obligations					
Due within one year	2,330,723	199,000	24,600	2,554,323	-
Due in more than one year	42,054,629	3,338,355	555,442	45,948,426	-
TOTAL LIABILITIES	51,477,463	3,609,948	666,359	55,753,770	87,608
NET POSITION					
Net investment in capital assets	9,641,164	3,551,259	8,580,716	21,773,139	2,820,266
Restricted for					
Debt service	694,321	-	-	694,321	-
Lease obligation	894,470	-	-	894,470	-
Plant replacement	1,705,429	-	-	1,705,429	-
Unrestricted	(1,303,520)	607,516	909,135	213,131	1,295,278
TOTAL NET POSITION	$ 11,631,864	$ 4,158,775	$ 9,489,851	$ 25,280,490	$ 4,115,544

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 Position

Proprietary Funds

For the Year Ended December 31, 2012

	Business-type Activities - Enterprise Funds				Governmental Activities - Internal Service Funds
	Menasha Utilities	Sewage Treatment	Stormwater Utility	Totals	
Operating Revenues					
Charges for services	$ 52,064,727	$ 2,052,374	$ 1,098,003	$ 55,215,104	$ 1,850,189
Other	288,511	-	-	288,511	47,285
Total Operating Revenues	52,353,238	2,052,374	1,098,003	55,503,615	1,897,474
Operating Expenses					
Operation and maintenance	46,157,308	1,542,039	963,687	48,663,034	1,362,962
Insurance payments and claims	-	-	-	-	216,623
Depreciation and amortization	1,715,714	108,807	93,666	1,918,187	343,998
Taxes	212,464	-	-	212,464	-
Total Operating Expenses	48,085,486	1,650,846	1,057,353	50,793,685	1,923,583
Operating Income (Loss)	4,267,752	401,528	40,650	4,709,930	(26,109)
Nonoperating Revenues (Expenses)					
Investment income	75,386	134	1,567	77,087	34,845
Merchandising and jobbing	2,319	-	-	2,319	-
Interest and fiscal charges	(2,191,778)	(83,021)	-	(2,274,799)	-
Gain on disposal of capital assets	-	-	-	-	676
Miscellaneous	(964,147)	-	-	(964,147)	-
Total Nonoperating Revenues (Expenses)	(3,078,220)	(82,887)	1,567	(3,159,540)	35,521
Income Before Contributions and Transfers	1,189,532	318,641	42,217	1,550,390	9,412
Capital contributions	417,587	-	-	417,587	-
Transfers in	1,672,024	-	-	1,672,024	-
Transfers out	(936,523)	(208,896)	(67,758)	(1,213,177)	-
Change in Net Position	2,342,620	109,745	(25,541)	2,426,824	9,412
Forgiveness of Debt	5,427,776	-	-	5,427,776	-
Net Position - January 1	3,861,468	4,049,030	9,515,392	17,425,890	4,106,132
Net Position - December 31	$ 11,631,864	$ 4,158,775	$ 9,489,851	$ 25,280,490	$ 4,115,544

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, 2012

	Enterprise Funds				Governmental Activities - Internal Service Funds
	Menasha Utilities	Sewage Treatment	Stormwater Utility	Totals	
Cash Flows from Operating Activities					
Cash received from customers	$ 52,126,279	$ 2,094,517	$ 1,097,733	$ 55,318,529	$ 68,750
Cash received from City	-	-	-	-	1,828,835
Cash paid to suppliers	(44,229,834)	(1,358,831)	(549,284)	(46,137,949)	(1,193,082)
Cash paid to employees	(2,550,393)	(186,708)	(438,249)	(3,175,350)	(412,989)
Net Cash Provided by Operating Activities	5,346,052	548,978	110,200	6,005,230	291,514
Cash Flows from Noncapital and Related Financing Activities					
Transfers to general fund	(1,190,195)	(208,896)	(67,758)	(1,466,849)	-
Advances to (from) other governments	-	-	10,388	10,388	-
Net Cash Used by Noncapital and Related Financing Activities	(1,190,195)	(208,896)	(57,370)	(1,456,461)	-
Cash Flows from Capital and Related Financing Activities					
Acquisition of capital assets	(3,157,999)	(75,252)	-	(3,233,251)	(629,190)
Debt proceeds	21,309,461	-	-	21,309,461	-
Principal payments on capital debt	(38,706,591)	(55,923)	(24,896)	(38,787,410)	-
Received from City for debt payment	1,672,024	-	-	1,672,024	-
Advances to (from) other funds	76,700	-	-	76,700	-
Interest payments on capital debt	(2,696,170)	(83,236)	-	(2,779,406)	-
Proceeds from sale of capital assets	-	-	-	-	19,000
Asset disposal costs and salvage	(31,224)	-	-	(31,224)	-
Contributions from property owners	417,587	-	-	417,587	-
Net Cash Used by Capital and Related Financing Activities	(21,116,212)	(214,411)	(24,896)	(21,355,519)	(610,190)
Cash Flows from Investing Activities					
Interest received on investments	73,935	134	1,567	75,636	34,845
Cash Provided by Investing Activities	73,935	134	1,567	75,636	34,845
Change in Cash and Cash Equivalents	(16,886,420)	125,805	29,501	(16,731,114)	(283,831)
Cash and Cash Equivalents - January 1	24,939,784	388,752	965,280	26,293,816	615,497
Cash and Cash Equivalents - December 31	$ 8,053,364	$ 514,557	$ 994,781	$ 9,562,702	$ 331,666
Reconciliation of Operating Income (Loss) to Net Cash Provided by Operating Activities:					
Operating income (loss)	$ 4,267,752	$ 401,528	$ 40,650	$ 4,709,930	$ (26,109)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:					
Depreciation and amortization	1,949,376	108,807	93,666	2,151,849	343,998
Merchandising and jobbing	2,319	-	-	2,319	-
Miscellaneous	(964,147)	-	-	(964,147)	-
Changes in assets and liabilities					
Accounts receivable	(256,012)	42,143	(270)	(214,139)	(19,889)
Inventories and prepaid expenses	108,696	-	-	108,696	-
Accounts payable	243,252	(3,500)	(23,846)	215,906	(6,486)
Accrued and other liabilities	129,292	-	-	129,292	-
Deferred credits	(134,476)	-	-	(134,476)	-
Net Cash Provided by Operating Activities	$ 5,346,052	$ 548,978	$ 110,200	$ 6,005,230	$ 291,514
Reconciliation of cash and cash equivalents					
Cash and investments	$ 947,157	$ 444,557	$ 994,781	$ 2,386,495	$ 331,666
Restricted and other cash and investments	7,106,207	70,000	-	7,176,207	-
Total Cash and Cash Equivalents	$ 8,053,364	$ 514,557	$ 994,781	$ 9,562,702	$ 331,666

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

CITY OF MENASHA, WISCONSIN
Statement of Net Position
Agency Fund
December 31, 2012

	Agency Fund
ASSETS	
Cash and investments	$ 5,664,970
Taxes receivable	10,594,325
TOTAL ASSETS	$ 16,259,295
LIABILITIES	
Due to other governments	$ 16,259,295

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 represents 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, 2012. 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 position 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, Deferred Outflows/Inflows of Resources, and Net Position or Fund Balance

   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 position 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, 2012. 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, 2012.

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

h. Deferred Outflows/Inflows of Resources

The City implemented GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Revenues, Deferred Inflows of Resources, and Net Position* and GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities* for the year ended December 31, 2012. In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The City has one type of item, tower painting, that qualifies for reporting in this category.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represent an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time. The City has one type of item that qualifies for reporting in this category, property taxes. The amounts will be recognized as an inflow of resources in the subsequent year for which they were levied. The City also has an additional type of item, which arises only under a modified accrual basis of accounting that qualifies for reporting in this category. Accordingly, the item, unavailable revenue, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from two sources, special assessments and loan receivables. These amounts are deferred and recognized as an inflow of resources in the period the amounts become available.

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 position. Bond premiums and discounts 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, whether or not withheld from the actual debt proceeds received, are reported as expenses.

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.

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

j. Fund Equity

FUND FINANCIAL STATEMENTS

Fund balance of governmental funds are reported in various categories based on the nature of any limitations requiring the use of resources for specific purposes. 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.

GOVERNMENT-WIDE AND PROPRIETARY FUND STATEMENTS

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

- Net investment in capital assets - 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 position - Amount of net position that is 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 position - Net position that is neither classified as restricted nor as net investment in capital assets.

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.

   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, 2012.

2. Deficit Fund Equity
The following funds had deficit fund equity as of December 31, 2012:

Funds	Deficit Fund Balance
Special Revenue Funds	
Tax incremental district No. 3	$ 169,033
Recycling	133,796
Lead paint reduction	15,858
Public safety donations	3,129
Capital Projects Funds	
Capital facility	1,918
Tax incremental district No. 4	198,418
Tax incremental district No. 6	141,330
Tax incremental district No. 7	418,158
Tax incremental district No. 8	163,967
Tax incremental district No. 11	39,909
Tax incremental district No. 12	372,373

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.

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.

