

**NEENAH-MENASHA
SEWERAGE COMMISSION, WISCONSIN**

ANNUAL FINANCIAL REPORT

DECEMBER 31, 2007

NEENAH-MENASHA SEWERAGE COMMISSION, WISCONSIN
December 31, 2007

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INDEPENDENT AUDITORS' REPORT ON FINANCIAL STATEMENTS

To the Commissioners
Neenah-Menasha Sewerage Commission, Wisconsin

We have audited the accompanying financial statements of the Neenah-Menasha Sewerage Commission, Wisconsin ("the Commission") as of and for the year ended December 31, 2007, as listed in the table of contents. These financial statements are the responsibility of the Neenah-Menasha Sewerage Commission's management. Our responsibility is to express an opinion on these financial statements based on our audit. The prior year summarized comparative information has been derived from the Commission's 2006 financial statements and, in our report dated March 17, 2007, we expressed an unqualified opinion on the financial statements.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Neenah-Menasha Sewerage Commission as of December 31, 2007, and the results of its operations and cash flows, for the year ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated April 18, 2008 on our consideration of the Commission's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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

Our audit was conducted for the purpose of forming an opinion on the Commission's financial statements. The financial information listed in the table of contents as supplemental information is presented for purposes of additional analysis and is not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

Certified Public Accountants
Green Bay, Wisconsin
April 18, 2008

MANAGEMENT'S DISCUSSION AND ANALYSIS

Management's Discussion and Analysis
December 31, 2007

As management of the Neenah-Menasha Sewerage Commission, Wisconsin, we offer readers of the Commission's financial statements this narrative overview and analysis of the financial activities of the Commission for the fiscal year ended December 31, 2007.

Financial Highlights

- The assets of the Commission exceeded its liabilities as of December 31, 2007 by \$6,758,158 (*net assets*).
- The Commission's total net assets decreased by \$727,577. Several factors contributed to the overall decrease as follows:
 1. The Commission charges to its users for operation and maintenance costs are adjusted at year end to equal final expenses less other operating revenues generated and a receivable or payable is established. Therefore, the Commission's operating activities resulted in no change in the Commission's net assets.
 2. The Commission does not recover depreciation expense from its users. Rather, the Commission's users are responsible for a portion of the debt service maturities based on usage of the facilities. For 2007, depreciation exceeded amounts contributed for principal retirement by \$1,008,003.
 3. Commission users also contribute to equipment replacement and depreciation funds for replacement or significant repairs to existing equipment. For 2007, equipment replacement and depreciation charges exceeded expenses by \$285,569.
- The Commission's total long-term debt decreased by \$565,000 (9.7%) during 2007.

Overview of the Financial Statements

The Commission's annual report includes this management's discussion and analysis, the independent auditors' report and the basic financial statements, including notes. This report also contains supplemental information in addition to the basic financial statements themselves.

The Commission accounts for its operations as an enterprise fund. Enterprise funds are used to account for operations financed and operated in a manner similar to private business with the intent that the costs (expenses, including depreciation) of providing services to the general public be financed primarily through user charges.

Financial Analysis

Net assets. Net assets may serve over time as a useful indicator of the Commission's financial position. The Commission's assets exceeded its liabilities by \$6,758,158 at the close of 2007.

Neenah-Menasha Sewerage Commission, Wisconsin's Net Assets		
	2007	2006
Current and other assets	\$ 105,736	\$ 183,725
Restricted assets	2,354,099	2,391,985
Capital assets	9,698,940	10,750,181
Total assets	12,158,775	13,325,891
Long-term liabilities outstanding	4,596,776	5,124,168
Other liabilities	803,841	882,828
Total liabilities	5,400,617	6,006,996
Net assets		
Invested in capital assets, net of related debt	4,838,940	5,564,291
Restricted	1,727,797	1,894,639
Unrestricted (deficit)	191,421	26,805
Total net assets	\$ 6,758,158	\$ 7,485,735

By far the largest portion of the Commission's net assets (72%) reflects its investment in capital assets (e.g. land, buildings, machinery and equipment, etc.), less any related debt used to acquire those assets that are still outstanding. The Commission uses these capital assets to provide services to customers; consequently, these assets are *not* available for future spending. Although, the Commission'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 Commission's net assets (26%) represents resources that are subject to external restrictions on how they may be used.

Change in net assets. The Commissions net assets decreased by \$727,577. Key elements of this decrease are as follows:

Neenah-Menasha Sewerage Commission, Wisconsin's Change in Net Assets		
	2007	2006
Operating Revenues		
User charges		
Measured service	\$ 2,607,673	\$ 2,624,161
Capital charges	775,118	779,448
Depreciation fund charges	176,256	176,258
Replacement fund charges	219,932	219,931
Other charges	123,573	109,339
Total Operating Revenues	<u>3,902,552</u>	<u>3,909,137</u>
Operating Expenses		
Operation and maintenance	2,736,026	2,737,105
Depreciation	1,573,003	1,665,405
Depreciation fund	55,290	81,629
Replacement fund	55,329	33,808
Total Operating Expenses	<u>4,419,648</u>	<u>4,517,947</u>
Operating loss	(517,096)	(608,810)
Nonoperating Revenues (Expenses)	<u>(210,481)</u>	<u>(179,122)</u>
Change in net assets	(727,577)	(787,932)
Net assets - beginning balance	7,485,735	8,273,667
Net assets - ending balance	<u>\$ 6,758,158</u>	<u>\$ 7,485,735</u>

Capital Asset and Debt Administration

Capital assets. The Commission's investment in capital assets as of December 31, 2007 amounts to \$9,698,940 (net of accumulated depreciation). This investment in capital assets includes land, land improvements, buildings, improvements other than buildings, machinery and equipment and construction in progress. The total decrease in the Commission's investment in capital assets for the current year was \$1,051,241 or 9.8% over last year was due to depreciation expense in excess of current year capital additions.

