

City of Superior, Wisconsin

Superior, Wisconsin

Financial Statements and Supplementary Information

Year Ended December 31, 2013

City of Superior, Wisconsin

Financial Statements and Supplementary Information

Year Ended December 31, 2013

Table of Contents

Independent Auditor's Report	1
Management's Discussion and Analysis	4
Basic Financial Statements	
Government-Wide Financial Statements	
Statement of Net Position	18
Statement of Activities	19
Fund Financial Statements	
Balance Sheet – Governmental Funds	20
Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds	22
Statement of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual – General Fund	26
Statement of Net Position – Proprietary Funds	31
Statement of Revenues, Expenses, and Changes in Net Position – Proprietary Funds	32
Statement of Cash Flows – Proprietary Funds	33
Statement of Assets and Liabilities – Fiduciary Fund	36
Notes to Basic Financial Statements	37
Required Supplementary Information	
Schedule of Funding Progress	94
Supplementary Financial Information	
Schedule of Expenditures of Federal and State Awards	95
Notes to the Schedule of Expenditures of Federal and State Awards	105
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters	106
A-133 Information	
Independent Auditor's Report on Compliance For Each Major Federal and State Program and on Internal Control Over Compliance	108
Schedule of Findings and Questioned Costs	111
Summary Schedule of Prior Audit Findings	117



Independent Auditor's Report

Honorable Mayor and
Members of the City Council
City of Superior
Superior, Wisconsin

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Superior, Wisconsin (the "City"), as of and for the year ended December 31, 2013, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States 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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Superior, Wisconsin, as of December 31, 2013; and the respective changes in financial position and, where applicable, cash flows thereof; and the respective budgetary comparison for the general fund for the year then ended in accordance with accounting principles generally accepted in the United States.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States require that the management's discussion and analysis and schedule of funding progress on pages 4 through 17 and page 94 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information, because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's financial statements as a whole. The accompanying schedule of expenditures of federal and state awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* and the *State of Wisconsin Single Audit Guidelines* issued by the Wisconsin Department of Administration, and is also not a required part of the financial statements. The schedule of expenditures of federal and state awards is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. Such 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. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 12, 2014, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

Wipfli LLP

Wipfli LLP

June 12, 2014
Eau Claire, Wisconsin

Management's Discussion and Analysis

City of Superior, Wisconsin
Management's Discussion and Analysis
Year Ended December 31, 2013

As management of the City of Superior (the "City"), we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended December 31, 2013. All amounts, unless otherwise indicated, are expressed in thousands of dollars.

Financial Highlights

- The assets and deferred outflows of resources of the City exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by \$99,092 (net position). Of this amount, \$18,887 (unrestricted net position) may be used to meet the government's ongoing obligations to citizens and creditors.
- The government's total net position increased by \$4,752.
- As of the close of the current fiscal year, the City's governmental activities reported combined ending net position of \$60,213, an increase of \$2,170 in comparison with the prior year. Approximately 18% of this total amount, \$10,897, is available for spending at the government's discretion (unrestricted net position).
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$8,225, or 37% of total general fund expenditures.
- The City's total long-term obligations increased by \$1,207 (2%) during the current fiscal year.

Overview of the Financial Statements

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

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

The *statement of net position* presents information on all of the City's assets and deferred outflows of resources and liabilities and deferred inflows of resources, with the difference between the two reported as *net position*. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The *statement of activities* presents information showing how the government's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in the future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

The government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the City include general government, protection of persons and property, highway and transportation, library, conservation and development, and parks and recreation. The business-type activities of the City include a wastewater utility, a landfill utility, a stormwater utility, and a golf course.

The government-wide financial statements can be found on pages 18–19 of this report.

Fund financial statements. A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

Governmental funds. *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The City maintains 64 individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the *general fund, capital improvement program fund, and the Hallet Dock capital project fund, which are considered to be a major fund*. Data from the other 61 governmental funds are combined into a single, aggregated presentation.

The City adopts an annual appropriated budget for funds as required by state statute. Budgetary comparison statements have been provided for the general fund to demonstrate compliance with the adopted budget.

The basic governmental fund financial statements can be found on pages 20–25 of this report.

Proprietary funds. The City maintains two different types of proprietary funds. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The City uses enterprise funds to account for its Sewerage System, Landfill Utility, Stormwater Utility, and Golf Course Fund. *Internal service funds* are an accounting device used to accumulate and allocate costs internally among the City's various functions. The City uses internal service funds to account for insurance activities. Because this service predominantly benefits governmental rather than business-type functions, it has been included within *governmental activities* in the government-wide financial statements.

Proprietary funds provide the same type of information as the government-wide financial statement, only in more detail. The proprietary fund financial statements provide separate information for the Sewerage System, Landfill Utility, Stormwater Utility, and Golf Course Fund.

The basic proprietary fund financial statements can be found on pages 31–35 of this report.

Fiduciary funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are *not* reflected in the government-wide financial statement because the resources of those funds are *not* available to support the City's own programs. The most significant fiduciary fund maintained by the City is the Tax Collection Fund, which records the tax roll and tax collections for other taxing jurisdictions within the City. The accounting used for fiduciary funds is much like that used for governmental funds.

The basic fiduciary fund financial statements can be found on page 36 of this report.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 37–93 of this report.

Government-Wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the City, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$99,092 at the close of the most recent fiscal year.

By far, the largest portion of the City's net position reflects its investment in capital assets (e.g., land, buildings, machinery, equipment, and infrastructure), less any related debt used to acquire those assets that is still outstanding. The City used these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

CITY OF SUPERIOR NET POSITION

December 31, 2013

	Governmental Activities	Business-Type Activities	Total
Current and other assets	\$ 52,483	\$ 16,671	\$ 69,154
Capital assets	60,219	48,677	108,896
Total assets	\$ 112,702	\$ 65,348	\$ 178,050
Total deferred outflows of resources	\$ 134	\$ 80	\$ 214
Long-term liabilities	\$ 31,733	\$ 24,180	\$ 55,913
Other liabilities	7,573	2,369	9,942
Total liabilities	\$ 39,306	\$ 26,549	\$ 65,855
Total deferred inflows of resources	\$ 13,317	\$ -	\$ 13,317
Net position:			
Net investment in capital assets	\$ 37,826	\$ 30,036	\$ 67,862
Restricted	11,490	853	12,343
Unrestricted	10,897	7,990	18,887
Total net position	\$ 60,213	\$ 38,879	\$ 99,092

CITY OF SUPERIOR NET POSITION

December 31, 2012

	Governmental Activities	(Restated) Business-Type Activities	(Restated) Total
Current and other assets	\$ 51,496	\$ 19,679	\$ 71,175
Capital assets	55,795	44,693	100,488
Total assets	\$ 107,291	\$ 64,372	\$ 171,663
Total deferred outflows of resources	\$ 154	\$ 97	\$ 251
Long-term liabilities	\$ 30,217	\$ 24,336	\$ 54,553
Other liabilities	6,103	3,836	9,939
Total liabilities	\$ 36,320	\$ 28,172	\$ 64,492
Total deferred inflows of resources	\$ 13,082	\$ -	\$ 13,082
Net position:			
Net investment in capital assets	\$ 39,608	\$ 29,088	\$ 68,696
Restricted	14,887	854	15,741
Unrestricted	3,548	6,355	9,903
Total net position	\$ 58,043	\$ 36,297	\$ 94,340

At the end of the current fiscal year, the City is able to report positive balances in all three categories of net position, both for the government as a whole, as well as for its separate governmental and business-type activities.

The following is a more detailed review of the year's operations.

CITY OF SUPERIOR'S CHANGES IN NET POSITION

For the year ended December 31, 2013

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Revenues:			
Program revenues:			
Charges for services	\$ 3,799	\$ 14,818	\$ 18,617
Operating grants and contributions	10,508	133	10,641
Capital grants and contributions	2,157	-	2,157
General revenues:			
Property taxes	13,123	-	13,123
Other taxes	676	-	676
Intergovernmental revenues not restricted to specific programs	11,110	-	11,110
Investment income	(534)	(270)	(804)
Other	1,034	188	1,222
Total revenues	<u>41,873</u>	<u>14,869</u>	<u>56,742</u>
Expenses:			
General government	3,437	-	3,437
Public safety	12,223	-	12,223
Public works	15,632	-	15,632
Health & human services	196	-	196
Culture, recreation, & education	2,656	-	2,656
Economic development	4,031	-	4,031
Interest and fiscal charges	794	-	794
Sewerage system	-	5,597	5,597
Landfill utility	-	5,635	5,635
Stormwater utility	-	1,627	1,627
Golf course	-	162	162
Total expenses	<u>38,969</u>	<u>13,021</u>	<u>51,990</u>
Increase in net position before transfers	2,904	1,848	4,752
Transfers	(734)	734	-
Increase in net position	2,170	2,582	4,752
Net position - January 1, 2013	<u>58,043</u>	<u>36,297</u>	<u>94,340</u>
Net position - December 31, 2013	<u>\$ 60,213</u>	<u>\$ 38,879</u>	<u>\$ 99,092</u>