NOTE C - DETAILED NOTES ON ALL FUNDS (Continued)

In addition to the foregoing, the City may have investments in shares of common stock and mutual funds held for specific endowment funds. The carrying amount of the City's cash and investments, including the separate accounts noted above, totaled $23,152,379 on December 31, 2012 as summarized below:

Petty cash and cash on hand	$	7,117
Deposits with financial institutions		21,202,364
Investments		1,942,898
	$	23,152,379

Reconciliation to the basic financial statements:

Government-wide Statement of Net Position		
Primary Government		
Cash and investments	$	10,176,273
Restricted cash and investments		7,176,207
Component Unit		
Cash and investments		134,929
Fiduciary Fund Statement of Net Position		
Agency Fund		5,664,970
	$	23,152,379

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

Custodial Credit Risk

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

Deposits with financial institutions 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. As of January 1, 2013 the City's noninterest-bearing transaction accounts are combined with its interest-bearing demand deposits for FDIC insurance coverage. 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, 2012, 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, 2012, the City held repurchase agreement investment of $1,441,319 of which the underlying securities are held by the investment's counterparty, not in the name of the City.

NOTE C - DETAILED NOTES ON ALL FUNDS (Continued)

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
U.S. Government Agency Securities	$ 180,909	$ -	$ -	$ -	$ 180,909
Wisconsin Local Government Investment Pool	320,216	-	-	-	320,216
Totals	$ 501,125	$ -	$ -	$ -	$ 501,125

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	$ 1,441,319	$ 1,441,319	$ -	$ -	$ -
U.S. Government Agency Securities	180,909	-	-	-	180,909
Wisconsin Local Government Investment Pool	320,216	320,216	-	-	-
Totals	$ 1,942,444	$ 1,761,535	$ -	$ -	$ 180,909

Investment in Wisconsin Local Government Investment Pool

The City has investments in the Wisconsin local government investment pool of $320,216 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, 2012, the fair value of the City's share of the LGIP's assets was substantially equal to the carrying value.

NOTE C - DETAILED NOTES ON ALL FUNDS (Continued)

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, 2012 totaled $8,359,028 as detailed below:

Governmental Activities	
Capitalization deposit with CVMIC	$ 1,031,220
Beneficial interest in library endowment funds held by the Community Foundation	147,798
Total Governmental Activities	1,179,018
Business-type Activities	
Menasha Utilities	
Cash and investments	7,106,207
Interest accrued	3,803
Total Menasha Utilities	7,110,010
Sewage Treatment	
Equipment replacement	70,000
Total Restricted and Other Assets	$ 8,359,028

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

Bond redemption fund	$ 694,322
Capital addition fund	1,705,429
Depreciation fund	439,339
Lease reserve fund	894,470
Utility reserve fund	185,184
Working capital reserve	2,088,989
Chemical stabilization fund	287,867
Unfunded liability	233,381
Post employment health benefits fund	215,422
Energy conservation fund	180,442
Other investments	181,362
Total Cash and Investments	$ 7,106,207

NOTE C - DETAILED NOTES ON ALL FUNDS (Continued)

4. Capital Assets

Capital asset activity for the year ended December 31, 2012 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities:				
Capital assets, not being depreciated:				
Land	$ 9,040,876	$ -	$ -	$ 9,040,876
Construction in progress	132,484	-	-	132,484
Total capital assets, not being depreciated	9,173,360	-	-	9,173,360
Capital assets, being depreciated:				
Buildings and improvements	11,928,215	72,461	-	12,000,676
Machinery and equipment	8,107,578	648,168	262,212	8,493,534
Infrastructure	28,279,901	540,548	470,513	28,349,936
Subtotals	48,315,694	1,261,177	732,725	48,844,146
Less accumulated depreciation for:				
Buildings and improvements	5,433,052	254,086	-	5,687,138
Machinery and equipment	5,508,825	455,416	243,888	5,720,353
Infrastructure	12,451,991	841,381	470,513	12,822,859
Subtotals	23,393,868	1,550,883	714,401	24,230,350
Total capital assets, being depreciated, net	24,921,826	(289,706)	18,324	24,613,796
Governmental activities capital assets, net	$ 34,095,186	$ (289,706)	$ 18,324	33,787,156
Less: related long-term debt outstanding related to capital assets and unamortized premium of $41,379.				21,812,051
Net investment in capital assets				$ 11,975,105

NOTE C - DETAILED NOTES ON ALL FUNDS (Continued)

	Beginning Balance	Increases	Decreases	Ending Balance
Business-type activities:				
Capital assets, not being depreciated:				
Land	$ 2,573,733	$ 91	$ 63,608	$ 2,510,216
Other assets	268,407	20,000	4,093	284,314
Construction in progress	1,367,506	397,747	260,293	1,504,960
Total capital assets, not being depreciated	4,209,646	417,838	327,994	4,299,490
Capital assets, being depreciated:				
Buildings and improvements	19,592,504	78,798	11,029,375	8,641,927
Improvements other than buildings	57,694,550	2,326,917	12,041,756	47,979,711
Machinery and equipment	40,953,485	635,087	24,007,490	17,581,082
Subtotals	118,240,539	3,040,802	47,078,621	74,202,720
Less accumulated depreciation for:				
Steam utility	10,695,665	-	10,695,665	-
Electric distribution utility	13,811,950	1,105,603	276,137	14,641,416
Energy services utility	101,404	9,264	-	110,668
Telecommunications utility	371,414	31,687	-	403,101
Water utility	7,003,765	802,822	241,709	7,564,878
Sewage treatment utility	992,650	109,388	-	1,102,038
Stormwater utility	1,431,439	93,666	-	1,525,105
Subtotals	34,408,287	2,152,430	11,213,511	25,347,206
Total capital assets, being depreciated, net	83,832,252	888,372	35,865,110	48,855,514
Business-type activities capital assets, net	$ 88,041,898	$ 1,306,210	$ 36,193,104	53,155,004
Less: related long-term debt outstanding related to capital assets				31,382,450
Net investment in capital assets				$ 21,772,554

NOTE C - DETAILED NOTES ON ALL FUNDS (Continued)

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

Governmental activities	
General government	$ 47,165
Public safety	148,434
Public works	844,499
Health and human services	10,531
Culture and recreation	156,159
Conservation and development	97
Subtotal	1,206,885
Capital assets held by the City's internal service fund is charged to various functions based on their usage of the assets	343,998
Total depreciation expense - governmental activities	$ 1,550,883
Business-type activities	
Electric distribution utility	$ 1,105,603
Energy services utility	9,264
Telecommunications utility	31,687
Water utility	802,822
Sewage treatment utility	109,388
Stormwater utility	93,666
Total depreciation expense - business-type activities	$ 2,152,430

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, 2012 are detailed below:

	Interfund Receivables	Interfund Payables
General fund	$ 443,570	$ -
Special Revenue Funds		
Recycling	-	19,289
Lead Paint Reduction	-	15,858
Public safety donations	-	3,066
Capital Project Funds		
Capital Facility	-	1,918
Tax Incremental District No. 6	-	16,457
Tax Incremental District No. 11	-	18,660
Tax Incremental District No. 12	-	368,322
Debt service fund	879,920	-
Special Revenue Fund		
Tax Incremental District No. 3	-	164,100
Capital Project Funds		
Tax Incremental District No. 4	-	175,995
Tax Incremental District No. 7	-	389,746
Tax Incremental District No. 8	-	150,079
Totals	$ 1,323,490	$ 1,323,490

The above interfund receivables and payable were recorded to eliminate deficit cash balances in various funds. Funds with deficit cash balances related to debt service payments funded using other City resources were financed by the debt service fund with other deficits financed by the City's general fund.

NOTE C - DETAILED NOTES ON ALL FUNDS (Continued)

The Menasha Utilities portion of the City's unfunded pension obligation totaled $253,842. 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
2013	$ 253,842	$ 4,696	$ 258,538

The City's tax incremental district no. 5 provided temporary financing of tax incremental district no. 10 projects through an advance which bears an interest rate of 3.75%. At December 31, 2012, the balance of this advance was $221,000.