Neenah-Menasha Sewerage Commission, Wisconsin's Capital Assets (net of accumulated depreciation)		
	2007	2006
Land	\$ 64,039	\$ 64,039
Land improvements	109,239	117,050
Buildings	2,815,627	3,524,480
Improvements other than buildings	3,750,951	3,802,514
Machinery and equipment	2,846,292	3,027,138
Construction in progress	112,792	214,960
Total	<u>\$ 9,698,940</u>	<u>\$ 10,750,181</u>

Long-term debt. At the end of the current fiscal year, the Commission had total bonded debt outstanding of \$5,225,000.

Neenah-Menasha Sewerage Commission, Wisconsin's Outstanding Debt		
Revenue Bonds		
	2007	2006
Revenue bonds	\$ 5,225,000	\$ 5,790,000

The Commission's total debt decreased by \$565,000 (9.7%) during the current fiscal year due to principal repayments.

The Commission has restricted cash of \$97,006 in the Principal and Interest Redemption Fund and \$446,301 in the Reserve Fund to be used for subsequent year payments of principal and interest.

Economic Factors and Next Year's Budgets and Rates

The 2008 operations budget will show a 7.4% increase over the 2007 operations budget. The rates to the users will be adjusted accordingly to offset this increase. Major budget increases are anticipated in chemicals (12.5%), and Repairs and Maintenance (15.8%).

Contacting the Commission's Financial Management

This financial report is designed to provide a general overview of the Commission's finances for all those with an interest in the Commission's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to either the General Manager Randall Much or the plant accountant, Roger Voigt.

FINANCIAL STATEMENTS

NEENAH-MENASHA SEWERAGE COMMISSION, WISCONSIN

Statement of Net Assets

December 31, 2007

With Comparative Totals for December 31, 2006

	2007	2006
ASSETS		
Current Assets		
Cash and investments	\$ 100	\$ 100
Receivables		
Accounts	76,222	78,550
Due from users	-	53,069
Prepaid items	384	785
Total Current Assets	<u>76,706</u>	<u>132,504</u>
Noncurrent Assets		
Restricted Assets		
Cash and investments	2,343,971	2,380,285
Accrued interest	10,128	11,700
Total Restricted Assets	<u>2,354,099</u>	<u>2,391,985</u>
Other Assets		
Unamortized debt discount	29,030	51,221
Capital Assets		
Non-depreciable	176,831	278,999
Depreciable	9,522,109	10,471,182
Net Capital Assets	<u>9,698,940</u>	<u>10,750,181</u>
Total Noncurrent Assets	<u>12,082,069</u>	<u>13,193,387</u>
TOTAL ASSETS	<u>12,158,775</u>	<u>13,325,891</u>
LIABILITIES		
Current Liabilities		
Refunds due users	71,725	2,588
Accounts payable	110,443	100,539
Total Current Liabilities	<u>182,168</u>	<u>103,127</u>
Liabilities Payable from Restricted Assets		
Accounts payable	25,828	22,371
Current maturities of long-term debt	580,000	565,000
Accrued interest	15,845	17,082
Total Liabilities Payable from Restricted Assets	<u>621,673</u>	<u>604,453</u>
Long-term Liabilities		
Revenue bonds, less current maturities	4,645,000	5,225,000
Unamortized loss on refinancing	(48,224)	(100,832)
Total Long-term Liabilities	<u>4,596,776</u>	<u>5,124,168</u>
Deferred Credits	-	8,408
TOTAL LIABILITIES	<u>5,400,617</u>	<u>5,840,156</u>
NET ASSETS		
Invested in capital assets, net of related debt	4,838,940	5,564,291
Restricted for		
Plant replacement	1,556,332	1,764,021
Debt service	171,465	130,618
Unrestricted	191,421	26,805
TOTAL NET ASSETS	<u>\$ 6,758,158</u>	<u>\$ 7,485,735</u>

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

NEENAH-MENASHA SEWERAGE COMMISSION, WISCONSIN
Statement of Revenues, Expenses and Changes in Net Assets
Year Ended December 31, 2007
With Comparative Totals for the Year Ended December 31, 2006

	2007	2006
Operating Revenues		
User Charges		
Measured service	\$ 2,607,673	\$ 2,624,161
Capital charges	775,118	779,448
Depreciation fund charges	176,256	176,258
Replacement fund charges	219,932	219,931
Other charges	123,573	109,339
Total Operating Revenues	<u>3,902,552</u>	<u>3,909,137</u>
Operating Expenses		
Operation and maintenance	2,736,026	2,737,105
Depreciation	1,573,003	1,665,405
Depreciation fund	55,290	81,629
Replacement fund	55,329	33,808
Total Operating Expenses	<u>4,419,648</u>	<u>4,517,947</u>
Operating Loss	<u>(517,096)</u>	<u>(608,810)</u>
Nonoperating Revenues (Expenses)		
Interest income	127,568	123,387
Loss on disposal of assets	(59,521)	(11,943)
Interest expense	(203,729)	(215,767)
Amortization of debt expense	(22,191)	(22,191)
Amortization of refinancing loss	(52,608)	(52,608)
Total Nonoperating Revenues (Expenses)	<u>(210,481)</u>	<u>(179,122)</u>
Change in Net Assets	(727,577)	(787,932)
Net Assets - January 1	<u>7,485,735</u>	<u>8,273,667</u>
Net Assets - December 31	<u>\$ 6,758,158</u>	<u>\$ 7,485,735</u>

