

**NEENAH-MENASHA
SEWERAGE COMMISSION, WISCONSIN**

ANNUAL FINANCIAL REPORT

DECEMBER 31, 2011

NEENAH-MENASHA SEWERAGE COMMISSION, WISCONSIN

December 31, 2011

TABLE OF CONTENTS

	<u>Page No.</u>
INDEPENDENT AUDITORS' REPORT ON FINANCIAL STATEMENTS	1 - 2
MANAGEMENT'S DISCUSSION AND ANALYSIS	3 - 6
FINANCIAL STATEMENTS	
Statement of Net Assets	7
Statement of Revenues, Expenses and Changes in Net Assets	8
Statement of Cash Flows	9
Notes to Financial Statements	10 - 18
SUPPLEMENTAL INFORMATION	
Schedule of Operation and Maintenance Expenses - Budget and Actual	19
Calculation of Payable (Receivable) From Users for 2011 Operations	20
Information Required by Sewer Revenue Bonds	21
ADDITIONAL INDEPENDENT AUDITORS' REPORT FOR FINANCIAL STATEMENTS	
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	22 - 23
Schedule of Findings and Responses	24



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, 2011, as listed in the table of contents. These financial statements are the responsibility of the Commission's management. Our responsibility is to express opinions on these financial statements based on our audit. The prior year comparative information has been derived from the Commission's 2010 financial statements and, in our report dated April 8, 2011 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 consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Commission's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Commission as of December 31, 2011, 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 March 19, 2012 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.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 6 be presented to supplement the financial statements. Such information, although not a part of the financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the 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 financial statements, and other knowledge we obtained during our audit of the financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming 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. The supplemental information is the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.



Certified Public Accountants
March 19, 2012

MANAGEMENT'S DISCUSSION AND ANALYSIS

NEENAH-MENASHA SEWERAGE COMMISSION, WISCONSIN
Management's Discussion and Analysis
December 31, 2011

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, 2011.

Financial Highlights

- The assets of the Commission exceeded its liabilities as of December 31, 2011 by \$7,322,105 (*net assets*).
- The Commission's total net assets increased by \$432,805. Several factors contributed to the overall increase 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. In 2011, the Commissioners decided to begin building an operating reserve of \$10,000 over five years, retaining \$2,000 in 2011.
 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 2011, depreciation exceeded amounts contributed for principal retirement by \$52,408.
 3. Commission users also contribute to equipment replacement and depreciation funds for replacement or significant repairs to existing equipment. For 2011, equipment replacement and depreciation charges exceeded expenses by \$481,795.
- The Commission's total long-term debt increased by \$1,610,704 (47%) during 2011 as the Commission began the design phase of a plant upgrade.

Overview of the Financial Statements

The Commission's annual report includes this management's discussion and analysis, the independent auditors' report and the financial statements, including notes. This report also contains supplemental information in addition to the 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 \$7,322,105 at the close of 2011.

Neenah-Menasha Sewerage Commission, Wisconsin's Net Assets		
	2011	2010
Current and other assets	\$ 625,552	\$ 133,417
Restricted assets	3,168,379	1,593,623
Capital assets	9,334,140	8,939,064
Total assets	13,128,071	10,666,104
Long-term liabilities outstanding	2,120,000	2,785,000
Other liabilities	3,685,966	991,804
Total liabilities	5,805,966	3,776,804
Net assets		
Invested in capital assets, net of related debt	5,739,680	5,514,064
Restricted	1,451,442	1,245,251
Unrestricted (deficit)	130,983	129,985
Total net assets	\$ 7,322,105	\$ 6,889,300

By far the largest portion of the Commission's net assets (78%) 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 (20%) represents resources that are subject to external restrictions on how they may be used.