Interfund transfers for the year ended December 31, 2012 were as follows:

	Transfer to:				
	General Fund	Debt Service Fund	Nonmajor Governmental Funds	Steam Utility	Total
Transfers from:					
Major Governmental Fund					
Debt Service	$ -	$ -	$ -	$ 1,672,024	$ 1,672,024
Nonmajor Government Funds	283,513	8,420,783	29,000	-	8,733,296
Enterprise Fund					
Menasha Utilities	562,985	373,538	-	-	936,523
Sewage Treatment	-	208,896	-	-	208,896
Stormwater Utility	-	-	67,758	-	67,758
Totals	$ 846,498	$ 9,003,217	$ 96,758	$ 1,672,024	$ 11,618,497

Transfers were made for the following purposes:

Payment in lieu of taxes received from Menasha Utilities	$ 562,985
FEMA fund closeout	67,758
Close-out of steam utility special revenue fund	67,313
TID reimbursement of prior year advanced from the general fund	160,000
TID administrative reimbursement	44,200
Marina administrative reimbursement	12,000
TID debt service contribution	8,420,783
Utilities debt service contribution	582,434
Steam utility debt service	1,672,024
TID #5 advance to TID #10	29,000
	$ 11,618,497

NOTE C - DETAILED NOTES ON ALL FUNDS (Continued)

6. Long-term Obligations

The following is a summary of changes in long-term obligations of the City for the year ended December 31, 2012:

	Outstanding 1/1/12	Issued	Retired	Outstanding 12/31/12	Due Within One Year
Governmental activities:					
General Obligation Debt					
Bonds	$ 5,105,000	$ -	$ 740,000	$ 4,365,000	$ 765,000
Notes	18,363,330	8,720,000	9,677,658	17,405,672	1,202,600
Total General Obligation Debt	23,468,330	8,720,000	10,417,658	21,770,672	1,967,600
Debt premium	70,539	-	29,160	41,379	-
OPEB liability	134,396	89,690	-	224,086	-
Compensated absences	1,537,208	44,965	-	1,582,173	-
Governmental activities					
Total long-term obligations	$ 25,210,473	$ 8,854,655	$ 10,446,818	$ 23,618,310	$ 1,967,600
Business-type activities:					
General Obligation Debt					
Notes	$ 20,342,082	19,906,329	20,342,082	$ 19,906,329	$ 1,222,100
Revenue bonds	14,582,290	1,537,664	853,862	15,266,092	900,300
Revenue bond anticipation notes	22,777,166	-	22,777,166	-	-
Due to Town of Menasha	604,938	-	24,896	580,042	24,600
Capital leases	13,100,997	-	350,708	12,750,289	374,200
Business-type activities					
Total long-term obligations	$ 71,407,473	$ 21,443,993	$ 44,348,714	$ 48,502,752	$ 2,521,200

Total interest paid during the year on long-term debt totaled $3,799,655.

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, 2012 totaled $41,677,001 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%	$ 695,000
$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%	1,275,000
$1,160,000 issued 1/1/04; $100,000 to $115,000 due annually through 2018; interest 3.4% to 4.3%	615,000
$2,565,000 issued 6/15/05; $385,000 to $475,000 due annually through 2016; interest 4.25% to 4.65%	1,780,000
Total Bonds	4,365,000

NOTE C - DETAILED NOTES ON ALL FUNDS (Continued)

Government Activities (Continued):	
Notes	
$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; $1,685,000 due in 2014; interest 4.25% to 5.00%	1,685,000
$5,280,000 issued 8/1/08; $175,000 to $2,300,000 due annually throuth 2017; interest 4.25% to 4.40%	4,240,000
$150,000 issued 7/18/11; monthly payments of $14,327 to $17,389 due annually beginning in 2012 through 2021; interest 3.75%	135,672
$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
$1,170,000 issued 8/8/12; a balloon payment due 3/15/14 of $1,170,000; interest 2.75%	1,170,000
$1,480,000 issued 8/15/12; monthly payments of $131,364 to $166,404 due annually beginning in 2013 through 2022; interest 3.00%	1,480,000
$900,000 issued 8/15/12; monthly payments of $88,545 to $101,192 due annually beginning in 2013 through 2022; interest 3.00%	900,000
$3,920,000 issued 8/15/12; monthly payments of $200,371 to $333,593 due annually beginning in 2013 through 2027; interest 4.00%	3,920,000
$900,000 issued 8/15/12; monthly payments of $90,142 to $110,861 due annually beginning in 2013 through 2021; interest 3.00%	900,000
$350,000 issued 10/9/12; monthly payments of $30,502 to $44,193 due annually beginning in 2013 through 2021; interest 3.00%	350,000
Total Notes	17,405,672
Total Governmental Activities Outstanding General Obligation Debt	21,770,672
Business-type Activities:	
Notes	
$2,786,026 issued 8/15/12; $144,017 to $200,716 due annually through 2031; interest 4.0%	2,786,026
$3,656,754 issued 8/15/12; $199,297 to $273,321 due annually through 2030; interest 4.0%	3,656,754
$13,463,549 issued 8/15/12; $878,785 to $1,145,752 due annually through 2027; interest 4.0%	13,463,549
	19,906,329
Total General Obligation Debt	$ 41,677,001

NOTE C - DETAILED NOTES ON ALL FUNDS (Continued)

Annual principal and interest maturities of the outstanding general obligation debt of $41,677,001 on December 31, 2012 are detailed below:

Year Ended	Governmental Activities		Business-type Activities		Totals	
December 31	Principal	Interest	Principal	Interest	Principal	Interest
2013	$ 1,967,600	$ 742,200	$ 1,222,100	$ 462,500	$ 3,189,700	$ 1,204,700
2014	7,099,300	795,500	937,200	747,400	8,036,500	1,542,900
2015	1,877,800	503,700	974,700	709,900	2,852,500	1,213,600
2016	1,951,900	427,300	1,011,900	672,700	2,963,800	1,100,000
2017	3,293,000	345,900	1,054,200	630,400	4,347,200	976,300
2018-2022	4,036,700	722,200	5,936,600	2,486,300	9,973,300	3,208,500
2023-2027	1,544,372	190,400	7,223,300	1,199,600	8,767,672	1,390,000
2028-2031	-		1,546,329	141,300	1,546,329	141,300
	$ 21,770,672	$ 3,727,200	$ 19,906,329	$ 7,050,100	$ 41,677,001	$ 10,777,300

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, 2012 was $8,164,966 as follows:

Equalized valuation of the City		$ 992,831,200
Statutory limitation percentage		(x) 5%
General obligation debt limitation, per Section 67.03 of the Wisconsin Statutes		49,641,560
Total outstanding general obligation debt applicable to debt limitation	$ 41,677,001	
Less: Amounts available for financing general obligation debt		
Debt service fund	200,407	
Net outstanding general obligation debt applicable to debt limitation		41,476,594
Legal Margin for New Debt		$ 8,164,966

Advance Refunding of General Obligation Debt

On August 15, 2012 the City of Menasha, for Menasha Utilities, issued $19,906,329 of general obligation state trust fund debt to refinance $19,906,329 of current state trust fund debt outstanding. $2,786,026 of debt related to the Water Utility enterprise fund was refinanced to reduce future debt service payments by $414,925 and provide an economic gain (difference between the present value of the refinanced debt and the current debt) of $342,388. $17,120,303 of debt related to the Menasha Utilities enterprise fund was refinanced to reduce future debt service payments by $2,970,436 and provide an economic gain (difference between the present value of the refinanced debt and the current debt) of $2,691,896.

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, 2012 totaled $15,266,092 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%	$ 657,672
$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%	9,210,847
$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%	632,414
$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%	2,092,530
$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%	562,711
$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%	787,157
$233,307 issued 2011 - 2012; $9,809 to $14,512 due annually through 2031; interest 2.20%	228,299
$564,355 issued 2012; $22,768 to $34,426 due annually through 2032; interest 2.2%	564,355
$530,108 issued 2012; $21,386 to $32,337 due annually through 2032; interest 2.2%	530,107
Total Revenue Bonds	$ 15,266,092

Annual principal and interest maturities of the above outstanding enterprise fund revenue bonds of $15,266,092 on December 31, 2012 are shown below:

Year Ended December 31	Business-type Activities		
	Principal	Interest	Total
2013	$ 933,496	$ 349,870	$ 1,283,366
2014	955,625	328,080	1,283,705
2015	978,280	305,158	1,283,438
2016	1,001,470	281,692	1,283,162
2017	1,025,212	257,668	1,282,880
2018-2022	5,502,374	907,564	6,409,938
2023-2027	4,254,762	262,558	4,517,320
2028-2032	614,873	32,466	647,339
	$ 15,266,092	$ 2,725,056	$ 17,991,148

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)

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, 2012:

Year Ended December 31	Business-type Activities Principal
2013	$ 1,191,946
2014	1,191,946
2015	1,191,946
2016	1,191,946
2017	1,191,946
2018-2022	5,959,732
2023-2027	5,959,732
2028-2032	3,972,620
Total Payments	21,851,814
Amount representing interest	9,101,525
Principal amount outstanding	$ 12,750,289

Leased plant, included in electric capital assets, consists of the following:

Land	$ 522,728
Buildings	2,379,697
Improvements other than buildings	17,450,704
Equipment	5,094,266
Accumulated depreciation	(13,101,090)
Net leased plant	$ 12,346,305

Since WPPI is considered a related party, the leased capital assets have continued to be recorded at their historical cost along with the related accumulated depreciation to date. Depreciation on the leased plant is included in depreciation expense in the financial statements. Menasha Utilities fully expects to reacquire the capital assets at the conclusion of the lease. The Wisconsin Public Services Commission has also allowed the leased capital assets to continue to be included as part of all utility capital assets for the purposes of the annual payment in lieu of tax calculation.

Forgiveness of Debt

During 2012, Menasha Utilities finalized the settlement with the bondholders of the outstanding Steam Utility revenue bond anticipation notes. The settlement resulted in a gain on forgiveness of debt totaling $5,427,776 as reported in the Statement of Revenues, Expenses, and Changes in Net Position.