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

NEENAH-MENASHA SEWERAGE COMMISSION, WISCONSIN

Statement of Cash Flows

Year Ended December 31, 2007

With Comparative Totals for the Year Ended December 31, 2006

	2007	2006
Cash Flows from Operating Activities		
Cash received from user charges	\$ 4,018,678	\$ 4,052,903
Cash payments to suppliers	(2,829,707)	(2,853,435)
Cash payments to employees	(3,176)	(104,042)
Net Cash Provided by Operating Activities	<u>1,185,795</u>	<u>1,095,426</u>
Cash Flows from Capital and Related Financing Activities		
Acquisition of capital assets	(581,783)	(434,442)
Proceeds from sale of capital assets	500	-
Principal payments on long-term debt	(565,000)	(555,000)
Interest payments on long-term debt	(204,966)	(216,749)
Net Cash Used by Capital and Related Financing Activities	<u>(1,351,249)</u>	<u>(1,206,191)</u>
Cash Flows from Investing Activities		
Interest received	129,829	123,752
Redemption of long-term investments	1,038,511	1,489,766
Purchase of long-term investments	-	(638,448)
Net Cash Provided by Investing Activities	<u>1,168,340</u>	<u>975,070</u>
Change in Cash and Cash Equivalents	1,002,886	864,305
Cash and Cash Equivalents - January 1	<u>1,341,185</u>	<u>476,880</u>
Cash and Cash Equivalents - December 31	<u>\$ 2,344,071</u>	<u>\$ 1,341,185</u>
Reconciliation of Operating Loss to Net Cash Provided by Operating Activities:		
Operating loss	\$ (517,096)	\$ (608,810)
Adjustments to reconcile operating loss to net cash provided by operating activities:		
Depreciation	1,573,003	1,665,405
Changes in current assets and liabilities		
Accounts receivable	2,328	(15,549)
Due from users	53,069	224,977
Prepaid items	401	16,351
Refunds due users	69,137	(60,155)
Accounts payable	13,361	(108,279)
Accrued vacation	-	(1,917)
Accrued sick leave	-	(11,090)
Deferred credits	(8,408)	(5,507)
Net Cash Provided by Operating Activities	<u>\$ 1,185,795</u>	<u>\$ 1,095,426</u>
Noncash Capital and Related Financing Activities		
None		
Reconciliation of cash and cash equivalents to statement of net assets:		
Cash and investments	\$ 100	\$ 100
Restricted cash and investments	2,343,971	2,380,285
Less: Long-term investments	-	(1,039,200)
Total cash and cash equivalents	<u>\$ 2,344,071</u>	<u>\$ 1,341,185</u>

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

NEENAH-MENASHA SEWERAGE COMMISSION, WISCONSIN

Notes to Financial Statements

December 31, 2007

NOTE A - SUMMARY OF ACCOUNTING POLICIES

The accounting policies of the Neenah-Menasha Sewerage Commission, Wisconsin ("the Commission") conform to accounting principles generally accepted in the United States of America for enterprise funds as defined by the Governmental Accounting Standards Board. A summary of the Commission's accounting policies consistently applied in the preparation of the accompanying financial statements follows:

1. Reporting Entity

The Neenah-Menasha Sewerage Commission was organized on September 30, 1982, under Section 66.0301 of the Wisconsin State Statutes to construct and operate wastewater transportation and treatment facilities. The Commission was not created for profit and no part of the net income or profits will be remitted or transferred to any private individual or any organization created for profit. Pursuant to contract, the Commission serves the City of Neenah, City of Menasha, Town of Neenah Sanitary District No. 1, Town of Neenah Sanitary District No. 1-1, Town of Neenah Sanitary District No. 2, Town of Menasha Utility District, Town of Harrison Waverly Sanitary District, Town of Menasha, Town of Harrison, Mead Corporation, and Sonoco/US Mills Corporation.

The Commission has seven members selected for three year staggered terms. The Mayors of Neenah and Menasha each appoint two members of the Commission who must be confirmed by a majority vote of their respective Common Councils. The President of the Town of Neenah Sanitary District Nos. 1, 1-1, and 2, the President of the Town of Menasha Utility District, and the President of the Town of Harrison Waverly Sanitary District each appoint one member, with such appointment being confirmed by the governing bodies of those respective municipalities.

In accordance with GAAP, the financial statements are required to include the Commission and any separate component units that have a significant operational or financial relationship with the Commission. The Commission has not identified any component units that are required to be included in the financial statements in accordance with standards established in GASB Statement Nos. 14 and 39.

2. Enterprise Funds

The Commission accounts for its operations as an enterprise fund. Enterprise funds are used to account for operations financed and operated in a manner similar to private business with the intent that the costs (expenses, including depreciation) of providing services to the general public be financed primarily through user charges.

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

3. Measurement Focus and Basis of Accounting

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. Enterprise funds are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation are included on the Statement of Net Assets. Enterprise fund operating statements present increases (i.e., revenues) and decreases (i.e., expenses) in net total assets.