Change in net assets. The Commission's net assets increased by \$432,805. Key elements of this increase are as follows:

Neenah-Menasha Sewerage Commission, Wisconsin's Change in Net Assets		
	2011	2010
Operating Revenues		
User charges		
Measured service	\$ 3,477,585	\$ 3,301,787
Capital charges	765,256	769,683
Depreciation fund charges	223,206	194,010
Replacement fund charges	302,397	287,996
Other charges	202,640	167,382
Total Operating Revenues	<u>4,971,084</u>	<u>4,720,858</u>
Operating Expenses		
Operation and maintenance	3,679,539	3,469,503
Depreciation	692,408	703,765
Depreciation fund	6,173	29,051
Replacement fund	37,635	1,135
Total Operating Expenses	<u>4,415,755</u>	<u>4,203,454</u>
Operating Income	555,329	517,404
Nonoperating Revenues (Expenses)	<u>(122,524)</u>	<u>(117,999)</u>
Change in net assets	432,805	399,405
Net assets - beginning balance	6,889,300	6,489,895
Net assets - ending balance	<u>\$ 7,322,105</u>	<u>\$ 6,889,300</u>

Capital Asset and Debt Administration

Capital assets. The Commission's investment in capital assets as of December 31, 2011 amounts to \$9,334,140 (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 increase in the Commission's investment in capital assets for the current year was \$395,076 or 4.42% over last year was due to current year capital additions in excess of depreciation expense.

Neenah-Menasha Sewerage Commission, Wisconsin's Capital Assets (net of accumulated depreciation)		
	2011	2010
Land	\$ 63,539	\$ 63,539
Land improvements	78,057	85,863
Buildings	2,270,769	2,550,066
Improvements other than buildings	2,861,821	2,901,896
Machinery and equipment	2,885,494	3,239,863
Construction in progress	1,174,460	97,837
Total	<u>\$ 9,334,140</u>	<u>\$ 8,939,064</u>

Long-term debt. At the end of the current fiscal year, the Commission had total bonded debt outstanding of \$2,785,000 and revenue bond anticipation notes of \$2,250,704. The revenue bond anticipation notes will be refunded in 2012 with revenue bonds.

Neenah-Menasha Sewerage Commission, Wisconsin's Outstanding Debt		
Revenue Bonds		
	2011	2010
Revenue bonds	\$ 2,785,000	\$ 3,425,000

The Commission's total debt increased by \$1,610,704 (47%) during the current fiscal year due to debt proceeds received for plant upgrade improvements.

The Commission has restricted cash of \$92,659 in the Principal and Interest Redemption Fund and \$498,860 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 2012 operations and maintenance budget increased 6.5% over the 2011 budget while the Commission's capital budget doubled due to current plant upgrade costs. To offset this increase, the Commission eliminated the depreciation fund contribution and left the equipment replacement fund contribution the same as 2011. The overall rates to the users will be adjusted accordingly to offset this increase, resulting in an overall increase of 16.6%.

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, 2011

With Comparative Totals for December 31, 2010

	2011	2010
ASSETS		
Current Assets		
Cash and investments	\$ 354,105	\$ 87,608
Receivables		
Accounts	146,107	22,426
Due from users	120,057	16,894
Prepaid items	421	386
Total Current Assets	<u>620,690</u>	<u>127,314</u>
Noncurrent Assets		
Restricted Assets		
Cash and investments	3,123,174	1,591,297
Accrued interest	-	2,326
Due from users	45,205	-
Total Restricted Assets	<u>3,168,379</u>	<u>1,593,623</u>
Other Assets		
Unamortized debt discount	<u>4,862</u>	<u>6,103</u>
Capital Assets		
Non-depreciable	1,238,000	161,376
Depreciable	<u>8,096,140</u>	<u>8,777,688</u>
Net Capital Assets	<u>9,334,140</u>	<u>8,939,064</u>
Total Noncurrent Assets	<u>12,507,381</u>	<u>10,538,790</u>
TOTAL ASSETS	<u>13,128,071</u>	<u>10,666,104</u>
LIABILITIES		
Current Liabilities		
Revenue bond anticipation notes	2,250,704	-
Refunds due users	403,513	110,743
Accounts payable	330,166	131,789
Total Current Liabilities	<u>2,984,383</u>	<u>242,532</u>
Liabilities Payable from Restricted Assets		
Accounts payable	28,288	98,843
Current maturities of revenue bonds	665,000	640,000
Accrued interest	8,295	10,429
Total Liabilities Payable from Restricted Assets	<u>701,583</u>	<u>749,272</u>
Long-term Liabilities		
Revenue bonds, less current maturities	<u>2,120,000</u>	<u>2,785,000</u>
TOTAL LIABILITIES	<u>5,805,966</u>	<u>3,776,804</u>
NET ASSETS		
Invested in capital assets, net of related debt	5,739,680	5,514,064
Restricted for		
Plant replacement	1,233,218	659,010
Debt service	218,224	586,241
Unrestricted	<u>130,983</u>	<u>129,985</u>
TOTAL NET ASSETS	<u>\$ 7,322,105</u>	<u>\$ 6,889,300</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, 2011