Redevelopment Authority Promissory Notes

In prior years, the Redevelopment Authority of the City of Menasha acquired land from and issued a promissory note to the City of Menasha in the amount of $3,900,000. Annual payments of $214,500 through 2016 and $388,540 from 2017 through 2031 are due with an interest rate of 5.5%.

	Outstanding 1/1/12	Issued	Retired	Outstanding 12/31/12	Due Within One Year
Component unit:					
Promissory note	$ 3,900,000	$ -	$ -	$ 3,900,000	$ -

Total interest paid during the year totaled $214,500.

NOTE C - DETAILED NOTES ON ALL FUNDS (Continued)

Annual principal and interest maturities of the above outstanding redevelopment authority promissory notes of $3,900,000 on December 31, 2012 are shown below:

Year Ended December 31	Component Unit		
	Principal	Interest	Total
2013	$ -	$ 214,500	$ 214,500
2014	-	214,500	214,500
2015	-	214,500	214,500
2016	-	214,500	214,500
2017	174,040	214,500	388,540
2018-2022	1,024,755	917,944	1,942,699
2023-2027	1,339,314	603,385	1,942,699
2028-2031	1,361,891	192,268	1,554,159
	$ 3,900,000	$ 2,786,097	$ 6,686,097

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	$ 137,808	$ 5,395,864	$ 857,457
Due from other funds	-	58,574	683,033
Restricted	-	5,303,747	1,796,252
Noncurrent			
Net Capital Assets	-	14,939,680	21,484,263
Property held for sale	12,452,066		
Advance to other funds	-	1,102,713	-
Other	89,450	46,579	17,805
Total Assets	12,679,324	26,847,157	24,838,810
Deferred Outflows of Resources			
Tower painting	-	-	91,092
Liabilities			
Current	1,363,487	4,870,416	2,542,320
Due to other funds	-	711,247	-
Noncurrent			
City advance	-	53,001	200,841
Advance from other funds	-	-	538,580
Long-term	16,042,221	12,750,289	13,636,314
Total Liabilities	17,405,708	18,384,953	16,918,055
Net Position			
Net investment in capital assets	-	2,189,391	6,969,503
Restricted			
Debt service	-	-	694,321
Lease obligation	-	894,470	-
Plant replacement	-	1,705,429	-
Unrestricted	(4,726,384)	3,672,914	348,023
Total Net Position	$ (4,726,384)	$ 8,462,204	$ 8,011,847

(Continued)

NOTE D - OTHER INFORMATION (Continued)

	Steam	Electric Distribution	Water
Operating Revenues			
Charges for services	$ -	$ 46,362,248	$ 5,592,644
Other	-	172,259	116,252
Total Operating Revenues	-	46,534,507	5,708,896
Operating Expenses			
Operating	-	43,640,589	2,464,160
Depreciation	-	917,132	753,539
Total Operating Expenses	-	44,557,721	3,217,699
Operating Income (Loss)	-	1,976,786	2,491,197
Nonoperating Income (Expenses)			
Interest revenue	-	70,452	4,923
Merchandising and jobbing	-	1,640	679
Interest and fiscal charges	(833,404)	(849,153)	(491,247)
Miscellaneous	1,596,728	(830,853)	(57,998)
Total Nonoperating Income (Expenses)	763,324	(1,607,914)	(543,643)
Income Before Contributions, Extraordinary Losses and Transfers	763,324	368,872	1,947,554
Customer contributions	-	261,554	156,033
Transfers out	-	(588,339)	(585,658)
Change in Net Position	763,324	42,087	1,517,929
Forgiveness of Debt	5,427,776	-	
Net Position - January 1	(10,917,484)	8,420,117	6,493,918
Net Position - December 31	$ (4,726,384)	$ 8,462,204	$ 8,011,847

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 position 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 $168,247. This amount is included in the totals presented in Note C1.

b) Property held for sale: At year end, the RDA had property held for redevelopment of $3,179,500 and land contract receivables of $570,432 related to sales of lots to developers. The RDA receives a portion of the amount due when the developer sells an individual lot to a third party.

c) Promissory Notes: The RDA financed the property available for sale through a promissory note with the City of Menasha, as presented in Note C6.

NOTE D - OTHER INFORMATION (Continued)

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 employees, initially employed by a participating WRS employer prior to July 1, 2011, expected to work at least 600 hours a year (440 hours for teachers and school district educational support employees) and expected to be employed for at least one year from employee's date of hire are eligible to participate in the WRS. All employees, initially employed by a participating WRS employer on or after July 1, 2011, and expected to work at least 1200 hours a year (880 hours for teachers and school district educational support employees) and expected to be employed for at least one year from employee's date of hire are eligible to participate in the WRS. Employees hired to work nine or ten months per year, (e.g. teachers contracts), but expected to return year after year are considered to have met the one-year requirement.

Prior to June 29, 2011, covered employees in the General/Teacher/Educational Support Personnel category were required by statute to contribute 6.5% of their salary (3.9% for Executives and Elected Officials, 5.8% for Protective Occupations with Social Security, and 4.8% for Protective Occupations without Social Security) to the plan. Employers could make these contributions to the plan on behalf of employees. Employers were required to contribute an actuarially determined amount necessary to fund the remaining projected cost of future benefits.

Effective the first day of the first pay period on or after June 29, 2011 the employee required contribution was changed to one-half of the actuarially determined contribution rate for General category employees, including Teachers, and Executives and Elected Officials. Required contributions for protective employees are the same rate as general employees. Employers are required to contribute the remainder of the actuarially determined contribution rate. The employer may not pay the employee required contribution unless provided for by an existing collective bargaining agreement. Contribution rates are as follows:

	2012	
	Employee	Employer
General (including Teachers)	5.9%	5.9%
Executives & Elected Officials	7.05%	7.05%
Protective with Social Security	5.9%	9.0%
Protective without Social Security	5.9%	11.3%

The payroll for City employees covered by the WRS for the year ended December 31, 2012 was $11,213,649; the employer's total payroll was $9,990,808. The total required contribution for the year ended December 31, 2012 was $1,487,497, which consisted of $825,153 or 7.9% of covered payroll from the employer and $662,344 or 5.9% of covered payroll from employees. Of the $662,344 required contributions for the employee for the year ended December 31, 2012, $154,562 was financed by the City and $507,782 was financed by the employees. Total contributions for the years ending December 31, 2011 and 2010 were $1,467,058 and 1,404,747 respectively, equal the required contributions for the year. The payroll covered by the WRS for the year ended December 31, 2012 of $11,213,649 includes $1,858,247 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.

NOTE D - OTHER INFORMATION (Continued)

Employees who retire at or after age 65 (62 for elected officials and 54 for protective occupation employees with less than 25 years of service, 53 for protective occupation employees with more than 25 years of service) are entitled to receive a retirement benefit. Employees may retire at age 55 (50 for protective occupation employees) and receive actuarially reduced benefits. The factors influencing the benefit are: (1) final average earnings, (2) years of creditable service, and (3) a formula factor. A 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 and on or after April 24, 1998 and prior to July 1, 2011 are immediately vested. Participants who initially became WRS eligible on or after July 1, 2011 must have five years of creditable service to be 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 that may be obtained by writing to the Department of Employee Trust Funds, P.O. Box 7931, Madison, WI 53707-7931.

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 2012.

NOTE D - OTHER INFORMATION (Continued)

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.

The claims liability of $3,256 reported in the fund at December 31, 2012 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, 2012, the property and liability insurance internal service fund has available $1,204,928 for future unreported claims. Changes in the fund's claim liability amount for 2011 and 2012 follow:

	Liability January 1	Current Claims and Changes in Estimates	Claim Payments	Liability December 31
2011	$ 8,202	$ 200,157	$ 175,393	$ 32,966
2012	32,966	(1,569)	28,141	3,256

NOTE D - OTHER INFORMATION (Continued)

Dental Insurance

City employees, COBRA employees, retirees and employee dependents are eligible for dental benefits from a dental insurance internal service fund. Funding is provided by charges to City departments, employees and retirees. Fund expenses consist of payments to a third-party administrator for dental claims and administrative fees. The claims liability of $4,069 reported in the fund at December 31, 2012, 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, 2012, the dental insurance internal service fund has available $546 for future unreported claims. Changes in the fund's claims liability amount for 2011 and 2012 follow:

	Liability January 1	Current Claims and Changes in Estimates	Claim Payments	Liability December 31
2011	$ 6,427	$ 126,515	$ 127,126	$ 5,816
2012	5,816	117,899	119,646	4,069

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	$ 94,153
Interest on net OPEB	6,128
Adjustment to annual required contribution	(8,311)
Annual OPEB cost (expense)	91,970
Contributions made	2,280
Change in net OPEB obligation	89,690
OPEB obligation - beginning of year	134,396
OPEB obligation - end of year	$ 224,086

The annual required contribution for the current year was determined as part of the January 1, 2012 actuarial valuation using the projected unit credit method. The actuarial assumptions included (a) 4.56% discount rate, and (b) projected salary increases at 4%.