The accrual basis of accounting is utilized by enterprise funds. Under this method, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred. Unpaid enterprise fund service receivables are recorded at year-end. All capital assets are capitalized at historical cost and depreciated over their useful lives.

NEENAH-MENASHA SEWERAGE COMMISSION, WISCONSIN

Notes to Financial Statements

December 31, 2007

NOTE A - SUMMARY OF ACCOUNTING POLICIES (Continued)

4. Budgets and Budgetary Accounting

The Commission prepares an annual budget for use as a guide to operations and to determine estimated amounts due from contracting municipalities and industries. Formal budgetary integration is not completed and, accordingly, the budget is not presented in the financial statements. The Commission follows these procedures in establishing the annual budget:

- a. Prior to September 30, the Commission must prepare a budget and formally present it at a public hearing. The budget includes an estimate of each contracting municipality and industry's annual charges payable to the Commission in the following year.
- b. Each contracting municipality and industry agrees to include its estimated annual charges payable to the Commission in its budget for the following year. Each contracting municipality also agrees to adopt a local ordinance which provides for the recovery of its share of the Commission's annual charges from its users. To the extent that its share of the Commission's annual charges are not paid from user fees, each contracting municipality is required to otherwise provide for such payment by other means, including, but not limited to, its general fund or property tax levies.
- c. The Commission bills monthly, in advance, each contracting municipality and industry for its share of one-twelfth of the annual budget based on its proportionate use of the System. These monthly billings are due on the 10th of the month they are billed.
- d. The Commission refunds any operating surplus or charges back any operating deficit to the contracting municipalities and industries after each annual audit.

5. Assets, Liabilities and Net Assets

a. Cash and Investments

Cash and investments are combined on the statement of net assets and consist of deposits with financial institutions. Deposits are carried at cost. For purposes of the statement of cash flows, all cash and investments (including restricted assets) with an original 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 financial statements.

c. Prepaid Items

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

d. Capital Assets

Capital assets, which include property, plant and equipment assets, are reported in the financial statements. Capital assets are defined by the Commission as assets with an initial, individual cost of \$500 or higher and an estimated useful life in excess of one year. 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.

NEENAH-MENASHA SEWERAGE COMMISSION, WISCONSIN

Notes to Financial Statements

December 31, 2007

NOTE A - SUMMARY OF ACCOUNTING POLICIES (Continued)

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.

Property, plant, and equipment of the Commission are depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings	20
Land improvements	20
Improvements other than buildings	20 - 100
Machinery and equipment	5 - 20

e. Long-term Obligations

Long-term obligations are accounted for in the enterprise fund.

f. Net Assets

Net assets are classified into the following three components:

- *Invested in capital assets, net of related debt* - This component of net assets consists of capital assets, including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. If there are significant unspent related debt proceeds at year-end, the portion of the debt attributable to the unspent proceeds is not included in the calculation of "invested in capital assets, net of related debt". Rather, that portion of the debt is included in the same net assets component as the unspent proceeds.
- *Restricted* - This component of net assets consists of constraints placed on net asset use through external constraints imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation.
- *Unrestricted* - This component of net assets consists of net assets that do not meet the definition of "restricted" or "invested in capital assets, net of related debt".

6. Use of 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.

7. Comparative Data

Comparative total data for the prior year has been presented in the accompanying financial statements in order to provide an understanding of changes in the Commission's financial position and operations.

NEENAH-MENASHA SEWERAGE COMMISSION, WISCONSIN

Notes to Financial Statements

December 31, 2007

NOTE B - DETAILED NOTES ON ALL FUNDS

1. Cash and Investments

Invested cash consists of deposits and investments which are restricted by the Wisconsin Statutes to the following:

Time deposits; repurchase agreements; securities issued by federal, state and local governmental entities; statutorily authorized commercial paper and corporate securities; Wisconsin local government investment pool.

The carrying amount of the Commission's cash and investments totaled \$2,344,071 on December 31, 2007 as summarized below:

Petty cash fund	\$	100
Deposits with financial institutions		1,574,840
Deposits with state investment pool		769,131
		<u>\$ 2,344,071</u>
Basic financial statements		
Cash and investments	\$	100
Restricted cash and investments		2,343,971
		<u>\$ 2,344,071</u>

Deposits of the Commission are subject to custodial credit risk. Presented below is a discussion of the Commission's deposits and the related risk.

Deposits with Financial Institutions

Deposits with banks are insured by the Federal Deposit Insurance Corporation (FDIC) in the amount of \$100,000 for interest bearing accounts and \$100,000 for non-interest bearing accounts. Deposits with credit unions are insured by the National Credit Union Share Insurance Fund (NCUSIF) in the amount of \$100,000 per credit union member. In addition, the State of Wisconsin has a State Guarantee Fund which provides a maximum of \$400,000 per public depository above the amount provided by an agency of the U.S. Government. However, due to the relatively small size of the State Guarantee Fund in relation to the Fund's total coverage, total recovery of insured losses may not be available.

On December 31, 2007, \$781,379 of the Commission's deposits with financial institutions were in excess of federal and state depository insurance limits and uncollateralized.

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 Commission does not have an additional custodial credit policy.

NEENAH-MENASHA SEWERAGE COMMISSION, WISCONSIN
Notes to Financial Statements
December 31, 2007

NOTE B - DETAILED NOTES ON ALL FUNDS (Continued)

Investments

The Commission has investments in the Wisconsin local government investment pool of \$769,131 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, 2007, the fair value of the Commission's share of the LGIP' assets was substantially equal to the carrying value.