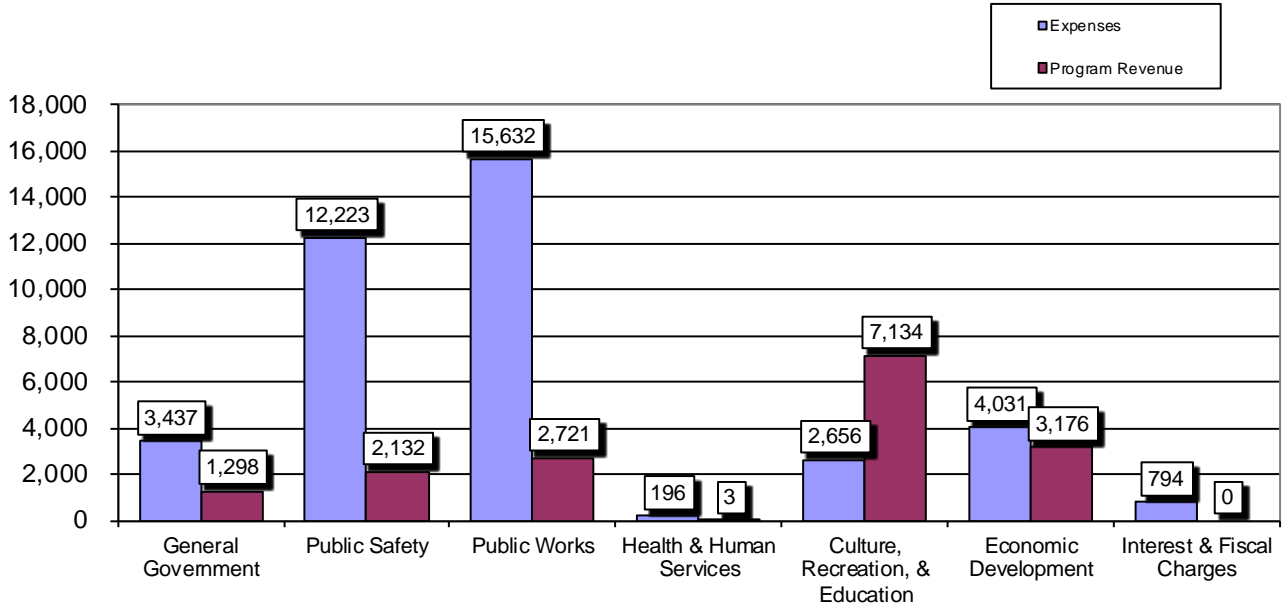
CITY OF SUPERIOR'S CHANGES IN NET POSITION

For the year ended December 31, 2012

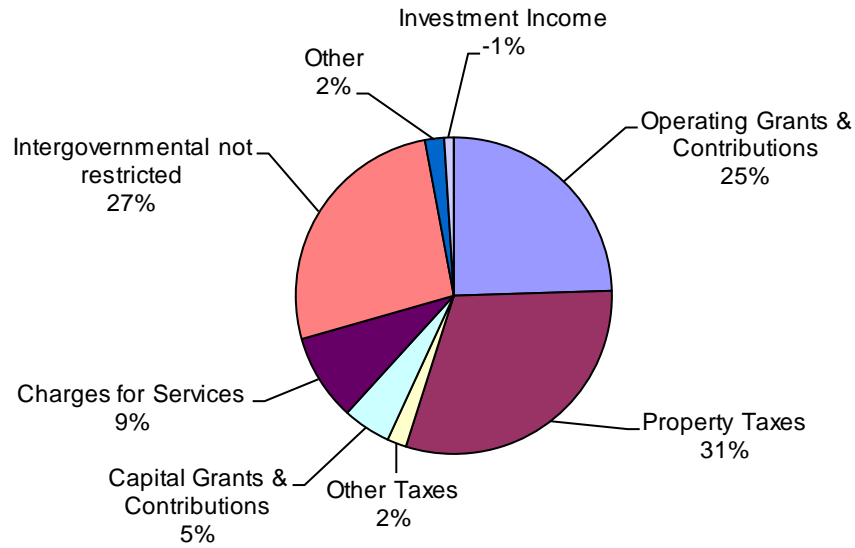
	Governmental Activities	(Restated) Business-Type Activities	(Restated) Total
Revenues:			
Program revenues:			
Charges for services	\$ 3,640	\$ 12,848	\$ 16,488
Operating grants and contributions	5,663	111	5,774
Capital grants and contributions	2,091	1,164	3,255
General revenues:			
Property taxes	13,186	-	13,186
Other taxes	577	-	577
Intergovernmental revenues not restricted to specific programs	10,700	-	10,700
Investment income	495	221	716
Other	881	154	1,035
Total revenues	37,233	14,498	51,731
Expenses:			
General government	3,751	-	3,751
Public safety	12,801	-	12,801
Public works	12,025	-	12,025
Health & human services	186	-	186
Culture, recreation, & education	3,275	-	3,275
Economic development	2,509	-	2,509
Interest and fiscal charges	911	-	911
Sewerage system	-	5,040	5,040
Landfill utility	-	5,232	5,232
Stormwater utility	-	1,537	1,537
Golf course	-	211	211
Total expenses	35,458	12,020	47,478
Increase in net position before transfers	1,775	2,478	4,253
Transfers	(403)	403	-
Increase in net position	1,372	2,881	4,253
Net position - January 1, 2012	56,671	33,416	90,087
Net position - December 31, 2012	\$ 58,043	\$ 36,297	\$ 94,340

Governmental activities. Governmental activities increased the City's net position by \$2,170.

Expenses and Program Revenues - Governmental Activities 2013

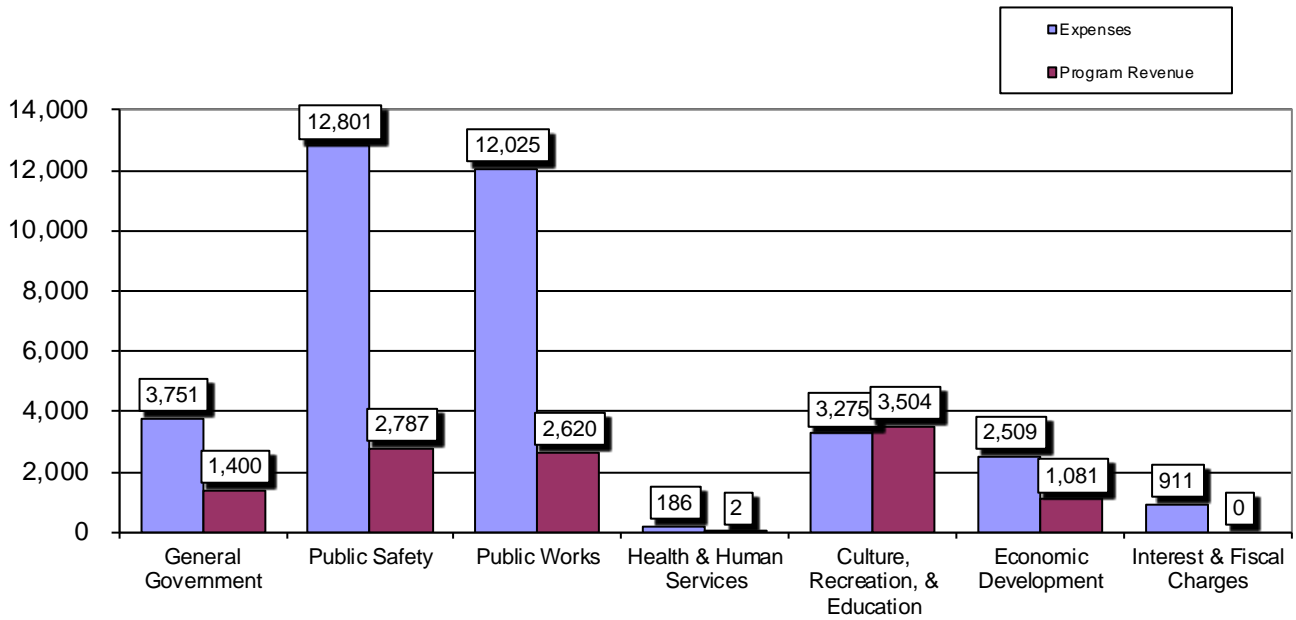


Program and General Revenues by Source - Governmental Activities - 2013

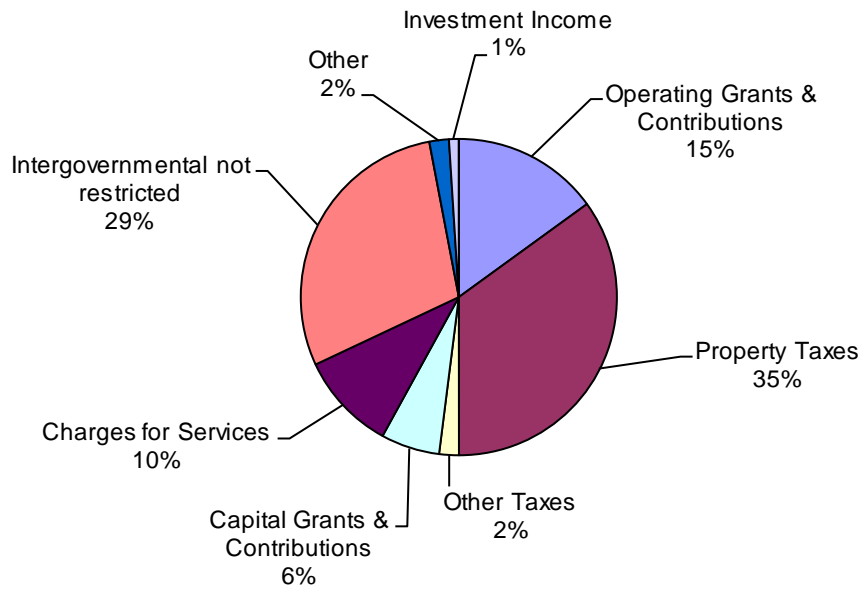


Governmental activities. Governmental activities increased the City's net position by \$1,372.