With Comparative Totals for the Year Ended December 31, 2010

	2011	2010
Operating Revenues		
User Charges		
Measured service	\$ 3,477,585	\$ 3,301,787
Capital charges	765,256	769,683
Depreciation fund charges	223,206	194,010
Replacement fund charges	302,397	287,996
Other charges	202,640	167,382
Total Operating Revenues	<u>4,971,084</u>	<u>4,720,858</u>
Operating Expenses		
Operation and maintenance	3,679,539	3,469,503
Depreciation	692,408	703,765
Depreciation fund	6,173	29,051
Replacement fund	37,635	1,135
Total Operating Expenses	<u>4,415,755</u>	<u>4,203,454</u>
Operating Income	<u>555,329</u>	<u>517,404</u>
Nonoperating Revenues (Expenses)		
Interest income	18,116	29,092
Gain (loss) on disposal of assets	(916)	2,000
Settlement payment	(15,500)	-
Interest expense	(122,983)	(147,850)
Amortization of debt expense	(1,241)	(1,241)
Total Nonoperating Revenues (Expenses)	<u>(122,524)</u>	<u>(117,999)</u>
Change in Net Assets	432,805	399,405
Net Assets - January 1	<u>6,889,300</u>	<u>6,489,895</u>
Net Assets - December 31	<u>\$ 7,322,105</u>	<u>\$ 6,889,300</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, 2011

With Comparative Totals for the Year Ended December 31, 2010

	2011	2010
Cash Flows from Operating Activities		
Cash received from user charges	\$ 4,991,805	\$ 5,094,171
Cash payments to suppliers	(3,592,324)	(3,412,441)
Cash payments to employees	(3,236)	(3,239)
Net Cash Provided by Operating Activities	<u>1,396,245</u>	<u>1,678,491</u>
Cash Flows from Capital and Related Financing Activities		
Settlement payment - refund of capital charges	(15,500)	-
Acquisition of capital assets	(1,084,292)	(1,031,668)
Proceeds from sale of capital assets	232	2,000
Proceeds from issuance of debt	2,250,704	-
Principal payments on long-term debt	(640,000)	(620,000)
Interest payments on long-term debt	(129,457)	(149,916)
Net Cash Used by Capital and Related Financing Activities	<u>381,687</u>	<u>(1,799,584)</u>
Cash Flows from Investing Activities		
Interest received	<u>20,442</u>	<u>32,219</u>
Change in Cash and Cash Equivalents	1,798,374	(88,874)
Cash and Cash Equivalents - January 1	<u>1,678,905</u>	<u>1,767,779</u>
Cash and Cash Equivalents - December 31	<u><u>\$ 3,477,279</u></u>	<u><u>\$ 1,678,905</u></u>
Reconciliation of cash and cash equivalents to statement of net assets:		
Cash and investments	\$ 354,105	\$ 87,608
Restricted cash and investments	3,123,174	1,591,297
Total cash and cash equivalents	<u><u>\$ 3,477,279</u></u>	<u><u>\$ 1,678,905</u></u>
Reconciliation of Operating Income to Net Cash Provided by Operating Activities:		
Operating income	\$ 555,329	\$ 517,404
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	692,408	703,765
Changes in current assets and liabilities		
Accounts receivable	(123,681)	2,531
Due from users	(148,368)	281,996
Prepaid items	(35)	337
Refunds due users	292,770	88,786
Accounts payable	127,822	83,672
Net Cash Provided by Operating Activities	<u><u>\$ 1,396,245</u></u>	<u><u>\$ 1,678,491</u></u>
Noncash Capital and Related Financing Activities		
None		

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

NEENAH-MENASHA SEWERAGE COMMISSION, WISCONSIN

Notes to Financial Statements

December 31, 2011

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.