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 Commission does not have an additional credit risk policy. The Commission's investment in the Wisconsin local government investment pool is not rated. Investments in the Wisconsin Local Government Investment Pool are covered under a surety bond issued by Financial Security Assurance, Inc. The bond insures against losses arising from principal defaults on substantially all types of securities acquired by the pool. The bond provides unlimited coverage on principal losses, reduced by any FDIC, State of Wisconsin Guarantee Fund insurance, and income on the investment during the calendar quarter a loss occurs.

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 Commission 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. The investments held by the Wisconsin local government investment pool mature in 12 months or less.

NEENAH-MENASHA SEWERAGE COMMISSION, WISCONSIN

Notes to Financial Statements

December 31, 2007

NOTE B - DETAILED NOTES ON ALL FUNDS (Continued)

2. Restricted Assets

Restricted assets of the Commission on December 31, 2007 totaled \$2,354,099 and consisted of cash and investments of \$2,343,971 and accrued interest receivable of \$10,128 held for the following purposes:

Funds	Amount	Purpose
Depreciation Fund	\$ 646,183	To be used for additions to and betterments of the sewerage treatment plant
Bond Principal and Interest Redemption Fund	97,009	To be used for subsequent year payments of principal and interest on revenue bonds.
Bond Reserve Fund	446,301	To reserve additional funds for debt retirement; to be used if sufficient funds are not available in the Bond Principal and Interest Redemption Fund. A balance of \$365,000 is required to be maintained in this account.
DNR Equipment Replacement Fund	1,175,087	To be used for the replacement of certain assets of the sewerage treatment plant in accordance with Wisconsin Department of Natural Resources requirements.
Less: Cash temporarily advanced to finance operating expenses	<u>(10,481)</u>	
Total	<u>\$ 2,354,099</u>	

NEENAH-MENASHA SEWERAGE COMMISSION, WISCONSIN
Notes to Financial Statements
December 31, 2007

NOTE B - DETAILED NOTES ON ALL FUNDS (Continued)

3. Capital Assets

Capital asset activity for the year ended December 31, 2007 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, not being depreciated:				
Land	\$ 64,039	\$ -	\$ -	\$ 64,039
Construction in progress	214,960	202,527	304,695	112,792
Total capital assets, not being depreciated	<u>278,999</u>	<u>202,527</u>	<u>304,695</u>	<u>176,831</u>
Capital assets, being depreciated:				
Land improvements	156,114	-	-	156,114
Buildings	16,189,932	73,413	-	16,263,345
Improvements other than buildings	5,156,285	-	-	5,156,285
Machinery and equipment	13,663,356	610,539	346,542	13,927,353
Subtotals	<u>35,165,687</u>	<u>683,952</u>	<u>346,542</u>	<u>35,503,097</u>
Less accumulated depreciation for:				
Land improvements	39,064	7,811	-	46,875
Buildings	12,665,452	782,266	-	13,447,718
Improvements other than buildings	1,353,771	51,563	-	1,405,334
Machinery and equipment	10,636,218	731,363	286,520	11,081,061
Subtotals	<u>24,694,505</u>	<u>1,573,003</u>	<u>286,520</u>	<u>25,980,988</u>
Total capital assets, being depreciated, net	<u>10,471,182</u>	<u>(889,051)</u>	<u>60,022</u>	<u>9,522,109</u>
Capital assets, net	<u>\$ 10,750,181</u>	<u>\$ (686,524)</u>	<u>\$ 364,717</u>	9,698,940
Less related long-term debt outstanding (net of available bond proceeds of \$365,000)				<u>4,860,000</u>
Invested in capital assets, net of related debt				<u>\$ 4,838,940</u>

NEENAH-MENASHA SEWERAGE COMMISSION, WISCONSIN

Notes to Financial Statements

December 31, 2007

NOTE B - DETAILED NOTES ON ALL FUNDS (Continued)

4. Long-term Liabilities

The following is a summary of long-term liability transactions of the Commission for the year ended December 31, 2007:

	Outstanding 1/1/07	Issued	Retired	Outstanding 12/31/07	Due Within One Year
Revenue bonds	\$ 5,790,000	\$ -	\$ 565,000	\$ 5,225,000	\$ 580,000

Revenue bonds outstanding at December 31, 2007 consist of the following:

\$2,800,000 issued 2/1/03; \$495,000 due in 2008; interest 3.0%	\$ 495,000
\$5,025,000 issued 9/1/03; \$85,000 to \$730,000 due annually through 2015; interest 3.0% to 4.0%	4,730,000
	<u>\$ 5,225,000</u>

Annual principal and interest maturities of the above outstanding revenue bonds are shown below:

Year Ended December 31	Revenue Bonds		
	Principal	Interest	Total
2008	\$ 580,000	\$ 204,966	\$ 784,966
2009	600,000	172,716	772,716
2010	620,000	149,916	769,916
2011	640,000	125,116	765,116
2012	665,000	99,516	764,516
2013-2015	2,120,000	157,213	2,277,213
	<u>\$ 5,225,000</u>	<u>\$ 909,443</u>	<u>\$ 6,134,443</u>

NOTE C - OTHER INFORMATION

1. Risk Management

The Commission has purchased commercial insurance policies for various risks of loss related to torts; theft, damage or destruction of assets; errors or omissions; injuries to employees; or acts of God. Payments of premiums for these policies are recorded as expenses of the Commission.