Expenses and Program Revenues - Governmental Activities 2012

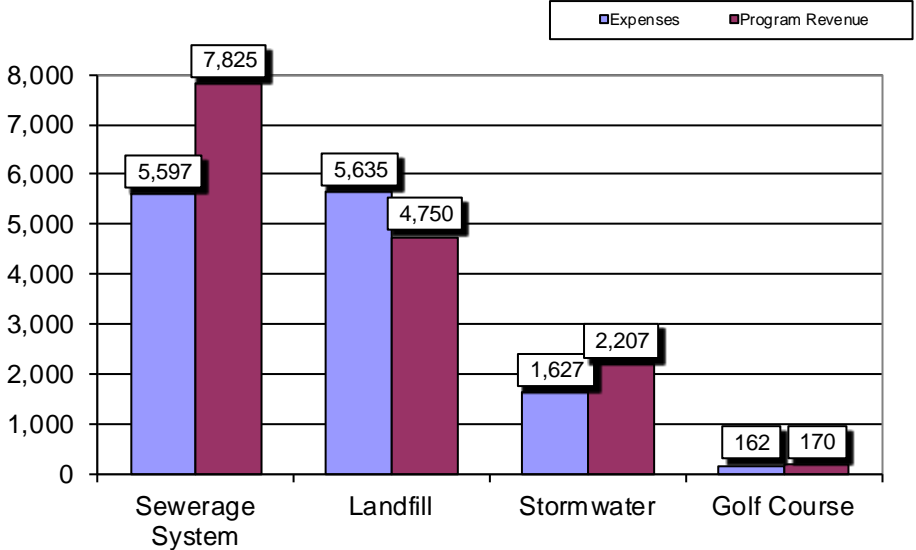


Program and General Revenues by Source - Governmental Activities - 2012

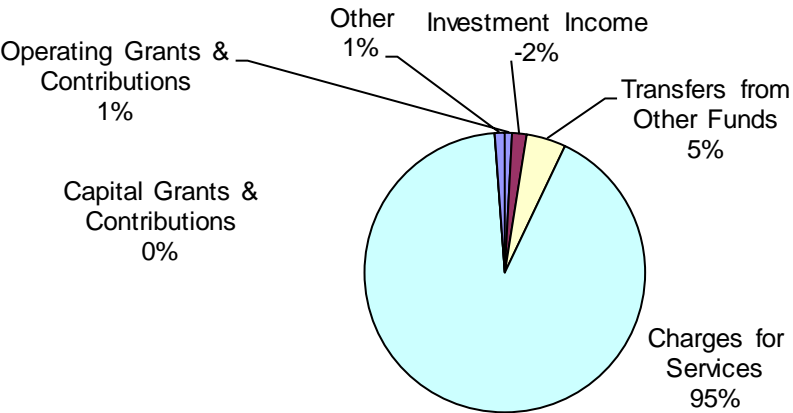


Business-type activities. Business-type activities increased the City's net position by \$2,582.

Expenses and Program Revenues - Business-Type Activities - 2013

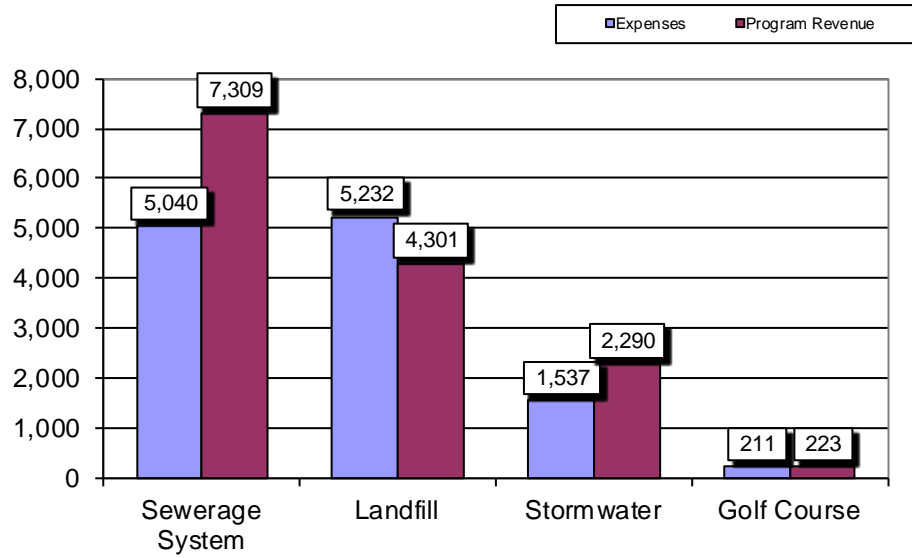


Revenues by Source - Business-Type Activities 2013

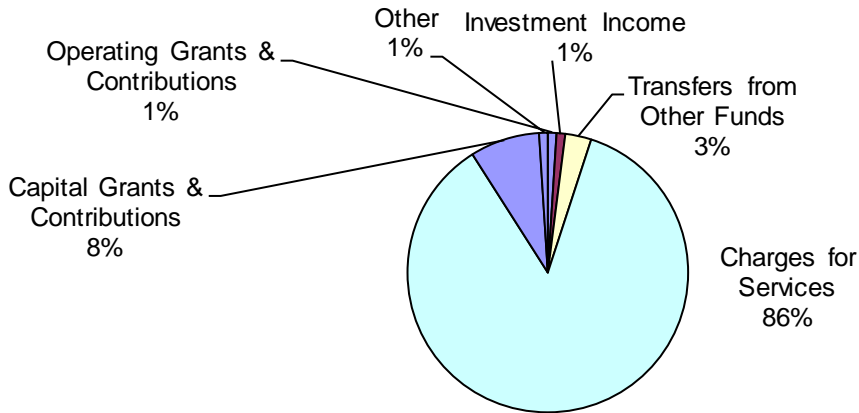


Business-type activities. Business-type activities increased the City's net position by \$2,881.

Expenses and Program Revenues - Business-Type Activities - 2012



Revenues by Source - Business-Type Activities 2012



Financial Analysis of the Government's Funds

As noted earlier, the City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds. The focus of the City's *governmental funds* is to provide information on near-term inflows, outflows, and balances of *spendable* resources. Such information is useful in assessing the City's financing requirements. In particular, *unassigned fund balance* may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

The general fund is the chief operation fund of the City. At the end of the current fiscal year, unassigned fund balance of the general fund was \$8,225, while total fund balance reached \$8,325. As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Total unassigned fund balance represents 37 percent of total general fund expenditures, while total fund balance represents 38 percent of that same amount.

The fund balance of the City's general fund increased by \$22.

Expenditures in the general fund were \$268 lower than budgeted due to general government, public safety, public works, economic development, and culture and recreation.

Proprietary funds. The City's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

Unrestricted net position of the Sewerage System Fund at the end of the year amounted to \$5,879 for the Landfill Utility Fund (\$515), the Stormwater Utility Fund \$3,458, and the Golf Course Fund (\$951). The total increase (decrease) in net position for the funds was \$2,010, (\$45), \$538, and \$7,827, respectively.

Capital Asset and Debt Administration

Capital assets. The City's investment in capital assets for its governmental and business-type activities as of December 31, 2013, amounts to \$108,896 (net of accumulated depreciation). This investment in capital assets includes land, land improvements, buildings, machinery and equipment, park facilities, roads, highways, and sidewalks.

Major capital assets during the current fiscal year included the following:

CITY OF SUPERIOR'S CAPITAL ASSETS 2013

(net of accumulated depreciation)

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Land and improvements	\$ 20,329	\$ 24,570	\$ 44,899
Buildings and improvements	6,900	5,855	12,755
Machinery and equipment	4,756	1,289	6,045
Transportation equipment	-	674	674
Infrastructure	-	16,271	16,271
Construction in progress	5,607	18	5,625
Roads	16,716	-	16,716
Sidewalks/Bikepaths	5,911	-	5,911
	<u>\$ 60,219</u>	<u>\$ 48,677</u>	<u>\$ 108,896</u>
Total	<u>\$ 60,219</u>	<u>\$ 48,677</u>	<u>\$ 108,896</u>

CITY OF SUPERIOR'S CAPITAL ASSETS 2012

(net of accumulated depreciation)

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Land and improvements	\$ 20,563	\$ 20,442	\$ 41,005
Buildings and improvements	7,136	6,262	13,398
Machinery and equipment	4,841	1,494	6,335
Transportation equipment	-	763	763
Infrastructure	-	10,152	10,152
Construction in progress	1,559	5,580	7,139
Roads	15,774	-	15,774
Sidewalks/Bikepaths	5,922	-	5,922
	<u>\$ 55,795</u>	<u>\$ 44,693</u>	<u>\$ 100,488</u>
Total	<u>\$ 55,795</u>	<u>\$ 44,693</u>	<u>\$ 100,488</u>

Additional information on the City's capital assets can be found in Note 7 on pages 67–70 of this report.