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, 2011

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 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.

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.

NEENAH-MENASHA SEWERAGE COMMISSION, WISCONSIN

Notes to Financial Statements

December 31, 2011

NOTE A - SUMMARY OF ACCOUNTING POLICIES (Continued)

Interest incurred during the construction phase of capital assets of the Commission is included as part of the capitalized value of the assets constructed. The total interest expense incurred by the Commission during the current fiscal year was \$127,322. Of this amount, \$4,340 was included as part of the cost of capital assets under construction in connection with wastewater treatment facilities construction project.

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

In the financial statements, long-term debt and other long-term obligations are reported as liabilities. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

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, 2011

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 \$3,477,279 on December 31, 2011 as summarized below:

Petty cash and cash on hand	\$ 100
Deposits with financial institutions	3,385,808
Investments	91,371
	<u>\$ 3,477,279</u>

Reconciliation to the financial statements:

Financial statements	
Cash and investments	\$ 354,105
Restricted cash and investments	3,123,174
	<u>\$ 3,477,279</u>

Deposits of the Commission are subject to various risks Presented below is a discussion of the Commission's deposits and investments and the related risks.

Deposits With Financial Institutions

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 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 interest-bearing 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. Deposits with credit unions are insured by the National Credit Union Share Insurance Fund (NCUSIF) in the amount of \$250,000 per credit union member. In addition, the Commission's non-interest bearing transaction accounts are fully insured through December 31, 2012. Also, the State of Wisconsin has a State Guarantee Fund which provides a maximum of \$400,000 per public depository above the amount provided by an agency of the U.S. Government. However, due to the relatively small size of the State Guarantee Fund in relation to the Fund's total coverage, total recovery of insured losses may not be available.

As of December 31, 2011, \$474,394 of the Commission's deposits with financial institutions were in excess of federal and state depository insurance limits. No amounts were collateralized.

NEENAH-MENASHA SEWERAGE COMMISSION, WISCONSIN

Notes to Financial Statements

December 31, 2011

NOTE B - DETAILED NOTES ON ALL FUNDS (Continued)

Investment in Wisconsin Local Government Investment Pool

The Commission has investments in the Wisconsin local government investment pool of \$91,371 at year-end. The Wisconsin local government investment pool (LGIP) is part of the State Investment Fund (SIF), and is managed by the State of Wisconsin Investment Board. The SIF is not registered with the Securities and Exchange Commission, but operates under the statutory authority of Wisconsin Chapter 25. The SIF reports the fair value of its underlying assets annually. Participants in the LGIP have the right to withdraw their funds in total on one day's notice. At December 31, 2011, the fair value of the Commission's share of the LGIP's 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.

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.

2. Restricted Assets

Restricted assets of the Commission on December 31, 2011 totaled \$3,168,379 and consisted of cash and investments of \$3,123,174 and due from users of \$45,205 held for the following purposes:

Fund	Amount	Purpose
Bond Depreciation Fund	\$ 933,894	To be used for additions to and betterments of the sewerage treatment plant
Bond Principal and Interest Redemption Fund	92,659	To be used for subsequent year payments of principal and interest on revenue bonds.
Plant Upgrade Fund	1,076,437	Unused debt proceeds for the current plant upgrade project.
Bond Reserve Fund	498,860	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	566,529	To be used for the replacement of certain assets of the sewerage treatment plant in accordance with Wisconsin Department of Natural Resources requirements.
Total	<u>\$ 3,168,379</u>	