2. Contingent Liabilities

The Commission has identified the following items as potential liabilities not recorded on the financial statements:

The U.S. Fish & Wildlife Service and the Wisconsin Department of Natural Resources are in the process of preparing Natural Resource Damage Assessments to determine the level of damages to the Lower Fox River and Green Bay natural resources resulting from PCB contamination, and the Wisconsin Department of Natural Resources is in the process of preparing a plan for the cleanup of PCB contaminated sediments in the Lower Fox River. Although none of the state or federal agencies has designated the Commission as a responsible party with respect to the natural resource damages or PCB cleanup costs, the seven Fox River Valley paper mills that have been designated as responsible parties have the ability to seek contribution toward such damages and costs from the POTWs (Publicly Owned Treatment Works) on the Lower Fox River, including the Commission. The currently available information indicates that the Commission bears virtually no responsibility for the discharge of PCB's into the Lower Fox River. Therefore, the Commission has a de minimis exposure in the above matters.

SUPPLEMENTAL INFORMATION

NEENAH-MENASHA SEWERAGE COMMISSION, WISCONSIN
Schedule of Operation and Maintenance Expenses - Budget and Actual
Year Ended December 31, 2007
With Comparative Actual Amounts for Year Ended December 31, 2006

	Budget	Actual	Variance Positive (Negative)	2006 Actual
Operation				
Salaries and wages	\$ 58,800	\$ 2,671	\$ 56,129	\$ 66,071
Employee benefits	24,857	505	24,352	24,964
Professional fees and contracted services	1,260,305	1,350,843	(90,538)	1,215,169
Power	523,000	627,945	(104,945)	562,530
Gas	175,000	41,618	133,382	196,532
Water	16,000	16,967	(967)	14,672
Telephone	2,820	2,148	672	2,529
Chemicals				
Polymer	63,000	72,544	(9,544)	54,428
Sodium bisulfite	28,000	27,899	101	26,287
Chlorine	4,800	151	4,649	-
Salt	43,000	37,102	5,898	43,639
Aluminum sulfate	38,750	45,308	(6,558)	37,734
Carbon	10,500	-	10,500	-
Miscellaneous	250	-	250	-
Sludge disposal	208,500	204,810	3,690	198,321
Industrial metering and sampling	5,000	15,555	(10,555)	5,501
Lab supplies	18,750	15,582	3,168	12,993
Other operating supplies	44,900	35,457	9,443	53,942
Transportation	5,700	5,339	361	5,716
Administration	57,400	57,949	(549)	54,068
Office supplies	11,500	12,987	(1,487)	11,380
General insurance	58,952	58,079	873	55,038
Total Operation	2,659,784	2,631,459	28,325	2,641,514
Maintenance				
Equipment	60,250	57,771	2,479	48,686
General plant	27,000	42,282	(15,282)	38,891
Cleaning supplies	7,600	4,514	3,086	8,014
Total Maintenance	94,850	104,567	(9,717)	95,591
Total Operation and Maintenance Expenses	\$ 2,754,634	\$ 2,736,026	\$ 18,608	\$ 2,737,105

NEENAH-MENASHA SEWERAGE COMMISSION, WISCONSIN
 Calculation of Payable (Receivable) From Users for 2007 Operations
 December 31, 2007

	City of Neenah	City of Menasha	Town of Neenah S.D. 1, 1-1 & 2	Menasha Utility District	Waverly S.D.	Sonoco/US Mills
Total						

\$ 3,075,586	\$ 1,446,603	\$ 746,256	\$ 29,055	\$ 326,500	\$ 103,125	\$ 424,047
100.00%	47.08%	24.27%	0.96%	10.80%	3.36%	13.53%

Revenues received during year for 2007 operations and maintenance

Percentage of net expenses allocated for 2007

Actual operation and maintenance expenses
 Deposits to depreciation fund
 Deposits to replacement fund

Less:
 MCO income sharing
 High strength waste income
 Industrial metering and sampling
 WPPI standby service
 Pretreatment administrative fees
 Pretreatment permit fees
 Other operating revenues
 Interest income

Net Expenditures Allocated for 2007 *

Payable (Receivable) From Users for 2007 Operations

\$ 2,736,026						
176,256						
219,932						
32,043						
7,693						
6,445						
66,349						
6,525						
3,617						
902						
4,779						
3,003,861	1,414,218	729,037	28,837	324,417	100,930	406,422
\$ 71,725	\$ 32,385	\$ 17,219	\$ 218	\$ 2,083	\$ 2,195	\$ 17,625

This summary is prepared from the Commission's analysis of flow, BOD, and suspended solids from each user.