Long-term debt. At the end of the current fiscal year, the City had total bonds and notes outstanding of \$49,023. Of this amount, \$41,117 comprises debt backed by the full faith and credit of the government. The remainder, \$7,906, represents the City's bonds secured solely by specified revenue sources (i.e., revenue bonds).

CITY OF SUPERIOR'S OUTSTANDING DEBT

	Governmental Activities		Business-Type Activities		Total	
	2013	2012	2013	2012	2013	2012
G.O. bonds and notes	\$ 29,833	\$ 27,877	\$ 11,284	\$ 12,828	\$ 41,117	\$ 40,705
Revenue bonds	-	-	7,906	6,598	7,906	6,598
Total	\$ 29,833	\$ 27,877	\$ 19,190	\$ 19,426	\$ 49,023	\$ 47,303

The City's total bond and note payable debt increased by \$1,720 (4 percent) during the current fiscal year.

The City's bond rating has been maintained at AA from Standard & Poor's for its general obligation debt.

State statutes limit the amount of general obligation debt a governmental entity may issue to 5 percent of its total equalized valuation. The current debt limitation for the City is \$78,239, which is significantly in excess of the City's actual outstanding general obligation debt.

Additional information on the City's long-term debt can be found in Note 8 on pages 70–74 of this report.

Economic Factors

- The unemployment rate for Douglas County is currently 6.4 percent. This compares to the state's average unemployment rate of 7.0 percent and the national average rate of 6.4 percent.
- The equalized value has decreased an average of .32 percent per year over the last five years. Equalized value decreased 1.16 percent between 2012 and 2013.

Requests for Information

This financial report is designed to provide a general overview of the City's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Office of the Finance Director.

Basic Financial Statements

City of Superior, Wisconsin

Statement of Net Position

December 31, 2013

<i>Assets and Deferred Outflows of Resources</i>	Primary Government		
	Governmental Activities	Business-Type Activities	Total
Current assets:			
Cash and investments	\$ 24,917,638	\$ 9,967,769	\$ 34,885,407
Receivables:			
Property taxes	12,562,758	-	12,562,758
Accounts	805	3,163,395	3,164,200
Special assessments	523,279	210,498	733,777
Due from other governments	5,297,487	7,313	5,304,800
Loans	27,825	-	27,825
Other	556,323	24,338	580,661
Internal balances	103,090	(103,090)	-
Inventories	49,297	-	49,297
Prepays	99,701	-	99,701
Total current assets	44,138,203	13,270,223	57,408,426
Noncurrent assets:			
Restricted cash and investments	147,981	3,331,262	3,479,243
Net OPEB asset	465,129	69,730	534,859
Loans receivable	7,731,413	-	7,731,413
Capital assets:			
Land	16,445,572	1,381,640	17,827,212
Construction in progress	5,606,733	18,467	5,625,200
Land improvements	7,284,092	28,671,386	35,955,478
Buildings and improvements	12,015,133	16,771,238	28,786,371
Machinery and equipment	17,929,350	12,075,204	30,004,554
Infrastructure	56,422,235	20,421,598	76,843,833
Accumulated depreciation	(55,484,078)	(30,662,248)	(86,146,326)
Total noncurrent assets	68,563,560	52,078,277	120,641,837
Total assets	112,701,763	65,348,500	178,050,263
Deferred outflows of resources:			
Deferred amount on refunding	134,115	80,008	214,123
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	\$ 112,835,878	\$ 65,428,508	\$ 178,264,386

<i>Liabilities, Deferred Inflows of Resources, and Net Position</i>	Primary Government		
	Governmental Activities	Business-Type Activities	Total
Liabilities:			
Current liabilities:			
Accounts payable	\$ 4,029,201	\$ 2,166,350	\$ 6,195,551
Claims payable	590,700	-	590,700
Accrued payroll	691,179	122,401	813,580
Accrued interest	240,187	61,392	301,579
Deposits	1,146,052	256	1,146,308
Due to other governments	112	12,621	12,733
Refundable grant advances	367,669	6,000	373,669
Unearned revenue	508,121	-	508,121
Current portion of long-term obligations:			
Accrued compensated absences	290,845	32,439	323,284
Bonds and notes payable	2,223,264	2,004,018	4,227,282
Total current liabilities	10,087,330	4,405,477	14,492,807
Noncurrent liabilities:			
Compensated absences	1,419,728	158,384	1,578,112
Bonds and notes payable	27,799,527	17,236,692	45,036,219
Landfill closure and postclosure	-	4,748,638	4,748,638
Total noncurrent liabilities	29,219,255	22,143,714	51,362,969
Total liabilities	39,306,585	26,549,191	65,855,776
Deferred inflows of resources:			
Property taxes for subsequent year	13,316,793	-	13,316,793
Net position:			
Net investment in capital assets	37,825,989	30,035,956	67,861,945
Restricted	11,490,213	853,431	12,343,644
Unrestricted	10,896,298	7,989,930	18,886,228
Total net position	60,212,500	38,879,317	99,091,817
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION	\$ 112,835,878	\$ 65,428,508	\$ 178,264,386

City of Superior, Wisconsin

Statement of Activities

Year Ended December 31, 2013

Functions/Programs	Expenses
Primary government:	
Governmental activities:	
General government	\$ 3,437,465
Public safety	12,223,290
Public works	15,632,120
Health and human services	195,547
Culture, recreation, and education	2,655,655
Economic development	4,031,299
Interest and fiscal charges	793,958
Total governmental activities	38,969,334
Business-type activities:	
Sewerage system	5,596,835
Landfill utility	5,635,132
Stormwater utility	1,627,422
Golf course	162,181
Total business-type activities	13,021,570
Total primary government	\$ 51,990,904
General revenues:	
Property taxes:	
Property taxes levied for general purposes	
Property taxes levied for debt service	
Other taxes	
Intergovernmental revenues not restricted to specific programs	
Unrestricted investment earnings	
Miscellaneous unallocated revenue	
Gain on sale of assets	
Transfers	
Total general revenues and transfers	
Change in net position	
Net position - Beginning of year, as restated	
Net position - End of year	

Program Revenues			Net (Expense) Revenues and Changes in Net Position		
Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		
			Governmental Activities	Business-Type Activities	Total
\$ 1,035,747	\$ 256,628	\$ 5,595	\$ (2,139,495)	\$ -	\$ (2,139,495)
720,463	1,151,846	260,067	(10,090,914)	-	(10,090,914)
43,046	787,143	1,891,191	(12,910,740)	-	(12,910,740)
2,411	-	-	(193,136)	-	(193,136)
1,984,923	5,149,147	-	4,478,415	-	4,478,415
12,666	3,163,235	-	(855,398)	-	(855,398)
-	-	-	(793,958)	-	(793,958)
3,799,256	10,507,999	2,156,853	(22,505,226)	-	(22,505,226)
7,824,454	-	-	-	2,227,619	2,227,619
4,620,834	129,283	-	-	(885,015)	(885,015)
2,203,061	4,062	-	-	579,701	579,701
170,000	-	-	-	7,819	7,819
14,818,349	133,345	-	-	1,930,124	1,930,124
\$ 18,617,605	\$ 10,641,344	\$ 2,156,853	(22,505,226)	1,930,124	(20,575,102)
			10,633,244	-	10,633,244
			2,489,522	-	2,489,522
			676,495	-	676,495
			11,109,755	-	11,109,755
			(534,051)	(270,227)	(804,278)
			1,033,917	178,651	1,212,568
			-	9,666	9,666
			(734,214)	734,214	-
			24,674,668	652,304	25,326,972
			2,169,442	2,582,428	4,751,870
			58,043,058	36,296,889	94,339,947
			\$ 60,212,500	\$ 38,879,317	\$ 99,091,817

See accompanying notes to basic financial statements.