NEENAH-MENASHA SEWERAGE COMMISSION, WISCONSIN

Notes to Financial Statements

December 31, 2011

NOTE B - DETAILED NOTES ON ALL FUNDS (Continued)

3. Capital Assets

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

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, not being depreciated:				
Land	\$ 63,539	\$ -	\$ -	\$ 63,539
Construction in Progress	97,837	1,076,624	-	1,174,461
Total capital assets, not being depreciated	<u>161,376</u>	<u>1,076,624</u>	<u>-</u>	<u>1,238,000</u>
Capital assets, being depreciated:				
Land improvements	156,114	-	-	156,114
Buildings	16,526,987	-	-	16,526,987
Improvements other than buildings	4,007,452	-	-	4,007,452
Machinery and equipment	14,519,499	12,008	465,559	14,065,948
Subtotals	<u>35,210,052</u>	<u>12,008</u>	<u>465,559</u>	<u>34,756,501</u>
Less accumulated depreciation for:				
Land improvements	70,251	7,806	-	78,057
Buildings	13,976,921	279,297	-	14,256,218
Improvements other than buildings	1,105,556	40,075	-	1,145,631
Machinery and equipment	11,279,636	365,230	464,411	11,180,455
Subtotals	<u>26,432,364</u>	<u>692,408</u>	<u>464,411</u>	<u>26,660,361</u>
Total capital assets, being depreciated, net	<u>8,777,688</u>	<u>(680,400)</u>	<u>1,148</u>	<u>8,096,140</u>
Capital assets, net	<u>\$ 8,939,064</u>	<u>\$ 396,224</u>	<u>\$ 1,148</u>	<u>\$ 9,334,140</u>
Less related long-term debt outstanding (net of available bond proceeds of \$1,441,244)				<u>3,594,460</u>
Invested in capital assets, net of related debt				<u>\$ 5,739,680</u>

NEENAH-MENASHA SEWERAGE COMMISSION, WISCONSIN

Notes to Financial Statements

December 31, 2011

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, 2011:

	Outstanding 1/1/11	Issued	Retired	Outstanding 12/31/11	Due Within One Year
Revenue bonds	\$ 3,425,000	\$ -	\$ 640,000	\$ 2,785,000	\$ 665,000
Revenue bond anticipation notes	-	2,250,704	-	2,250,704	2,250,704
	<u>\$ 3,425,000</u>	<u>\$ 2,250,704</u>	<u>\$ 640,000</u>	<u>\$ 5,035,704</u>	<u>\$ 2,915,704</u>

Revenue bonds outstanding at December 31, 2011 consist of the following:

\$5,025,000 issued 9/1/03; \$665,000 to \$730,000 due annually through 2015; interest 3.4% to 4.0% \$ 2,785,000

Revenue bonds anticipation notes outstanding at December 31, 2011 consist of the following:

\$4,500,000 issued 10/4/11; notes due on 12/1/12; interest 2.5%;
\$2,250,704 drawn as of 12/31/11 \$ 2,250,704

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

Year Ended December 31	Revenue Bonds		Revenue Bond Anticipation Notes		Totals	
	Principal	Interest	Principal	Interest	Principal	Interest
2012	\$ 665,000	\$ 99,516	\$ 2,250,704	\$ 61,450	\$ 2,915,704	\$ 160,966
2013	685,000	76,906	-	-	685,000	76,906
2014	705,000	52,931	-	-	705,000	52,931
2015	730,000	27,376	-	-	730,000	27,376
	<u>\$ 2,785,000</u>	<u>\$ 256,729</u>	<u>\$ 2,250,704</u>	<u>\$ 61,450</u>	<u>\$ 5,035,704</u>	<u>\$ 318,179</u>

Utility Revenues Pledged

The Commission has pledged future revenues, net of specified operating expenses, to repay the sewerage system revenue bonds. Proceeds from the bonds provided financing for the construction or acquisition of capital assets used with the system. The bonds are payable solely from Commission net revenues and are payable through 2015. The total principal and interest remaining to be paid on the bonds is \$3,041,729. Principal and interest paid for the current year and total customer net revenues were \$765,116 and \$1,291,545, respectively.