NOTE D - OTHER INFORMATION (Continued)

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, 2012 is 30 years, and the remaining amount is $771,308.

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 2012 is as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage Of Annual OPEB Cost Contributed	Net OPEB Obligation
12/31/2010	$ 85,104	44.04%	$ 95,256
12/31/2011	76,616	48.91%	134,396
12/31/2012	91,970	2.48%	224,086

Funded Status and Funding Progress - As of January 1, 2012, the most recent actuarial valuation date, the City's unfunded actuarial accrued liability (UAAL) was $771,308. The annual payroll for active employees covered by the plan for the 2011 fiscal year was $8,362,803 for a ratio of the UAAL to covered payroll of 9.22%.

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, 2012 actuarial valuation, the projected unit credit method was used. The actuarial assumptions included a rate of 4.56% 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, 2012 was 30 years.

NOTE D - OTHER INFORMATION (Continued)

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.

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, 2012 from future excess tax increment revenues follows:

Net Unreimbursed Project Costs	
Tax Incremental District No. 1	$ 247,714
Tax Incremental District No. 3	2,082
Tax Incremental District No. 4	888,797
Tax Incremental District No. 5	1,902,900
Tax Incremental District No. 6	2,556,331
Tax Incremental District No. 7	1,928,159
Tax Incremental District No. 8	963,967
Tax Incremental District No. 9	4,066,554
Tax Incremental District No. 10	220,172
Tax Incremental District No. 11	39,909
Tax Incremental District No. 12	372,373
	$ 13,188,958

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 2012, the City's electric utility billed SCA Tissue $19,644,206. This represents 42% of electric utility operating revenue. No other utility customer accounted for more than 10% 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 2012 and 2013 budget years, 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. The actual limit for the City for the 2012 budget was .61%. The actual limit for the City for the 2013 budget was .47%. 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.

e. 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.

f. 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. Cumulative Effect of Change in Accounting Principle

The City has adopted GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, which requires debt issuance costs to be expensed in the period incurred, rather than recorded as assets and amortized over the life of the related debt issue. Financial statements for the year ended December 31, 2011 have not been restated. The cumulative effect of this change was to decrease the December 31, 2012 net position of the governmental activities by $167,928.

12. Prior Period Adjustment

On October 24, 2011, the City and its redevelopment authority executed a sale of land acquired by the City from a developer in lieu of assessments. The forgiveness of the special assessments and the issuance of the notes payable to the City by the RDA and related land sales by the RDA was not reflected in the City's 2011 financial statements. As a result, the City made the following prior period adjustment in its government-wide financial statements:

	Governmental Activities	Redevelopment Authority
Special assessments forgiven	$ (4,798,547)	$ -
Promissory note issued by the RDA to the City	3,900,000	(3,900,000)
RDA investment in property held for sale at December 31, 2011	-	3,179,500
Land contract receivable due to the RDA at December 31, 2011	-	683,694
	$ (898,547)	$ (36,806)

The above adjustment had no effect on the City's governmental funds.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF MENASHA, WISCONSIN
SCHEDULE OF FUNDING PROGRESS
OTHER POST-EMPLOYMENT BENEFIT PLAN
For the Year Ended December 31, 2012

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%
2012	-	771,308	0.00%	771,308	8,362,803	9.22%

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
For the Year Ended December 31, 2012

Year Ended December 31,	Employer Contributions	Annual Required Contribution (ARC)	Percentage Contributed
2011	$ 37,476	$ 85,104	44.04%
2012	2,280	94,153	2.42%

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

SUPPLEMENTARY 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.

Steam 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, 2012

	Special Revenue Funds								
	Housing Rehab	Community Development Block Grant	Marina Operations	Tax Incremental District #1	Tax Incremental District #3	Park Development	Recycling	Employment Sick Leave Reserve	Lead Paint Reduction
ASSETS									
Cash and investments	$ 33,129	$ 125,044	$ 30,759	$ 31,789	$ -	$ 177,760	$ -	$ 14,054	$ -
Receivables									
Taxes	-	-	-	81,043	12,833	-	168,924	25,946	-
Accounts	-	-	27	-	-	-	21	-	-
Loans	21,483	1,834,522	-	-	-	-	-	-	-
Advance to other funds	-	-	-	-	-	-	-	-	-
Other assets	-	-	-	-	-	-	-	-	-
TOTAL ASSETS	$ 54,612	$ 1,959,566	$ 30,786	$ 112,832	$ 12,833	$ 177,760	$ 168,945	$ 40,000	$ -
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES									
Liabilities									
Accounts payable	$ -	$ -	$ 8,838	$ -	$ -	$ -	$ 23,028	$ -	$ -
Due to other funds	-	-	-	-	164,100	-	19,289	-	15,858
Unearned revenues	-	-	11,788	-	-	-	-	-	-
Advance from other funds	-	-	-	-	-	-	-	-	-
Total Liabilities	-	-	20,626	-	164,100	-	42,317	-	15,858
Deferred Inflows of Resources									
Taxes receivable	-	-	-	112,195	17,766	-	260,424	40,000	-
Loans receivable	21,483	1,834,522	-	-	-	-	-	-	-
Total Deferred Inflows of Resources	21,483	1,834,522	-	112,195	17,766	-	260,424	40,000	-
Fund Balances (Deficit)									
Restricted									
Library endowment	-	-	-	-	-	-	-	-	-
Community development	33,129	125,044	-	-	-	-	-	-	-
TID project plan	-	-	-	637	-	-	-	-	-
Hattie Minor Scholarship	-	-	-	-	-	-	-	-	-
Heckrodt nature center	-	-	-	-	-	-	-	-	-
Senior center	-	-	-	-	-	-	-	-	-
Assigned									
Special revenue funds	-	-	10,160	-	-	177,760	-	-	-
Capital projects funds	-	-	-	-	-	-	-	-	-
Unassigned, reported in									
Special revenue funds	-	-	-	-	(169,033)	-	(133,796)	-	(15,858)
Capital projects funds	-	-	-	-	-	-	-	-	-
Total Fund Balances (Deficit)	33,129	125,044	10,160	637	(169,033)	177,760	(133,796)	-	(15,858)
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES (DEFICIT)	$ 54,612	$ 1,959,566	$ 30,786	$ 112,832	$ 12,833	$ 177,760	$ 168,945	$ 40,000	$ -

(Continued)

CITY OF MENASHA, WISCONSIN
Combining Balance Sheet
Nonmajor Governmental Funds
December 31, 2012

	Special Revenue Funds (Continued)							
	Library Endowment	Hattie Minor Scholarship	Public Safety Donations	Heckrodt Nature Center	Senior Center Memorials	Senior Center Fund Raising	Steam Utility	Total Special Revenue Funds
ASSETS								
Cash and investments	$ 109,767	$ 36,886	$ -	$ 7,560	$ 7,290	$ 1,450	$ 3,637	$ 579,125
Receivables								
Taxes	-	-	-	-	-	-	-	288,746
Accounts	-	-	-	-	-	-	-	48
Loans	-	-	-	-	-	-	-	1,856,005
Advance to other funds	-	-	-	-	-	-	-	-
Other assets	147,798	-	-	-	-	-	-	147,798
TOTAL ASSETS	$ 257,565	$ 36,886	$ -	$ 7,560	$ 7,290	$ 1,450	$ 3,637	$ 2,871,722
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES								
Liabilities								
Accounts payable	$ -	$ -	$ 63	$ -	$ -	$ -	$ 3,637	$ 35,566
Due to other funds	-	-	3,066	-	-	-	-	202,313
Unearned revenues	-	-	-	-	-	-	-	11,788
Advance from other funds	-	-	-	-	-	-	-	-
Total Liabilities	-	-	3,129	-	-	-	3,637	249,667
Deferred Inflows of Resources								
Taxes receivable	-	-	-	-	-	-	-	430,385
Loans receivable	-	-	-	-	-	-	-	1,856,005
Total Deferred Inflows of Resources	-	-	-	-	-	-	-	2,286,390
Fund Balances (Deficit)								
Restricted								
Library endowment	257,565	-	-	-	-	-	-	257,565
Community development	-	-	-	-	-	-	-	158,173
TID project plan	-	-	-	-	-	-	-	637
Hattie Minor Scholarship	-	36,886	-	-	-	-	-	36,886
Heckrodt nature center	-	-	-	7,560	-	-	-	7,560
Senior center	-	-	-	-	7,290	1,450	-	8,740
Assigned								
Special revenue funds	-	-	-	-	-	-	-	187,920
Capital projects funds	-	-	-	-	-	-	-	-
Unassigned, reported in								
Special revenue funds	-	-	(3,129)	-	-	-	-	(321,816)
Capital projects funds	-	-	-	-	-	-	-	-
Total Fund Balances (Deficit)	257,565	36,886	(3,129)	7,560	7,290	1,450	-	335,665
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES (DEFICIT)	$ 257,565	$ 36,886	$ -	$ 7,560	$ 7,290	$ 1,450	$ 3,637	$ 2,871,722

(Continued)

CITY OF MENASHA, WISCONSIN
Combining Balance Sheet
Nonmajor Governmental Funds
December 31, 2012