Fund Financial Statements

City of Superior, Wisconsin

Balance Sheet – Governmental Funds

December 31, 2013

<i>Assets</i>	General Fund	Capital Improvement Program Fund	Hallet Dock Capital Project Fund	Other Governmental Funds	Total Governmental Funds
Cash and investments	\$ 10,959,325	\$ 4,270,326	\$ 189,157	\$ 4,741,160	\$ 20,159,968
Receivables:					
Property taxes	12,562,758	-	-	-	12,562,758
Accounts	-	-	805	-	805
Special assessments	507,196	-	-	16,083	523,279
Loans	-	-	-	7,759,237	7,759,237
Other	161,886	115,935	-	228,027	505,848
Due from other funds	404,701	-	-	3,200,361	3,605,062
Due from other governments	237,698	441,071	1,361,136	3,249,850	5,289,755
Inventories	49,297	-	-	-	49,297
Prepays	50,889	-	-	-	50,889
Restricted assets, cash and investments	-	-	-	147,981	147,981
Long-term interfund receivable	575,982	-	-	-	575,982
TOTAL ASSETS	\$ 25,509,732	\$ 4,827,332	\$ 1,551,098	\$ 19,342,699	\$ 51,230,861
<i>Liabilities, Deferred Inflows of Resources, and Fund Balances (Deficits)</i>					
Liabilities:					
Accounts payable	\$ 711,864	\$ 1,788,135	\$ 1,043,028	\$ 434,591	\$ 3,977,618
Accrued compensation	603,663	-	-	76,563	680,226
Due to other funds	3,156,796	-	-	802,499	3,959,295
Due to other governments	112	-	-	-	112
Custodial deposits	1,137,329	-	-	8,723	1,146,052
Refundable grant advances	-	128,141	-	239,528	367,669
Unearned revenue	-	-	508,121	-	508,121
Total liabilities	5,609,764	1,916,276	1,551,149	1,561,904	10,639,093
Deferred inflows of resources:					
Property taxes for subsequent year	10,463,674	-	-	2,853,119	13,316,793
Unavailable revenue - Special assessments	535,557	-	-	26,748	562,305
Unavailable revenue - Loans	-	-	-	3,941,452	3,941,452
Unavailable revenue - Advances to other funds	575,983	-	-	-	575,983
Total deferred inflows of resources	11,575,214	-	-	6,821,319	18,396,533
Fund balances (deficits):					
Nonspendable	100,186	-	-	100,000	200,186
Restricted	-	2,911,056	-	10,039,336	12,950,392
Committed	-	-	-	93,941	93,941
Assigned	-	-	-	2,039,665	2,039,665
Unassigned	8,224,568	-	(51)	(1,313,466)	6,911,051
Total fund balances (deficits)	8,324,754	2,911,056	(51)	10,959,476	22,195,235
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES (DEFICITS)	\$ 25,509,732	\$ 4,827,332	\$ 1,551,098	\$ 19,342,699	\$ 51,230,861

City of Superior, Wisconsin

Balance Sheet – Governmental Funds (Continued)

December 31, 2013

Amounts reported for governmental activities in the statement of net position are different because:

Total fund balances - Governmental funds (previous page)	\$	22,195,235
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Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the fund statements. Amounts reported for governmental activities in the statement of net position:

Governmental capital assets	\$	114,517,605	
Governmental accumulated depreciation		(54,298,568)	60,219,037

Internal service funds are used by management to charge the costs of general liability insurance, health insurance, and management information systems. The assets and liabilities of the internal service fund are included in the governmental activities in the statement of net position.	4,042,553
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Receivables not currently available are reported as unavailable revenue in the fund financial statements but are recognized as revenue when earned in the government-wide financial statements.	5,079,740
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Contributions made for Other Postemployment Benefits (OPEB) exceeding the Annual Required Contribution (ARC) are reported as a Net OPEB Asset in the statement of net position.	453,386
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Unpaid compensated absences are a liability of the governmental funds only if the employee has resigned or retired.	(1,648,588)
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Long-term liabilities, including bonds and notes payable, are not due in the current year and, therefore, are not reported in the fund statements. Interest on long-term debt is not accrued in the governmental funds, but rather is recognized as an expenditure when due. All liabilities, both current and long-term, are reported in the statement of net position. Balances reported in the statement of net position that are not reported in the funds balance sheet are:

Bonds and notes payable	30,022,791	
Deferred amount of refunding	(134,115)	
Accrued interest on long-term debt	240,187	(30,128,863)

Total net position - Governmental activities	\$	60,212,500
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City of Superior, Wisconsin

Statement of Revenues, Expenditures, and Changes in Fund Balances — Governmental Funds

Year Ended December 31, 2013

	General Fund	Capital Improvement Program Fund	Hallet Dock Capital Project Fund	Other Governmental Funds	Total Governmental Funds
Revenues:					
Taxes	\$ 10,633,244	\$ -	\$ -	\$ 3,155,229	\$ 13,788,473
Special assessments	311	-	-	174,859	175,170
Intergovernmental revenues	12,311,901	1,809,759	3,181,836	4,307,746	21,611,242
Licenses and permits	712,958	14,187	-	-	727,145
Fines, forfeitures, and penalties	271,052	-	-	19,038	290,090
Public charges for services	118,341	12,588	695,365	435,015	1,261,309
Intergovernmental charges	230,889	20,945	-	210,723	462,557
Investment income (loss)	(106,082)	(200,223)	-	(95,087)	(401,392)
Miscellaneous	592,882	21,883	86,419	262,952	964,136
Total revenues	24,765,496	1,679,139	3,963,620	8,470,475	38,878,730
Expenditures:					
Current:					
General government	2,781,024	3,840	-	-	2,784,864
Public safety	11,164,331	80	-	1,023,007	12,187,418
Public works	6,207,492	438	-	731,760	6,939,690
Health and human services	177,413	18,134	-	-	195,547
Culture and recreation	1,365,602	-	-	1,400,641	2,766,243
Economic development	208,457	24,635	51,759	3,144,326	3,429,177
Capital outlay	46,351	7,058,689	3,911,861	3,254,717	14,271,618
Debt service:					
Principal retirement	-	-	-	1,789,959	1,789,959
Interest expense	-	200	-	777,780	777,980
Total expenditures	21,950,670	7,106,016	3,963,620	12,122,190	45,142,496
Excess of revenues over (under) expenditures	2,814,826	(5,426,877)	-	(3,651,715)	(6,263,766)

City of Superior, Wisconsin

Statement of Revenues, Expenditures, and Changes in Fund Balances — Governmental Funds (Continued)

Year Ended December 31, 2013

	General Fund	Capital Improvement Program Fund	Hallet Dock Capital Project Fund	Other Governmental Funds	Total Governmental Funds
Other financing sources (uses):					
Issuance of long-term debt	\$ -	\$ -	\$ -	\$ 3,750,000	\$ 3,750,000
Transfers in	424,368	1,008,000	-	1,322,350	2,754,718
Transfers out	(3,216,898)	(23,693)	-	(283,141)	(3,523,732)
Net other financing sources (uses)	(2,792,530)	984,307	-	4,789,209	2,980,986
Change in fund balances	22,296	(4,442,570)	-	1,137,494	(3,282,780)
Fund balances (deficits) at beginning	8,302,458	7,353,626	(51)	9,821,982	25,478,015
Fund balances (deficits) at end	\$ 8,324,754	\$ 2,911,056	\$ (51)	\$ 10,959,476	\$ 22,195,235

City of Superior, Wisconsin

Statement of Revenues, Expenditures, and Changes in Fund Balances — Governmental Funds (Continued)

Year Ended December 31, 2013

Total net change in fund balances - Governmental funds	\$ (3,282,780)
Amounts reported for governmental activities in the statement of activities are different because:	
The acquisition of capital assets is reported in the governmental funds as expenditures. However, for governmental activities, those costs are shown in the statement of net position and allocated over their estimated useful lives as annual depreciation expense in the statement of activities.	
Capital outlays reported in governmental fund statements	\$ 7,778,075
Depreciation expense reported in the statement of activities	(3,105,794)
Amount by which capital outlays are more than depreciation in the current year	4,672,281
Internal service funds are used by management to charge the costs of general liability insurance, health insurance, and management information systems. The net revenue of certain activities of internal service funds is reported with governmental activities.	9,769
The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins, and donations) is to decrease net position.	(42,588)
Receivables not currently available are reported as unavailable revenue in the fund financial statements but are recognized as revenue when earned in the government-wide financial statements.	2,497,365
Unpaid vacation and sick pay is a liability of the governmental funds only if the employee has resigned or retired.	
Amount by which the liability for sick pay changed in the current year	408,041
Other postemployment benefits are reported in the governmental funds when amounts are paid. The statement of activities reports the value of the benefits earned during the year.	
Decrease in net OPEB asset	(118,167)
Repayment of principal on long-term debt is reported in the governmental funds as an expenditure but is reported as a reduction in long-term debt in the statement of net position and does not affect the statement of activities.	
The amount of long-term debt principal payments in the current year	1,794,086

City of Superior, Wisconsin

Statement of Revenues, Expenditures, and Changes in Fund Balances — Governmental Funds (Continued)

Year Ended December 31, 2013

Total net change in fund balances - Governmental funds (Continued)

Proceeds of principal of long-term debt are reported in the governmental funds as a revenue but are reported as an increase in long-term debt in the statement of net position and do not affect the statement of activities.

The amount of long-term debt proceeds in the current year \$ (3,750,000)

Governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities.

The net effect of these differences in the current year 8,244

In governmental funds, interest payments on long-term debt are reported as an expenditure when due. In the statement of activities, interest is reported as incurred.