NEENAH-MENASHA SEWERAGE COMMISSION, WISCONSIN

Notes to Financial Statements

December 31, 2011

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 item as a potential liability not recorded on the financial statements:

The U.S. Fish & Wildlife Service and the Wisconsin Department of Natural Resources ("WDNR") acting on behalf of the Natural Resource Trustees have prepared Natural Resource Damage Assessments to determine the level of such damages to the Lower Fox River and Green Bay resulting from PCB contamination. The U.S. Environmental Protection Agency ("EPA") and the WDNR have conducted a Feasibility Study and issued two Records of Decision ("RODs") (which have been subsequently modified) selecting dredging and capping of PCB contaminated sediments in the Fox River together with long-term monitoring in the Fox River and Green Bay as remedies to eliminate, reduce, or control risks to human health and the environment associated with the PCB contaminated sediments in the Lower Fox River and Green Bay. To date US EPA has not formally designated the Commission as a potentially responsible party ("PRP") with respect to the natural resource damages, past and future, remediation and oversight costs. Appleton Paper, Inc. and NCR commenced CERCLA contribution actions for past and future remediation and oversight costs and natural resource damages against thirty-three defendants including the Commission. On December 16, 2009, a U.S. District Court Decision and Order held that Appleton Paper, Inc. and NCR were not entitled to recover any contribution from the defendants. The Court has denied Appleton Paper, Inc. and NCR's motion to enter judgment against them to permit an interlocutory appeal. The defendants, including the Commission, filed a counterclaim for contributions from plaintiffs for past costs and declaratory relief and future site costs. On February 28, 2011, the Court issued a decision and order which held that the plaintiffs were responsible for all the defendants' costs incurred – past and future – for OUs 2-5 but not liable for costs of OU1. Subsequent to this decision and order, the defendants have filed a motion seeking clarification of the decision, while the plaintiffs filed motions seeking reconsideration of the Court's conclusion that its liability under CERCLA was uncontested and entry of partial final judgment. From February 21, 2012 to February 29, 2012, the Court conducted a trial related to arranger liability, potential insurance offsets to certain counterclaims of defendants (not the Commission), and Fox River Group costs incurred by some defendants (not the Commission). The Court has taken the matter under advisement pending submission of the parties of post-trial briefs and proposed findings of fact and conclusions of law, all due in April 2012. Based on the information currently available to the Commission, it is more probable but not certain that the claims of Appleton Paper, Inc. and NCR will ultimately be denied. The Commission is vigorously defending the action.

Representatives of the federal and state agencies have advised that they also have claims against the POTWs (Publicly Owned Treatment Works) related to contamination of the Lower Fox River, including against the Commission and other PRPs, and the federal and state agencies have stated that at this time the total net present value of the past and future remediation costs including agency oversight costs, operation and maintenance costs and natural resource damages, is \$1.5 billion dollars (collectively "Estimated Remediation Costs"). On October 14, 2010, the United States and the State of Wisconsin filed a civil action in US District Court to recover federal and state oversight costs and natural resource damages and to compel the paper mill defendants to comply with a previous EPA Unilateral Administrative Order (UAO) to perform the site remedy. The United States and the State of Wisconsin have subsequently filed a motion to dismiss. On March 29, 2011, the United States moved for a preliminary injunction requiring Appleton Paper, Inc. and NCR to continue to perform remediation work required under the UOA while the

NEENAH-MENASHA SEWERAGE COMMISSION, WISCONSIN

Notes to Financial Statements

December 31, 2011

NOTE C - OTHER INFORMATION (Continued)

parties litigate the merits of the United States' UAO enforcement claim. On April 4, 2011, the Court approved a consent decree settling Georgia Pacific Corporation's liability to the United States for PCB contamination of the Fox River. On October 4, 2011, the parties involved, including the Commission, participated in mediation in an attempt to resolve both cases. The parties did not reach a resolution, but agreed to continue mediation discussions. The parties have subsequently met several other times, and the mediation negotiations continue. Based on the information provided to the Commission to date, we are not able to provide an opinion as to the likelihood that any such claims against the Commission would be successful or the magnitude of any liability of the Commission if such claims were successful; however, if any such claims were successfully pursued against the Commission, the Commission could potentially be jointly and severally liable for all Estimated Remediation Costs.