* Measured service to municipalities and industries
 Deposits to depreciation fund
 Deposits to replacement fund
 Net 2007 Allocated Expenses

\$ 2,607,673
176,256
219,932
<u>\$ 3,003,861</u>

NEENAH-MENASHA SEWERAGE COMMISSION, WISCONSIN
 Information Required by Sewer Revenue Bonds
 December 31, 2007

Insurance Coverage		
Expiration Date	Type of Coverage	Amount of Coverage
1/1/2008	Worker's compensation	Statutory Benefits
1/1/2008	Public officials and employee liability	\$1,000,000
1/1/2008	Automobile	\$2,000,000
1/1/2008	Boiler and machinery	Included in property limits
1/1/2008	Umbrella liability	\$2,000,000
1/1/2008	Property	\$48,195,343 valued at replacement cost of treatment plant (100% coinsurance)
1/1/2008	General liability	\$2,000,000
1/1/2008	Commercial crime/faithful performance	Employee \$100,000 per employee Other \$10,000
1/1/2008	Inland marine	\$55,000 (100% coinsurance)

Customers

City of Neenah
 City of Menasha
 Town of Neenah, Sanitary Districts 2
 Menasha Utility District
 Waverly Sanitary District
 Sonoco/US Mills

Net Revenues of System

	2007	2006
Gross revenues	\$ 3,902,552	\$ 3,909,137
Operations and maintenance expenses	2,736,026	2,737,105
Net Revenues	<u>\$ 1,166,526</u>	<u>\$ 1,172,032</u>

OTHER COMMENTS AND OBSERVATIONS

**NEENAH-MENASHA SEWERAGE
COMMISSION, WISCONSIN**

DECEMBER 31, 2007

To the Commissioners
Neenah-Menasha Sewerage Commission, Wisconsin

We have completed our audit of the basic financial statements of the Neenah-Menasha Sewerage Commission, Wisconsin (Commission) for the year ended December 31, 2007. The Commission's financial statements, including our report thereon, are presented in a separate audit report document. 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.

Professional standards require us to consider the Commission's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the Commission's financial statements but not for the purpose of expressing an opinion on the effectiveness of the Commission's internal control. As part of our audit, we have not performed procedures specifically to identify deficiencies in internal control or to express an opinion on the effectiveness of your internal control.

Audit standards were changed in 2006 by the American Institute of Certified Public Accountants (AICPA) to lower the definition of control deficiencies that we must communicate to management and the Commissioners as part of our audit. In addition, the revised standard clarifies that the significance of a control deficiency is dependent on the *potential* for misstatement, not whether a misstatement actually occurred.

Statement of Auditing Standards No. 112, *Communicating Internal Control Related Matters Identified in an Audit*, requires us to:

- a. Evaluate identified control deficiencies and determine whether these deficiencies, individually or in combination, are significant deficiencies or material weaknesses.
- b. Communicate in writing to management and the Commissioners control deficiencies that are considered significant deficiencies or material weaknesses, including those identified in previous audits that have not yet been corrected.

Responsibility of Management and the Auditor

The Commission is responsible for establishing, maintaining and monitoring internal controls, and for the fair presentation of the Commission's financial statements, including notes, in conformity with accounting principles generally accepted in the United States of America. An effective internal control system includes anti-fraud controls, controls to ensure accurate and timely financial reporting and to ensure safeguarding of the Commission's assets.

Management is responsible for making decisions concerning costs to be incurred to provide internal control and related benefits of these controls. We are responsible for communicating significant deficiencies and material weaknesses in accordance with professional standards, regardless of management's decisions.

We understand that not all control deficiencies can be corrected by the Commission without incurring significant additional costs. The Commission may already know of the existence of significant deficiencies or material weaknesses and may have made a conscious decision to accept that degree of risk because of cost or other considerations. For example, the Commission annually contracts with us to make various routine adjusting and closing entries and prepare your financial statements in conformity with generally accepted accounting principles. The new standard indicates that we cannot be considered part of your internal controls.

Summary of Internal Control Communications

Included in this document is the following auditors' report required by government auditing standards.

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

The above report states that nothing came to our attention to indicate that the Commission was not in compliance with laws, regulations, contracts and grants for which noncompliance with could have a material effect on the Commission's financial statements. The above report also discloses the following control deficiency:

Finding 2007-1: Segregation of Duties

This communication is intended solely for the information and use of management, Commissioners, others within the organization, and is not intended to be and should not be used by anyone other than these specified parties.

Sincerely,

Certified Public Accountants
Green Bay, Wisconsin
April 18, 2008

NEENAH-MENASHA SEWERAGE COMMISSION, WISCONSIN
December 31, 2007

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

To the Commissioners
Neenah-Menasha Sewerage Commission, Wisconsin

We have audited the financial statements of the Neenah-Menasha Sewerage Commission, Wisconsin (Commission), as of and for the year ended December 31, 2007, which collectively comprise the Commission's basic financial statements and have issued our report thereon dated April 18, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Neenah-Menasha Sewerage Commission, Wisconsin's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion of the effectiveness of the Neenah-Menasha Sewerage Commission, Wisconsin's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Neenah-Menasha Sewerage Commission, Wisconsin's internal control over financial reporting.

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

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control over financial reporting. We consider the deficiency described in the accompanying schedule of findings and responses to be a significant deficiency in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control. Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we consider item 2007-1 to be a material weakness.



Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Neenah-Menasha Sewerage Commission, Wisconsin's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of basic financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Neenah-Menasha Sewerage Commission, Wisconsin's response to the findings identified in our audit are described in the accompanying schedule of findings and responses. We did not audit Neenah-Menasha Sewerage Commission, Wisconsin's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of management, the Commissioners, and others within the organization, and is not intended to be and should not be used by anyone other than these specified parties.

Certified Public Accountants
Green Bay, Wisconsin
April 18, 2008

NEENAH-MENASHA SEWERAGE COMMISSION, WISCONSIN

Schedule of Findings and Responses
For the Year Ended December 31, 2007

Section I - Internal Control Over Financial Reporting

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

2007-01 Segregation of Duties

Condition: The Commission has one individual essentially complete all financial and recordkeeping duties of the Commission's operations. Accordingly, this does not allow for a proper segregation of duties for internal control purposes.