The changes in accrued interest in the current year (26,809)

Change in net position - Governmental activities \$ 2,169,442

City of Superior, Wisconsin

Statement of Revenues, Expenditures, and Changes in Fund Balances — Budget and Actual — General Fund

For the Year Ended December 31, 2013

	Original Budget	Final Budget	Actual	Variance With Final Budget Positive (Negative)
Revenues:				
Taxes:				
Current and delinquent general real estate and personal property	\$ 9,929,498	\$ 9,929,498	\$ 9,892,305	\$ (37,193)
Occupational	548,946	548,946	573,376	24,430
Mobile home fees	57,000	57,000	58,859	1,859
Other	98,000	98,000	108,704	10,704
	10,633,444	10,633,444	10,633,244	(200)
Special assessments - Current, deferred, and delinquent	20,000	20,000	311	(19,689)
Intergovernmental revenues:				
Federal grants	410,000	634,030	581,394	(52,636)
State shared revenues	7,883,395	7,883,395	7,878,624	(4,771)
Fire insurance	60,642	60,642	58,211	(2,431)
Terminal taxes	1,621,000	1,621,000	1,686,076	65,076
State grants, transportation flood damage	-	-	5,399	5,399
State grants, mass transit	330,000	330,000	343,808	13,808
State grants, other	-	-	10,801	10,801
Local street and road state aid	1,149,562	1,149,562	1,148,890	(672)
Connecting streets	307,461	307,461	307,461	-
Payment for municipal services	215,000	215,000	258,920	43,920
Computer exemption credit	30,000	30,000	32,317	2,317
	12,007,060	12,231,090	12,311,901	80,811

City of Superior, Wisconsin

Statement of Revenues, Expenditures, and Changes in Fund Balances — Budget and Actual — General Fund (Continued)

For the Year Ended December 31, 2013

	Original Budget	Final Budget	Actual	Variance With Final Budget Positive (Negative)
Revenues: (Continued)				
Licenses and permits:				
Licenses:				
Amusement devices	\$ 7,500	\$ 7,500	\$ 6,226	\$ (1,274)
Cigarette	5,100	5,100	4,200	(900)
Dog	2,000	2,000	2,411	411
Liquor and beer	75,000	75,000	67,574	(7,426)
Public carrier	5,400	5,400	3,575	(1,825)
Hotel/motel rooming	1,300	1,300	1,049	(251)
Tavern operator	13,000	13,000	8,420	(4,580)
Other	22,000	22,000	29,944	7,944
Permits:				
Building	212,000	212,000	204,625	(7,375)
Inspect/rezone fee	4,500	4,500	-	(4,500)
Plumbing	20,000	20,000	37,178	17,178
Heating	17,000	17,000	39,562	22,562
Electrical	12,000	12,000	45,966	33,966
Razing/moving	1,500	1,500	1,030	(470)
Curb cut/erector	3,000	3,000	970	(2,030)
Other inspection fees	3,000	3,000	3,600	600
Franchise fees	241,000	241,000	256,628	15,628
	645,300	645,300	712,958	67,658
Fines, forfeitures, and penalties:				
Parking violations	82,000	82,000	93,387	11,387
Other law and ordinance violations	188,000	188,000	177,665	(10,335)
	270,000	270,000	271,052	1,052

City of Superior, Wisconsin

Statement of Revenues, Expenditures, and Changes in Fund Balances — Budget and Actual — General Fund (Continued)

For the Year Ended December 31, 2013

	Original Budget	Final Budget	Actual	Variance With Final Budget Positive (Negative)
Revenues: (Continued)				
Public charges for services:				
Airport	\$ 37,000	\$ 37,000	\$ 38,269	\$ 1,269
City clerk	204	204	147	(57)
Police department	5,000	5,000	7,462	2,462
Fire department	57,000	57,000	67,161	10,161
Culture, recreation, and education	-	-	5,302	5,302
	99,204	99,204	118,341	19,137
Intergovernmental charges:				
Equipment depot	173,000	173,000	142,585	(30,415)
Revenue from local governments	94,000	94,000	88,304	(5,696)
	267,000	267,000	230,889	(36,111)
Investment income (loss)	410,000	410,000	(106,082)	(516,082)
Miscellaneous revenue:				
Rent	506,000	506,000	475,696	(30,304)
Property sales	-	-	6,255	6,255
Insurance recoveries	5,000	5,000	7,246	2,246
Other	130,000	130,000	103,685	(26,315)
	641,000	641,000	592,882	(48,118)
Total revenues	24,993,008	25,217,038	24,765,496	(451,542)

City of Superior, Wisconsin

Statement of Revenues, Expenditures, and Changes in Fund Balances — Budget and Actual — General Fund (Continued)

For the Year Ended December 31, 2013

	Original Budget	Final Budget	Actual	Variance With Final Budget Positive (Negative)
Expenditures:				
General government:				
City council	\$ 155,579	\$ 155,579	\$ 151,389	\$ 4,190
Mayor	191,871	191,871	191,203	668
City attorney	296,164	296,164	274,300	21,864
City clerk	258,883	258,883	250,214	8,669
Finance	640,954	640,954	627,861	13,093
Assessor	313,229	313,229	298,692	14,537
Buildings and grounds	655,903	643,903	630,062	13,841
Human resources	227,288	227,288	219,907	7,381
Elections	32,903	32,903	22,093	10,810
Judgments, losses, and unallocated	131,000	131,000	115,303	15,697
	2,903,774	2,891,774	2,781,024	110,750
Public safety:				
Police department	6,655,799	6,655,799	6,639,693	16,106
Fire department	3,987,764	4,027,764	4,017,688	10,076
Building inspection	525,884	525,884	506,950	18,934
	11,169,447	11,209,447	11,164,331	45,116
Public works:				
Mass transit	1,278,000	1,278,000	1,234,444	43,556
Administration and engineering	398,148	398,148	438,831	(40,683)
Street division	2,554,211	2,554,211	2,497,370	56,841
Airport	72,855	72,855	81,818	(8,963)
Traffic signals and signs	249,184	249,184	293,505	(44,321)
Equipment depot	1,693,988	1,693,988	1,661,524	32,464
	6,246,386	6,246,386	6,207,492	38,894

City of Superior, Wisconsin

Statement of Revenues, Expenditures, and Changes in Fund Balances — Budget and Actual — General Fund (Continued)

For the Year Ended December 31, 2013

	Original Budget	Final Budget	Actual	Variance With Final Budget Positive (Negative)
Expenditures: (Continued)				
Health and human services:				
Animal shelter	\$ 120,000	\$ 120,000	\$ 132,713	\$ (12,713)
Other	49,000	49,000	44,700	4,300
	169,000	169,000	177,413	(8,413)
Culture and recreation:				
Recreation programs and events	493,999	493,999	457,399	36,600
Parks, trees, and boulevards	817,073	817,073	743,203	73,870
Superior public museums	165,000	165,000	165,000	-
	1,476,072	1,476,072	1,365,602	110,470
Economic development:				
Planning and development	225,960	225,960	208,457	17,503
Capital outlay	-	-	46,351	(46,351)
Total expenditures	22,190,639	22,218,639	21,950,670	267,969
Excess of revenues over expenditures	2,802,369	2,998,399	2,814,826	(183,573)
Other financing sources (uses):				
Transfers in	248,000	248,000	424,368	176,368
Transfers out	(3,050,369)	(3,246,399)	(3,216,898)	29,501
Net other financing sources (uses)	(2,802,369)	(2,998,399)	(2,792,530)	205,869
Excess of revenues and other financing sources over expenditures and other financing uses	\$ -	\$ -	\$ 22,296	\$ 22,296

City of Superior, Wisconsin

Statement of Net Position—Proprietary Funds

December 31, 2013

<i>Assets and Deferred Outflows of Resources</i>	Business-Type Activities - Enterprise Funds				Total	Governmental
	Sewerage System Fund	Landfill Utility Fund	Stormwater Utility Fund	Golf Course Fund		Activities Internal Service Fund
Current assets:						
Cash and investments	\$ 5,136,386	\$ 2,529,303	\$ 2,302,080	\$ -	\$ 9,967,769	\$ 4,757,670
Receivables:						
Accounts	1,228,120	828,318	1,106,957	-	3,163,395	-
Special assessments	122,282	1,013	87,203	-	210,498	-
Due from other governments	-	-	7,313	-	7,313	7,732
Other	17,862	2,201	4,275	-	24,338	50,476
Due from other funds	475,974	-	164,398	-	640,372	-
Prepays	-	-	-	-	-	48,812
Total current assets	6,980,624	3,360,835	3,672,226	-	14,013,685	4,864,690
Noncurrent assets:						
Restricted deposits	853,431	2,477,831	-	-	3,331,262	-
Net OPEB asset	63,261	6,469	-	-	69,730	11,743
Capital assets:						
Land	-	61,240	26,400	1,294,000	1,381,640	-
Construction in progress	-	467	18,000	-	18,467	-
Land improvements	-	15,989,603	11,024,782	1,657,001	28,671,386	-
Buildings and improvements	15,842,006	178,714	-	750,518	16,771,238	-
Machinery and equipment	7,118,330	4,525,149	77,380	354,345	12,075,204	1,185,510
Infrastructure	20,421,598	-	-	-	20,421,598	-
Accumulated depreciation	(21,256,840)	(6,843,053)	(681,364)	(1,880,991)	(30,662,248)	(1,185,510)
Total noncurrent assets	23,041,786	16,396,420	10,465,198	2,174,873	52,078,277	11,743
Deferred outflows of resources:						
Deferred amount on refunding	80,008	-	-	-	80,008	-
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	\$ 30,102,418	\$ 19,757,255	\$ 14,137,424	\$ 2,174,873	\$ 66,171,970	\$ 4,876,433