The Commission has put its insurance carriers on notice but they have denied a duty to indemnify. Four carriers have accepted the Commission tender of defense but have asserted a claim that they may seek to recover defense costs which they pay, a claim the Commission vigorously disputes. The Commission may seek to recover any judgment from its insurance carriers and/or the municipal entities within its service areas.

3. Subsequent event

The Commission was informed by Menasha Utilities in January 2012 that they were overcharged for their electricity for the past six years. The Commission will receive a refund of \$1,754,724, the amount of the overcharge, plus interest of \$44,415 over 24 months beginning upon approval of the repayment terms by the Public Service Commission of Wisconsin.

This overcharge is considered a refund of prior year operating expenses that were allocated and paid for by contract users of the Commission in prior years. The Commission is currently evaluating how this refund should be handled in accordance with their contracts and will recorded a receivable from Menasha Utilities on their statement of net assets once approved by the Public Service Commission of Wisconsin.

SUPPLEMENTAL INFORMATION

NEENAH-MENASHA SEWERAGE COMMISSION, WISCONSIN
Schedule of Operation and Maintenance Expenses - Budget and Actual
Year Ended December 31, 2011
With Comparative Actual Amounts for Year Ended December 31, 2010

	Budget	Actual	Variance Positive (Negative)	2010 Actual
Operation				
Salaries and wages	\$ 5,400	\$ 2,551	\$ 2,849	\$ 2,739
Employee benefits	788	685	103	500
Professional fees and contracted services	1,651,550	1,638,751	12,799	1,616,056
Power	990,000	1,028,719	(38,719)	1,000,353
Gas	10,000	66,765	(56,765)	7,925
Stormwater charges	5,400	5,227	173	5,227
Water	40,000	41,364	(1,364)	34,245
Telephone	1,400	1,437	(37)	1,297
Chemicals				
Polymer	52,000	69,894	(17,894)	66,403
Sodium bisulfate	32,500	44,010	(11,510)	40,516
Chlorine	5,000	7,887	(2,887)	528
Salt	45,250	54,211	(8,961)	40,055
Aluminum sulfate	134,850	121,994	12,856	142,793
Iron sponge	4,000	3,510	490	842
Carbon	12,500	1,740	10,760	-
Sludge disposal	219,100	280,844	(61,744)	205,826
Industrial metering and sampling	10,000	7,248	2,752	7,869
Lab supplies	24,000	21,071	2,929	20,957
Other operating supplies	49,600	15,293	34,307	22,070
Transportation	8,000	6,694	1,306	6,424
Administration	63,900	59,155	4,745	52,877
Office supplies	12,000	13,648	(1,648)	8,867
General insurance	71,510	67,257	4,253	66,953
Total Operation	3,448,748	3,559,955	(111,207)	3,351,322
Maintenance				
Equipment	84,250	67,891	16,359	70,090
General plant	41,500	46,998	(5,498)	40,872
Cleaning supplies	7,850	4,695	3,155	7,219
Total Maintenance	133,600	119,584	14,016	118,181
Total Operation and Maintenance Expenses	\$ 3,582,348	\$ 3,679,539	\$ (97,191)	\$ 3,469,503

NEENAH-MENASHA SEWERAGE COMMISSION, WISCONSIN
 Calculation of Payable (Receivable) From Users for 2011 Operations
 December 31, 2011