	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	$ 280,621	$ -	$ 10,396	$ -	$ 525,012	$ -	$ -
Receivables							
Taxes	-	-	-	58,335	208,620	324,871	73,917
Accounts	-	-	-	-	2,419	-	-
Loans	-	-	-	-	1,136,912	-	-
Advance to other funds	-	-	-	-	221,000	-	-
Other assets	-	-	-	-	-	-	-
TOTAL ASSETS	$ 280,621	$ -	$ 10,396	$ 58,335	$ 2,093,963	$ 324,871	$ 73,917
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES							
Liabilities							
Accounts payable	$ 1,649	$ -	$ -	$ -	$ 12,771	$ -	$ -
Due to other funds	-	1,918	-	175,995	-	16,457	389,746
Unearned revenues	-	-	-	-	-	-	-
Advance from other funds	-	-	-	-	-	-	-
Total Liabilities	1,649	1,918	-	175,995	12,771	16,457	389,746
Deferred Inflows of Resources							
Taxes receivable	-	-	-	80,758	288,809	449,744	102,329
Loans receivable	-	-	-	-	1,136,912	-	-
Total Deferred Inflows of Resources	-	-	-	80,758	1,425,721	449,744	102,329
Fund Balances (Deficit)							
Restricted							
Library endowment	-	-	-	-	-	-	-
Community development	-	-	-	-	-	-	-
TID project plan	-	-	-	-	655,471	-	-
Hattie Minor Scholarship	-	-	-	-	-	-	-
Heckrodt nature center	-	-	-	-	-	-	-
Senior center	-	-	-	-	-	-	-
Assigned							
Special revenue funds	-	-	-	-	-	-	-
Capital projects funds	278,972	-	10,396	-	-	-	-
Unassigned, reported in							
Special revenue funds	-	-	-	-	-	-	-
Capital projects funds	-	(1,918)	-	(198,418)	-	(141,330)	(418,158)
Total Fund Balances (Deficit)	278,972	(1,918)	10,396	(198,418)	655,471	(141,330)	(418,158)
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES (DEFICIT)	$ 280,621	$ -	$ 10,396	$ 58,335	$ 2,093,963	$ 324,871	$ 73,917

(Continued)

CITY OF MENASHA, WISCONSIN
Combining Balance Sheet
Nonmajor Governmental Funds
December 31, 2012

	Capital Projects Funds (Continued)							Total Governmental Funds
	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	
ASSETS								
Cash and investments	$ -	$ 724,623	$ 239,350	$ -	$ -	$ 3,183	$ 1,783,185	$ 2,362,310
Receivables								
Taxes	36,132	190,239	45,586	55,280	-	-	992,980	1,281,726
Accounts	-	-	-	-	-	-	2,419	2,467
Loans	-	-	-	-	-	-	1,136,912	2,992,917
Advance to other funds	-	-	-	-	-	-	221,000	221,000
Other assets	-	-	-	-	-	-	-	147,798
TOTAL ASSETS	$ 36,132	$ 914,862	$ 284,936	$ 55,280	$ -	$ 3,183	$ 4,136,496	$ 7,008,218
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES								
Liabilities								
Accounts payable	$ -	$ 15	$ -	$ -	$ 4,051	$ -	$ 18,486	$ 54,052
Due to other funds	150,079	-	-	18,660	368,322	-	1,121,177	1,323,490
Unearned revenues	-	-	-	-	-	-	-	11,788
Advance from other funds	-	-	221,000	-	-	-	221,000	221,000
Total Liabilities	150,079	15	221,000	18,660	372,373	-	1,360,663	1,610,330
Deferred Inflows of Resources								
Taxes receivable	50,020	626,402	63,109	76,529	-	-	1,737,700	2,168,085
Loans receivable	-	-	-	-	-	-	1,136,912	2,992,917
Total Deferred Inflows of Resources	50,020	626,402	63,109	76,529	-	-	2,874,612	5,161,002
Fund Balances (Deficit)								
Restricted								
Library endowment	-	-	-	-	-	-	-	257,565
Community development	-	-	-	-	-	-	-	158,173
TID project plan	-	288,445	827	-	-	-	944,743	945,380
Hattie Minor Scholarship	-	-	-	-	-	-	-	36,886
Heckrodt nature center	-	-	-	-	-	-	-	7,560
Senior center	-	-	-	-	-	-	-	8,740
Assigned								
Special revenue funds	-	-	-	-	-	-	-	187,920
Capital projects funds	-	-	-	-	-	3,183	292,551	292,551
Unassigned, reported in								
Special revenue funds	-	-	-	-	-	-	-	(321,816)
Capital projects funds	(163,967)	-	-	(39,909)	(372,373)	-	(1,336,073)	(1,336,073)
Total Fund Balances (Deficit)	(163,967)	288,445	827	(39,909)	(372,373)	3,183	(98,779)	236,886
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES (DEFICIT)	$ 36,132	$ 914,862	$ 284,936	$ 55,280	$ -	$ 3,183	$ 4,136,496	$ 7,008,218

CITY OF MENASHA, WISCONSIN
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended December 31, 2012

	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
Revenues								
Taxes	$ -	$ -	$ -	$ 109,610	$ 19,452	$ -	$ 264,863	$ -
Intergovernmental	-	-	-	1,088	4,968	-	70,386	-
Public charges for services	-	-	239,507	-	-	25,850	4,417	-
Intergovernmental charges for services	-	-	-	-	-	-	82,141	-
Miscellaneous	8,593	37,859	-	-	-	633	13,530	-
Total Revenues	8,593	37,859	239,507	110,698	24,420	26,483	435,337	-
Expenditures								
Current								
Public safety	-	-	-	-	-	-	-	538
Public works	-	-	-	-	-	-	367,127	-
Culture and recreation	-	-	219,412	-	-	2,800	-	-
Conservation and development	-	46,871	-	650	150	-	-	-
Other	-	-	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-	-	-
Total Expenditures	-	46,871	219,412	650	150	2,800	367,127	538
Excess of Revenues Over (Under) Expenditures	8,593	(9,012)	20,095	110,048	24,270	23,683	68,210	(538)
Other Financing Sources (Uses)								
Long-term debt issued	-	-	-	-	-	-	-	-
Transfers in	-	-	-	-	-	-	-	-
Transfers out	-	-	(12,000)	(160,000)	(156,690)	-	-	-
Total Other Financing Sources (Uses)	-	-	(12,000)	(160,000)	(156,690)	-	-	-
Net Change in Fund Balances	8,593	(9,012)	8,095	(49,952)	(132,420)	23,683	68,210	(538)
Fund Balances (Deficits) - January 1	24,536	134,056	2,065	50,589	(36,613)	154,077	(202,006)	538
Fund Balances (Deficits) - December 31	$ 33,129	$ 125,044	$ 10,160	$ 637	$ (169,033)	$ 177,760	$ (133,796)	$ -

(Continued)

CITY OF MENASHA, WISCONSIN

Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended December 31, 2012

	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	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 393,925
Intergovernmental	-	-	-	-	-	-	-	-	-	76,442
Public charges for services	-	-	-	-	-	5	-	-	-	269,779
Intergovernmental charges for services	-	-	-	-	-	-	-	-	-	82,141
Miscellaneous	-	35,098	113	2,981	16,188	1,679	-	-	100,000	216,674
Total Revenues	-	35,098	113	2,981	16,188	1,684	-	-	100,000	1,038,961
Expenditures										
Current										
Public safety	-	-	-	7,259	-	-	-	-	-	7,797
Public works	-	-	-	-	-	-	-	-	-	367,127
Culture and recreation	-	21,307	2,250	-	-	-	-	-	-	245,769
Conservation and development	-	-	-	-	13,649	-	-	-	-	61,320
Other	-	-	-	-	-	-	-	-	32,687	32,687
Capital outlay	-	-	-	-	-	-	-	-	-	-
Total Expenditures	-	21,307	2,250	7,259	13,649	-	-	-	32,687	714,700
Excess of Revenues Over (Under) Expenditures	-	13,791	(2,137)	(4,278)	2,539	1,684	-	-	67,313	324,261
Other Financing Sources (Uses)										
Long-term debt issued	-	-	-	-	-	-	-	-	-	-
Transfers in	-	-	-	-	-	-	67,758	-	-	67,758
Transfers out	-	-	-	-	-	-	-	-	(67,313)	(396,003)
Total Other Financing Sources (Uses)	-	-	-	-	-	-	67,758	-	(67,313)	(328,245)
Net Change in Fund Balances	-	13,791	(2,137)	(4,278)	2,539	1,684	67,758	-	-	(3,984)
Fund Balances (Deficits) - January 1	(15,858)	243,774	39,023	1,149	5,021	5,606	(67,758)	1,450	-	339,649
Fund Balances (Deficits) - December 31	$ (15,858)	$ 257,565	$ 36,886	$ (3,129)	$ 7,560	$ 7,290	$ -	$ 1,450	$ -	$ 335,665

(Continued)