<i>Liabilities and Net Position</i>	Business-Type Activities - Enterprise Funds				Total	Governmental
	Sewerage	Landfill	Stormwater	Golf		Activities
	System	Utility	Utility	Course		Internal
	Fund	Fund	Fund	Fund		Service Fund
Current liabilities:						
Accounts payable	\$ 693,571	\$ 1,333,454	\$ 132,585	\$ 6,740	\$ 2,166,350	\$ 51,583
Claims payable	-	-	-	-	-	590,700
Accrued payroll	63,601	32,934	25,866	-	122,401	10,953
Accrued interest	15,848	25,168	19,354	1,022	61,392	-
Deposits	256	-	-	-	256	-
Due to other governments	-	12,621	-	-	12,621	-
Refundable grant advances	6,000	-	-	-	6,000	-
Due to other funds	-	-	-	286,139	286,139	-
Current portion of interfund payable	-	-	-	64,677	64,677	-
Current portion of long-term obligations:						
Accrued compensated absences	10,147	16,159	6,133	-	32,439	10,585
Bonds and notes payable	848,186	833,692	315,912	6,228	2,004,018	-
Total current liabilities	1,637,609	2,254,028	499,850	364,806	4,756,293	663,821
Long-term liabilities:						
Long-term interfund payable	-	-	-	511,305	511,305	-
Accrued compensated absences	49,543	78,896	29,945	-	158,384	51,400
Bonds and notes payable	5,389,402	7,106,709	4,666,087	74,494	17,236,692	-
Landfill closure and postclosure liability	-	4,748,638	-	-	4,748,638	-
Total long-term liabilities	5,438,945	11,934,243	4,696,032	585,799	22,655,019	51,400
Net position:						
Net investment in capital assets	16,293,496	6,084,387	5,483,200	2,174,873	30,035,956	-
Restricted	853,431	-	-	-	853,431	-
Unrestricted	5,878,937	(515,403)	3,458,342	(950,605)	7,871,271	4,161,212
Total net position	23,025,864	5,568,984	8,941,542	1,224,268	38,760,658	4,161,212
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds					<u>118,659</u>	
Net position business-type activities					<u>38,879,317</u>	
TOTAL LIABILITIES AND NET POSITION	\$ 30,102,418	\$ 19,757,255	\$ 14,137,424	\$ 2,174,873	\$ 66,171,970	\$ 4,876,433

City of Superior, Wisconsin

Statement of Revenues, Expenses, and Changes in Net Position — Proprietary Funds

Year Ended December 31, 2013

	Business-Type Activities - Enterprise Funds				Total	Governmental Activities Internal Service Fund
	Sewerage	Landfill	Stormwater	Golf		
	System Fund	Utility Fund	Utility Fund	Course Fund		
Operating revenues:						
Charges for services	\$ 7,265,196	\$ 4,611,611	\$ 2,018,789	\$ -	\$ 13,895,596	\$ 5,807,906
Rental fees	-	-	-	160,000	160,000	-
Other	559,258	9,223	184,272	10,000	762,753	1,063,800
Total operating revenues	7,824,454	4,620,834	2,203,061	170,000	14,818,349	6,871,706
Operating expenses:						
Personal services	1,937,855	914,838	706,709	-	3,559,402	671,307
Services and operations	2,567,675	3,234,631	580,958	35,499	6,418,763	1,180,020
Insurance claims and premiums	-	-	-	-	-	4,858,023
Total operating expenses	4,505,530	4,149,469	1,287,667	35,499	9,978,165	6,709,350
Operating income (loss) before depreciation	3,318,924	471,365	915,394	134,501	4,840,184	162,356
Depreciation	953,912	1,261,465	231,204	105,851	2,552,432	-
Operating income (loss)	2,365,012	(790,100)	684,190	28,650	2,287,752	162,356
Nonoperating revenues (expenses):						
Intergovernmental revenue	-	129,283	4,062	-	133,345	-
Other nonoperating revenues	600	168,458	9,596	-	178,654	-
Interest and amortization expense	(191,426)	(232,956)	(117,149)	(20,831)	(562,362)	(1,541)
Interest income	(121,113)	(66,231)	(82,893)	8	(270,229)	(132,658)
Gain on sale of fixed assets	-	1,170	8,496	-	9,666	-
Total nonoperating expenses	(311,939)	(276)	(177,888)	(20,823)	(510,926)	(134,199)
Income (loss) before contributions and transfers	2,053,073	(790,376)	506,302	7,827	1,776,826	28,157
Capital contributions	-	-	18,200	-	18,200	-
Transfers in	-	955,298	13,923	-	969,221	53,000
Transfers out	(43,000)	(210,207)	-	-	(253,207)	-
Change in net position	2,010,073	(45,285)	538,425	7,827	2,511,040	81,157
Net position at beginning, as restated	21,015,791	5,614,269	8,403,117	1,216,441		4,080,055
Net position at end	\$ 23,025,864	\$ 5,568,984	\$ 8,941,542	\$ 1,224,268		\$ 4,161,212
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds					71,388	
Change in net position of business-type activities					<u>\$ 2,582,428</u>	

See accompanying notes to basic financial statements.

City of Superior, Wisconsin

Statement of Cash Flows — Proprietary Funds

Year Ended December 31, 2013

	Business-Type Activities - Enterprise Funds				Total	Governmental Activities Internal Service Fund
	Sewerage System Fund	Landfill Utility Fund	Stormwater Utility Fund	Golf Course Fund		
Cash flows from operating activities:						
Cash received from customers	\$ 7,537,229	\$ 4,299,182	\$ 2,137,586	\$ 170,000	\$14,143,997	\$ 6,886,698
Cash paid to suppliers for goods and services	(3,507,525)	(3,070,046)	(1,094,099)	(35,499)	(7,707,169)	(6,048,684)
Cash paid to employees for services	(1,964,609)	(936,769)	(699,831)	-	(3,601,209)	(673,793)
Net cash provided by operating activities	2,065,095	292,367	343,656	134,501	2,835,619	164,221
Cash flows from noncapital financing activities:						
Intergovernmental revenue	-	129,283	3,196	-	132,479	-
Other miscellaneous revenue	600	168,458	9,596	-	178,654	-
Decrease (increase) in due from other funds	(133,443)	2,024	(2,160)	-	(133,579)	-
Increase (decrease) in due to other funds	-	-	-	(26,136)	(26,136)	-
Principal paid on long-term debt	(8,528)	(8,528)	-	(6,110)	(23,166)	-
Interest paid on long-term debt	(3,185)	(3,185)	-	(2,282)	(8,652)	-
Transfers in from other funds	-	955,298	13,923	-	969,221	53,000
Transfers out to other funds	(43,000)	(210,207)	-	-	(253,207)	-
Net cash provided by (used in) noncapital financing activities	(187,556)	1,033,143	24,555	(34,528)	835,614	53,000

City of Superior, Wisconsin

Statement of Cash Flows — Proprietary Funds (Continued)

Year Ended December 31, 2013

	Business-Type Activities - Enterprise Funds				Total	Governmental Activities Internal Service Fund
	Sewerage System Fund	Landfill Utility Fund	Stormwater Utility Fund	Golf Course Fund		
Cash flows from capital and related financing activities:						
Acquisition and construction of capital assets	\$(1,683,327)	\$(4,136,921)	\$(679,506)	\$(18,909)	\$(6,518,663)	\$ -
Proceeds from sale of capital	-	1,170	8,496	-	9,666	-
Principal paid on long-term interfund payable	-	-	-	(62,768)	(62,768)	-
Interest paid on long-term interfund payable	-	-	-	(18,304)	(18,304)	-
Debt issuance payments	-	-	-	-	-	-
Proceeds from long-term debt	1,272,184	-	389,959	-	1,662,143	-
Principal paid on long-term debt	(802,448)	(795,000)	(277,770)	-	(1,875,218)	-
Interest paid on long-term debt	(179,619)	(246,471)	(136,352)	-	(562,442)	(1,541)
Net cash used in capital and related financing activities	(1,393,210)	(5,177,222)	(695,173)	(99,981)	(7,365,586)	(1,541)
Cash flows from investing						
Interest received (paid)	(121,113)	(66,231)	(82,893)	8	(270,229)	(132,658)
Increase in restricted deposits	-	66,231	-	-	66,231	-
Net cash provided by (used in) investing activities	(121,113)	-	(82,893)	8	(203,998)	(132,658)
Net increase (decrease) in cash and cash equivalents	363,216	(3,851,712)	(409,855)	-	(3,898,351)	83,022
Cash and cash equivalents at beginning of the year	5,626,601	6,381,015	2,711,935	-	14,719,551	4,674,648
Cash and cash equivalents at end of the year	\$ 5,989,817	\$ 2,529,303	\$ 2,302,080	\$ -	\$ 10,821,200	\$ 4,757,670
Reconciliation:						
Cash and investments	\$ 5,136,386	\$ 2,529,303	\$ 2,302,080	\$ -	\$ 9,967,769	\$ 4,757,670
Restricted deposits	853,431	-	-	-	853,431	-
Cash and cash equivalents	\$ 5,989,817	\$ 2,529,303	\$ 2,302,080	\$ -	\$ 10,821,200	\$ 4,757,670