	Total	City of Neenah	City of Menasha	Town of Neenah S.D. 1, 1-1 & 2	Menasha Utility District	Waverly S.D.	Sonoco - US Mills, Inc.
Revenues received during year for 2011 operations and maintenance	\$ 4,406,701	\$ 1,862,857	\$ 1,026,752	\$ 46,263	\$ 546,584	\$ 136,612	\$ 787,633
Percentage of net expenses allocated for 2011	100.00%	42.4766%	23.3288%	1.0816%	12.4952%	3.1069%	17.5109%
Actual operation and maintenance expenses	\$ 3,679,539						
Deposit to depreciation fund	223,206						
Deposit to replacement fund	302,397						
Deposit to O/M cash surplus	2,000						
Less:							
MCO income sharing	90,520						
High strength waste income	6,841						
Industrial metering and sampling	5,445						
WPPI standby service	90,027						
Pretreatment administrative fees	6,075						
Pretreatment permit fees	1,950						
Other operating revenues	1,782						
Interest income	1,314						
Net Expenditures Allocated for 2011*	4,003,188	1,700,418	933,897	43,298	500,204	124,375	700,996
Payable (Receivable) From Users for 2011 Operations	403,513	162,439	92,855	2,965	46,380	12,237	86,637
Payable (Receivable) From Users - December 31	\$ 403,513	\$ 162,439	\$ 92,855	\$ 2,965	\$ 46,380	\$ 12,237	\$ 86,637

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

* Measured service to municipalities and industries	\$ 3,477,585
Deposit to depreciation fund	223,206
Deposit to replacement fund	302,397
Net 2011 Allocated Expenses	<u>\$ 4,003,188</u>

NEENAH-MENASHA SEWERAGE COMMISSION, WISCONSIN

Information Required by Sewer Revenue Bonds

December 31, 2011

Insurance Coverage		
Expiration Date	Type of Coverage	Amount of Coverage
1/1/2011	Worker's compensation	Statutory Benefits
1/1/2011	Public officials and employee liability	\$1,000,000
1/1/2011	Automobile	\$1,000,000
1/1/2011	Boiler and machinery	Included in property limits
1/1/2011	Umbrella liability	\$2,000,000
1/1/2011	Property	\$54,758,054 valued at replacement cost of treatment plant (100% coinsurance)
1/1/2011	General liability	\$2,000,000
1/1/2011	Commercial crime/faithful performance	Employee \$100,000 per employee Other \$10,000
1/1/2011	Inland marine	\$55,000 (100% coinsurance)

Customers

City of Neenah
 City of Menasha
 Town of Neenah Sanitary District No. 2
 Town of Menasha Utility District
 Waverly Sanitary District
 Sonoco - US Mills, Inc.

Net Revenues of System

	2011	2010
Gross revenues	\$ 4,971,084	\$ 4,720,858
Operation and maintenance expenses	3,679,539	3,469,503
Net Revenues	<u>\$ 1,291,545</u>	<u>\$ 1,251,355</u>

**ADDITIONAL INDEPENDENT AUDITORS' REPORT
FOR FINANCIAL STATEMENTS**



**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 ("the Commission"), as of and for the year ended December 31, 2011, and have issued our report thereon dated March 19, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

Management of Neenah-Menasha Sewerage Commission, Wisconsin is responsible for establishing and maintaining effective 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.

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 combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the Commission's financial statements will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying schedule of findings and responses, we identified a certain deficiency in internal control over financial reporting that we consider to be a material weakness.

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. We consider the deficiency described in the accompanying schedule of findings and responses, as item 2011-01 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*.

We noted certain matters that we reported to management of Neenah-Menasha Sewerage Commission, Wisconsin, in a separate letter dated March 19, 2012.

Neenah-Menasha Sewerage Commission, Wisconsin's response to the finding identified in our audit is 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
March 19, 2012

NEENAH-MENASHA SEWERAGE COMMISSION, WISCONSIN
 Schedule of Findings and Responses
 For the Year Ended December 31, 2011

Section I - Internal Control Over Financial Reporting

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

2011-01 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.

Effect: Errors or intentional fraud could occur and not be detected timely by other employees in the normal course of their responsibilities as a result of the lack of segregation of duties.

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, 2011.