CITY OF MENASHA, WISCONSIN

Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended December 31, 2012

	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
Revenues							
Taxes	$ -	$ -	$ -	$ 79,744	$ 285,855	$ 432,838	$ 101,829
Intergovernmental	-	125,371	-	2,124	178,891	3,696	-
Public charges for services	-	-	-	-	-	-	-
Intergovernmental charges for services	-	-	-	-	-	-	-
Miscellaneous	517	-	-	122	164,286	-	3,500
Total Revenues	517	125,371	-	81,990	629,032	436,534	105,329
Expenditures							
Current							
Public safety	-	-	-	-	-	-	-
Public works	-	-	-	-	-	4,917	-
Culture and recreation	-	-	-	-	-	-	-
Conservation and development	-	-	-	150	17,496	150	150
Other	-	-	-	-	-	-	-
Capital outlay	3,459	3,283	-	-	9,371	5,263	-
Total Expenditures	3,459	3,283	-	150	26,867	10,330	150
Excess of Revenues Over (Under) Expenditures	(2,942)	122,088	-	81,840	602,165	426,204	105,179
Other Financing Sources (Uses)							
Long-term debt issued	-	-	-	-	1,170,000	1,800,000	1,100,000
Transfers in	-	-	-	-	29,000	-	-
Transfers out	-	-	-	(166,333)	(1,537,069)	(1,979,865)	(1,276,875)
Total Other Financing Sources (Uses)	-	-	-	(166,333)	(338,069)	(179,865)	(176,875)
Net Change in Fund Balances	(2,942)	122,088	-	(84,493)	264,096	246,339	(71,696)
Fund Balances (Deficits) - January 1	281,914	(124,006)	10,396	(113,925)	391,375	(387,669)	(346,462)
Fund Balances (Deficits) - December 31	$ 278,972	$ (1,918)	$ 10,396	$ (198,418)	$ 655,471	$ (141,330)	$ (418,158)

(Continued)

CITY OF MENASHA, WISCONSIN
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended December 31, 2012

	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	$ 49,332	$ 562,411	$ 41,126	$ 75,406	$ -	$ -	$ 1,628,541	$ 2,022,466
Intergovernmental	-	1,252	4,945	-	-	-	316,279	392,721
Public charges for services	-	-	-	-	-	-	-	269,779
Intergovernmental charges for services	-	-	-	-	-	-	-	82,141
Miscellaneous	-	-	-	-	-	-	168,425	385,099
Total Revenues	49,332	563,663	46,071	75,406	-	-	2,113,245	3,152,206
Expenditures								
Current								
Public safety	-	-	-	-	-	-	-	7,797
Public works	-	10,858	-	-	36,422	-	52,197	419,324
Culture and recreation	-	-	-	-	-	-	-	245,769
Conservation and development	150	212	150	150	274,316	-	292,924	354,244
Other	-	-	-	-	-	-	-	32,687
Capital outlay	-	31,068	12,466	68,081	-	-	132,991	132,991
Total Expenditures	150	42,138	12,616	68,231	310,738	-	478,112	1,192,812
Excess of Revenues Over (Under) Expenditures	49,182	521,525	33,455	7,175	(310,738)	-	1,635,133	1,959,394
Other Financing Sources (Uses)								
Long-term debt issued	660,000	2,160,000	-	-	-	-	6,890,000	6,890,000
Transfers in	-	-	-	-	-	-	29,000	96,758
Transfers out	(767,138)	(2,571,623)	(38,390)	-	-	-	(8,337,293)	(8,733,296)
Total Other Financing Sources (Uses)	(107,138)	(411,623)	(38,390)	-		-	(1,418,293)	(1,746,538)
Net Change in Fund Balances	(57,956)	109,902	(4,935)	7,175	(310,738)	-	216,840	212,856
Fund Balances (Deficits) - January 1	(106,011)	178,543	5,762	(47,084)	(61,635)	3,183	(315,619)	24,030
Fund Balances (Deficits) - December 31	$ (163,967)	$ 288,445	$ 827	$ (39,909)	$ (372,373)	$ 3,183	$ (98,779)	$ 236,886

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 Position
Internal Service Funds
December 31, 2012

	City Garage	Property and Liability Insurance	Dental Insurance	Information Technology	Totals
ASSETS					
Cash and investments	$ 135,885	$ 176,988	$ 4,615	$ 14,178	$ 331,666
Accounts receivable	20,000	-	-	-	20,000
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	1,000,642	-	-	-	1,000,642
Machinery and equipment	6,284,020	-	-	-	6,284,020
Less: Accumulated depreciation	(4,641,096)	-	-	-	(4,641,096)
TOTAL ASSETS	2,976,151	1,208,208	4,615	14,178	4,203,152
LIABILITIES					
Accounts payable	64,813	3,280	4,069	15,446	87,608
NET POSITION (DEFICIT)					
Net investment in capital assets	2,820,266	-	-	-	2,820,266
Unrestricted	91,072	1,204,928	546	(1,268)	1,295,278
TOTAL NET POSITION (DEFICIT)	$ 2,911,338	$ 1,204,928	$ 546	$ (1,268)	$ 4,115,544

CITY OF MENASHA, WISCONSIN

Combining Statement of Revenues, Expenses and Changes in Net Position

Internal Service Funds

For the Year Ended December 31, 2012

	City Garage	Property and Liability Insurance	Dental Insurance	Information Technology	Totals
Operating Revenues					
Charges for services	$ 1,212,853	$ 98,565	$ 125,012	$ 413,759	$ 1,850,189
Other	-	47,285	-	-	47,285
Total Operating Revenues	1,212,853	145,850	125,012	413,759	1,897,474
Operating Expenses					
Operation and maintenance	941,365	34	6,536	415,027	1,362,962
Insurance payments and claims	-	98,724	117,899	-	216,623
Depreciation	343,998	-	-	-	343,998
Total Operating Expenses	1,285,363	98,758	124,435	415,027	1,923,583
Operating Income (Loss)	(72,510)	47,092	577	(1,268)	(26,109)
Nonoperating Revenues					
Investment income	453	34,392	-	-	34,845
Gain on disposal of capital assets	676	-	-	-	676
Total Nonoperating Revenues	1,129	34,392	-	-	35,521
Change in Net Position	(71,381)	81,484	577	(1,268)	9,412
Net Position (Deficit) - January 1	2,982,719	1,123,444	(31)	-	4,106,132
Net Position (Deficit) - December 31	$ 2,911,338	$ 1,204,928	$ 546	$ (1,268)	$ 4,115,544

CITY OF MENASHA, WISCONSIN
Combining Statement of Cash Flows
Internal Service Funds
For the Year Ended December 31, 2012

	City Garage	Property and Liability Insurance	Dental Insurance	Information Technology	Totals
Cash Flows from Operating Activities					
Cash received from customers	$ 6,873	$ 47,285	$ 14,592	$ -	$ 68,750
Cash received from City	1,205,980	98,565	110,531	413,759	1,828,835
Cash paid to suppliers	(513,866)	(135,115)	(126,182)	(417,919)	(1,193,082)
Cash paid to employees	(412,989)	-	-	-	(412,989)
Net Cash Provided (Used) by Operating Activities	285,998	10,735	(1,059)	(4,160)	291,514
Cash Flows from Capital and Related Financing Activities					
Acquisition of capital assets	(629,190)	-	-	-	(629,190)
Proceeds from sale of capital assets	19,000	-	-	-	19,000
Net Cash Used by Capital and Related Financing Activities	(610,190)	-	-	-	(610,190)
Cash Flows from Investing Activities					
Interest and dividends received	453	34,392	-	-	34,845
Change in Cash and Cash Equivalents	(323,739)	45,127	(1,059)	(4,160)	(283,831)
Cash and Cash Equivalents - January 1	459,624	131,861	5,674	18,338	615,497
Cash and Cash Equivalents - December 31	$ 135,885	$ 176,988	$ 4,615	$ 14,178	$ 331,666
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:					
Operating income (loss)	$ (72,510)	$ 47,092	$ 577	$ (1,268)	$ (26,109)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:					
Depreciation	343,998	-	-	-	343,998
Changes in assets and liabilities					
Accounts receivable	(20,000)	-	111	-	(19,889)
Accounts payable	34,510	(36,357)	(1,747)	(2,892)	(6,486)
Net Cash Provided (Used) by Operating Activities	$ 285,998	$ 10,735	$ (1,059)	$ (4,160)	$ 291,514

ADDITIONAL INDEPENDENT AUDITORS' REPORT FOR BASIC FINANCIAL STATEMENTS

Schenck

CPAs AND SO MUCH MORE.

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

Independent Auditors' Report

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

We have audited, in accordance with the 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, 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, 2012, and the related notes to the financial statements, which collectively comprise the City of Menasha, Wisconsin's basic financial statements, and have issued our report thereon which included an emphasis of matter paragraph as indicated on page 2 dated November 26, 2013.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City of Menasha, Wisconsin's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of Menasha, Wisconsin's internal control. Accordingly, we do not express an opinion on the effectiveness of the City of Menasha, Wisconsin's internal control.

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. 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.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as items 2012-01 and 2012-02 that we consider to be significant deficiencies.