Criteria: Segregation of duties is an internal control intended to prevent or decrease the occurrence of errors or intentional fraud. Segregation of duties ensures that no single employee has control over all phases of a transaction.

Cause: The lack of segregation of duties is due to the limited number of employees and the size of Commission's operations.

Recommendation: We recommend the Commissioners continue to monitor the transactions and the financial records of the Commission.

Management Response: Management believes that the cost of segregating cash receipts and cash disbursement duties from the related recording functions outweigh the benefits to be received.

Section II - Compliance and Other Matters

There are no findings related to compliance and other matters that are required to be reported under governmental auditing standards generally accepted in the United States of America for the year ended December 31, 2007.

SUMMARY FINANCIAL INFORMATION

Comparative Summary of Operating Results

Commission charges to municipalities and industries are based on an operation and maintenance budget, a depreciation fund budget, a replacement fund budget, and a capital budget approved by the Commission. Presented below is a summary of resources provided and expended from the operation and maintenance, depreciation fund, replacement fund and capital budgets for the year ended December 31, 2007 with a comparative summary for the year ended December 31, 2006:

	Operation and Maintenance	Depreciation Fund	Replacement Fund	Capital	Totals	
					2007	2006
Resources Provided						
Charges to municipalities and industries	\$ 2,607,673	\$ 176,256	\$ 219,932	\$ 775,118	\$ 3,778,979	\$ 3,799,798
Other charges	123,573	-	-	-	123,573	109,339
Interest income	4,780	32,886	55,638	34,264	127,568	123,387
Total Resources Provided	2,736,026	209,142	275,570	809,382	4,030,120	4,032,524
Resources Extended						
Operating expenses	2,736,026	55,290	55,329	-	2,846,645	2,852,542
Principal paid on long-term debt	-	-	-	565,000	565,000	555,000
Interest paid on long-term debt	-	-	-	203,729	203,729	215,767
Loss on disposal of capital assets	-	-	-	59,521	59,521	11,943
Acquisition and construction of capital assets	-	137,741	444,042	-	581,783	434,443
Total Resources Extended	2,736,026	193,031	499,371	828,250	4,256,678	4,069,695
Noncash transactions						
Amortization of deferred debits	-	-	-	(74,799)	(74,799)	(74,799)
Change in Available Resources	\$ -	\$ 16,111	\$ (223,801)	\$ (93,667)	\$ (301,357)	\$ (111,970)

Additional comments and observations concerning the above operating results follow:

a) **Operation and Maintenance**

Actual operation and maintenance expenses totaled \$2,736,026 for 2007 while the Commission budgeted operation and maintenance expenses of \$2,754,634. A budget to actual comparison of the Commission's operation and maintenance expenses is located on page 18 of the Commission's annual financial report.

b) **Depreciation Fund**

The Commission established a separate depreciation fund during 1997 to pay for repairs and capital asset additions not covered under the equipment replacement fund. During the year ended December 31, 2007, the Commission used depreciation fund resources of \$137,741 to acquire capital assets and \$55,290 to pay for maintenance costs. At December 31, 2007, the Commission had available resources of \$641,055 in the depreciation fund which consisted of cash and investments totaling \$641,298 and accrued interest of \$4,885 less 2008 depreciation fund payments of \$5,128 which related to 2007 operations.

SUMMARY FINANCIAL INFORMATION (Continued)

Comparative Summary of Operating Results (Continued)

c) Replacement Fund

The Commission is required by federal and state regulations to maintain an equipment replacement fund to finance acquisitions and repairs of mechanical equipment. During the year ended December 31, 2007, the Commission used replacement fund resources of \$444,042 to acquire capital assets and \$55,329 to pay for equipment repairs. At December 31, 2007, the Commission had available resources of \$1,154,387 in the replacement fund which consisted of cash and investments totaling \$1,169,844 and accrued interest of \$5,243 less 2008 replacement fund payments of \$20,701 which related to 2007 operations.

d) Capital

The Commission's capital budget provides resources to finance principal and interest maturities of long-term debt and to finance capital asset additions. At December 31, 2007, the Commission is in compliance with all revenue bond covenants.

OTHER REQUIRED COMMUNICATION

In accordance with the requirements of government auditing standards generally accepted in the United States of America, the following disclosures are presented:

1. Significant Accounting Policies

The significant accounting policies used in the preparation of the financial statements are disclosed in Note A to the financial statements. There have been no material unusual transactions or controversial accounting issues.

2. Accounting Estimates

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's current judgments. We are not aware of any particularly sensitive accounting estimates used by management in the preparation of the financial statements.

3. Significant Audit Adjustments

The financial statements reflect all accounting adjustments proposed during our audit. Copies of the audit adjustments are available from management.

4. Other Information in Documents Containing Audited Financial Statements

All the information included in the financial statements has been audited. Our responsibilities are addressed in the Independent Auditors' Report.

5. Disagreements with Management

We have had no material disagreements with management. For the purposes of this disclosure, professional accounting standards define a disagreement with management as a matter concerning a financial accounting, reporting, or auditing matter that could be significant to the financial statements or the auditors' report.

6. Consultations with Other Auditors

To the best of our knowledge, management has not consulted with or obtained opinions from other independent auditors on auditing and accounting matters during the past year.

7. Issues Discussed Prior to the Current Audit

We have discussed various accounting and financial issues, including the application of any new and changed accounting principles or auditing standards, with management 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.

8. Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing the audit.