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*.

City of Menasha, Wisconsin's Response to Findings

City of Menasha, Wisconsin's response to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. City of Menasha, Wisconsin's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of City of Menasha, Wisconsin's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government *Auditing Standards* in considering the City of Menasha, Wisconsin's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Schenck SC

Certified Public Accountants
Green Bay, Wisconsin
November 26, 2013

FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE

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REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL AND STATE PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE

Independent Auditors' Report

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

Report on Compliance for Each Major Federal and State Program

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, 2012. 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.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal and state programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of City of Menasha, Wisconsin's major federal and state programs based on our audit of the types of compliance requirements referred to above. 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 on compliance for each major federal and state program. However, our audit does not provide a legal determination of City of Menasha, Wisconsin's compliance.

Opinion on Each Major Federal and State Program

In our opinion, City of Menasha, Wisconsin complied, in all material respects, with the types of compliance 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, 2012.

Report on Internal Control Over Compliance

Management of City of Menasha, Wisconsin is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered City of Menasha, Wisconsin's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal or state program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal and state program 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 of Menasha, Wisconsin's internal control over compliance.

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. 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.

Our consideration of 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 material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we identified certain deficiencies in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as items 2012-03 and 2012-04 that we consider to be significant deficiencies.

City of Menasha, Wisconsin's response to the internal control over compliance findings identified in our audit are described in the accompanying schedule of prior year audit findings and corrective action plan. City of Menasha, Wisconsin's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and the *State Single Audit Guidelines*. Accordingly, this report is not suitable for any other purpose.

Schenck SC

Certified Public Accountants
Green Bay, Wisconsin
November 26, 2013

CITY OF MENASHA, WISCONSIN
Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2012

Grantor Agency/Federal Program Title	Pass-through Agency	Federal CFDA Number	Revenues (Accrued) or Deferred Revenue 1/1/12	Cash Received	Accrued or (Deferred) Revenue 12/31/12	Total Revenues	Total Expenditures
U.S. DEPARTMENT OF JUSTICE							
Homeland Security/Preparedness Volunteer Training	WI Department of Justice Assistance	16.964	$ (3,236)	$ 3,236	$ -	$ -	$ -
ENVIRONMENTAL PROTECTION AGENCY							
State Indoor Radon Grants	WI Department of Health Services	66.032	-	2,723	764	3,487	3,487
Capitalization Grants for Drinking Water State Revolving Funds	WI Department of Administration	66.468	-	1,218,103	-	1,218,103	1,218,103
Total Environmental Protection Agency			-	1,220,826	764	1,221,590	1,221,590
U.S. DEPARTMENT OF ENERGY							
ARRA- Energy Efficiency and Conservation Block Grant Program Retrofits and Lighting Program	WI Department of Administration	81.128	-	117,529	-	117,529	117,529
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES							
Aging Cluster							
Grants for Supportive Services and Senior Centers (Title III-B)	Winnebago County, Wisconsin	93.044	(2,141)	51,433	-	49,292	49,292
Public Health Emergency Preparedness	WI Department of Health Services	93.069	(3,616)	38,314	-	34,698	34,698
Immunization Cluster							
Immunization Grants	WI Department of Health Services	93.268	-	7,189	1,269	8,458	8,458
National Public Health Improvement Initiative	WI Department of Health Services	93.507	-	4,649	-	4,649	4,649
Medical Assistance Program	WI Department of Health Services	93.778	-	817	-	817	817
Maternal and Child Health Services Block Grant	WI Department of Health Services	93.994	-	11,130	-	11,130	11,130
Total U.S. Department of Health and Human Services			(5,757)	113,532	1,269	109,044	109,044
U.S. DEPARTMENT OF HOMELAND SECURITY							
ARRA - Assistance to Firefighters	Direct Program	97.115	-	7,842	-	7,842	7,842
TOTAL EXPENDITURES OF FEDERAL AWARDS			$ (8,993)	$ 1,462,965	$ 2,033	$ 1,456,005	$ 1,456,005

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, 2012

Grantor Agency/State Program Title	Pass-through Agency	State I.D. Number	Revenues (Accrued) or Deferred Revenue 1/1/12	Cash Received	Accrued or (Deferred) Revenue 12/31/12	Total Revenues	Total Expenditures
DEPARTMENT OF NATURAL RESOURCES							
Urban Forestry Grant	Direct Program	370.572	$ -	$ -	$ 12,650	$ 12,650	$ 12,650
DEPARTMENT OF HEALTH SERVICES							
GPR Lead Poison	Direct Program	435.157720	-	2,741	-	2,741	2,741
Maternal & Child Health Service Block Grant	Direct Program	435.159320	-	817	-	817	817
Total Department of Health Services			-	3,558	-	3,558	3,558
DEPARTMENT OF JUSTICE							
Law Enforcement Training	Direct Program	456.377	-	4,480	-	4,480	4,480
DEPARTMENT OF MILITARY AFFAIRS							
State Disaster Fund	Direct Program	465.365	(59,324)	59,324	-	-	-
TOTAL STATE PROGRAMS			$ (59,324)	$ 67,362	$ 12,650	$ 20,688	$ 20,688

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, 2012

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. Environmental Protection Agency is the federal oversight agency for the City. The Wisconsin Department of Natural Resources is the state oversight agency for the City.

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CITY OF MENASHA, WISCONSIN
Menasha, Wisconsin
Schedule of Findings and Questioned Costs
For the Year Ended December 31, 2012

Section I - Summary of Auditors' Results

Basic Financial Statements	
Type of auditors' report issued:	Unmodified
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	Unmodified
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
66.468	Capitalization Grants for Clean Water State Revolving Funds

State ID Number	Name of State Program
370.572	Urban Forestry Grant

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

2012-01 **Preparation of Annual Financial Report**

Condition: Current City staff maintains accounting records which reflect the City's financial transactions; however, preparing the City's annual financial report, including note disclosures, involves the selection and application of specific accounting principles which would require additional experience and knowledge. The City contracts with us and our knowledge of applicable accounting principles, financial statement formats, and note disclosures to prepare the annual financial report in an efficient manner.

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

Cause: City management has determined that the additional costs associated with training staff to become experienced in applicable accounting principles and note disclosures outweigh the derived benefits.

Effect: Without our involvement, the City may not be able to completely prepare an annual financial report in accordance with accounting principles generally accepted in the United States of America.

Recommendation: We recommend the City continue reviewing the annual financial report prepared by Schenck. While it may not be cost beneficial to train additional staff to completely prepare the report, a thorough review of this information by appropriate staff of the City is necessary to obtain a complete and adequate understanding of the City's annual financial report.

Section II - Basic Financial Statement Findings (Continued)

Finding No.	Control Deficiencies

2012-02 **Capital Asset Additions**

Condition: City staff 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 expense. During our 2012 audit, we identified a material capital asset addition that was not reported to us by City staff.

Criteria: A material adjustment to the underlying accounting records is considered to be an internal control deficiency.

Cause: The City does not have a system in place to identify capital asset transactions throughout the year.

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

Recommendation: We recommend the City develop a system to identify capital asset additions and disposals throughout the year. Many governments of your size identify new additions at the time the related invoice is paid and maintain a copy of the invoice for us.

Section III - Federal Award and State Financial Assistance Findings

Finding No.	Internal Control Deficiencies

2012-03 **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.

Section III - Federal Award and State Financial Assistance Findings

Finding No.	Internal Control Deficiencies

2012-04 **Late Submittal of City's Reporting Package in Accordance with OMB Circular A-133**

Condition: For the year ended December 31, 2012, the City expended over $500,000 in federal awards, requiring a federal single audit. The City's single audit reporting package was submitted after the required deadlines.

Criteria: According to OMB Circular A-133, the single audit reporting package shall be submitted within the earlier of 30 days after receipt of the auditors' report or nine months after the end of the audit period.

Cause: The City was without a Finance Director for a portion of the year, resulting in the audit and single audit reporting package not being completed timely.

Effect: The City did not comply with the reporting deadlines of OMB Circular A-133.

Recommendation: We recommend the City establish procedures to submit the single audit reporting package within nine months after the end of the audit year.

CITY OF MENASHA, WISCONSIN
Menasha, Wisconsin
Schedule of Findings and Questioned Costs (Continued)
For the Year Ended December 31, 2012

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
Department of Natural Resources	X Yes	____ No
Department of Military Affairs	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

November 26, 2013

CITY OF MENASHA, WISCONSIN
Menasha, Wisconsin
Schedule of Prior Year Audit Findings and Corrective Action Plan
For the Year Ended December 31, 2012

Status of Prior Year Audit Findings

The findings noted in the 2011 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 2011-01, 2011-02 and 2011-03 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
2012-01	**Preparation of Annual Financial Report** 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.
2012-02	**Capital Asset Additions** 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.
2012-03	**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.
2012-04	**Late Submittal of City's Reporting Package in Accordance with OMB Circular A-133** The City has hired a Finance Director in October, 2013. The financial records and audit of the City will be completed earlier in future years, allowing for the submittal of the single audit reporting package within the prescribed time frame.