City of Superior, Wisconsin

Statement of Cash Flows — Proprietary Funds (Continued)

Year Ended December 31, 2013

	Business-Type Activities - Enterprise Funds				Total	Governmental Activities Internal Service Fund
	Sewerage System Fund	Landfill Utility Fund	Stormwater Utility Fund	Golf Course Fund		
Reconciliation of operating income to net cash provided by operating activities:						
Operating income (loss)	\$ 2,365,012	\$ (790,100)	\$ 684,190	\$ 28,650	\$ 2,287,752	\$ 162,356
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:						
Provision for depreciation and amortization	953,912	1,261,465	231,204	105,851	2,552,432	-
Loss on disposal of capital assets	-	-	-	-	-	205,692
Changes in operating assets and liabilities:						
Decrease (increase) in accounts receivable	(293,225)	(321,652)	(65,475)	-	(680,352)	20,436
Increase in due from other governments	-	-	-	-	-	(5,444)
Decrease (increase) in prepayments	-	-	-	-	-	7,378
Decrease (increase) in net OPEB asset	16,487	1,686	-	-	18,173	3,060
Increase (decrease) in accounts payable	(956,337)	11,108	(513,141)	-	(1,458,370)	13,759
Increase (decrease) in accrued expenses	(26,754)	(21,931)	6,878	-	(41,807)	(2,486)
Decrease in due to other governments	-	(2,306)	-	-	(2,306)	-
Decrease in claims payable	-	-	-	-	-	(240,530)
Increase in landfill closure and postclosure liability	-	154,097	-	-	154,097	-
Increase (decrease) in refundable grant advances	6,000	-	-	-	6,000	-
Total adjustments	(299,917)	1,082,467	(340,534)	105,851	547,867	1,865
Net cash provided by operating activities	\$ 2,065,095	\$ 292,367	\$ 343,656	\$ 134,501	\$ 2,835,619	\$ 164,221
Noncash capital and related financing activities:						
Contribution of capital assets from governmental funds	\$ -	\$ -	\$ 18,200	\$ -	\$ 18,200	\$ -

See accompanying notes to basic financial statements.

City of Superior, Wisconsin

Statement of Assets and Liabilities — Fiduciary Fund

December 31, 2013

	<u>Agency Fund Tax Collection</u>
<hr/> <i>Assets</i> <hr/>	
Cash and investments	\$ 3,093,816
Taxes receivable	22,207,872
TOTAL ASSETS	\$ 25,301,688
<hr/> <i>Liabilities</i> <hr/>	
Accounts payable	\$ 15,197
Due to other governments	25,286,491
TOTAL LIABILITIES	\$ 25,301,688

City of Superior, Wisconsin

Notes to Basic Financial Statements

Note 1 **Summary of Significant Accounting Policies**

Introduction

The City of Superior (the "City") is located in Douglas County, Wisconsin, and was incorporated under the provisions of the constitution and general statutes of the state of Wisconsin. The City operates under a mayor-council form of government and provides a full range of services including public safety, roads, sanitation, culture and recreation, planning, and general administrative services. The accompanying financial statements conform to accounting principles generally accepted in the United States as applicable to governments.

The following is a summary of the more significant accounting policies of the City:

The Financial Reporting Entity

This report includes all of the funds of the City of Superior. The reporting entity for the City consists of (a) the primary government, (b) organizations for which the primary government is financially accountable, and (c) other organizations for which the nature and significance of their relationship with the primary government are such that their exclusion would cause the reporting entity's financial statements to be misleading or incomplete. A legally separate organization should be reported as a component unit if the elected officials of the primary government are financially accountable to the organization. The primary government is financially accountable if it appoints a voting majority of the organization's governing body and (1) it is able to impose its will on that organization or (2) there is a potential for the organization to provide specific financial benefits to or burdens on the primary government. The primary government may be financially accountable if an organization is fiscally dependent on the primary government.

City of Superior, Wisconsin

Notes to Basic Financial Statements

Note 1 **Summary of Significant Accounting Policies** (Continued)

The Financial Reporting Entity (Continued)

A legally separate, tax-exempt organization should be reported as a component unit of a reporting entity if all of the following criteria are met: (1) the economic resources received or held by the separate organization are entirely or almost entirely for the direct benefit of the primary government, its component units, or its constituents; (2) the primary government is entitled to, or has the ability to otherwise access, a majority of the economic resources received or held by the separate organization; (3) the economic resources received or held by an individual organization that the specific primary government, or its component units, is entitled to, or has the ability to otherwise access, are significant to that primary government. This report does not contain any component units.

The Redevelopment Authority (the "Authority") of the City of Superior is an authority organized by the City of Superior under the laws of the state of Wisconsin. The Authority promotes urban renewal projects and the alleviation of the conditions of urban blight. It is governed by a seven-member Board appointed by the City. At December 31, 2013, and for the year then ended, the Authority had no financial position or results of operations to report.

City of Superior, Wisconsin

Notes to Basic Financial Statements

Note 1 **Summary of Significant Accounting Policies** (Continued)

New Accounting Pronouncements

In June 2012, the GASB issued Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27*, which will be effective for years beginning after June 15, 2014. Statement No. 68 establishes new requirements for governments to report a “net pension liability” for the unfunded portion of its pension plan. Governments that maintain their own pension plans (either single-employer or agent multiple-employer) will report a liability for the difference between the total pension liability and the amount held in a pension trust fund. Governments that participate in a cost sharing plan will report a liability for their “proportionate share” of the net pension liability of the entire system. Statement No. 68 also requires more extensive note disclosures and required supplementary information, including 10 years of historical information. The methods used to determine the discount rate (the assumed rate of return on plan assets held in trust) are mandated and must be disclosed, along with what the impact would be on the net pension liability if that rate changed by 1% in either direction. Other new disclosure requirements include details of the changes in the components of the net pension liability, comparisons of actual employer contributions to actuarially determined contributions, and ratios to put the net pension liability in context. For single-employer and agent multiple-employer plans, the information for these statements will come from the annual actuarial valuation. For cost sharing plans, this information will be derived from the financial reports of the plan itself, multiplied by the government's proportionate share of the plan. Statement No. 68 is only applicable to pension plans. However, the GASB intends to issue a similar standard for other postemployment benefits effective two years later than this standard. The City has not evaluated the potential impact of these changes.

City of Superior, Wisconsin

Notes to Basic Financial Statements

Note 1 **Summary of Significant Accounting Policies** (Continued)

Basis of Presentation

Government-Wide Financial Statements

The statement of net position and statement of activities display information about the reporting government as a whole. They include all funds of the reporting entity except for fiduciary funds. The statements distinguish between governmental and business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. The City does not allocate indirect expenses to functions in the statement of activities. Program revenues included (a) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments in lieu of taxes and other charges between the City's sewerage system, landfill utility, stormwater utility, golf course, and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

City of Superior, Wisconsin

Notes to Basic Financial Statements

Note 1 **Summary of Significant Accounting Policies** (Continued)

Basis of Presentation (Continued)

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the utilities enterprise fund are charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and service, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, then unrestricted resources, as they are needed.

Fund Financial Statements

Fund financial statements of the reporting entity are organized into individual funds, each of which are considered to be separate accounting entities. Each fund is accounted for by providing a separate set of self-balancing accounts, which constitute its assets and deferred outflows of resources, liabilities and deferred inflows of resources, fund equity, revenues, and expenditures/expenses.

City of Superior, Wisconsin

Notes to Basic Financial Statements

Note 1 **Summary of Significant Accounting Policies** (Continued)

Fund Financial Statements (Continued)

Funds are organized as major funds or nonmajor funds within the governmental, proprietary, and fiduciary statements. An emphasis is placed on major funds within the governmental and proprietary categories. A fund is considered major if it is the primary operating fund of the City or meets the following criteria:

- a. Total assets and deferred outflows of resources, liabilities and deferred inflows of resources, revenues, or expenditures/expenses of that individual governmental fund or enterprise fund are at least 10% of the corresponding total for all funds of that category or type.
- b. Total assets and deferred outflows of resources, liabilities and deferred inflows of resources, revenues, or expenditures/expenses of the individual governmental fund or enterprise fund are at least 5% of the corresponding total for all governmental and enterprise funds combined.
- c. In addition, any other governmental or proprietary fund that the City believes is particularly important to financial statement users may be reported as a major fund.

City of Superior, Wisconsin

Notes to Basic Financial Statements

Note 1 **Summary of Significant Accounting Policies** (Continued)

Basis of Presentation (Continued)

Governmental Funds

Governmental funds are identified as either general, special revenue, debt service, capital projects, or permanent funds based upon the following guidelines.

General Fund – The general fund is the primary operating fund of the City and is always classified as a major fund. It is used to account for all financial activity that is not accounted for and reported in another fund.

Special Revenue Funds – Used to account for financial resources (other than capital projects and debt service) that are restricted or committed to expenditure for specific purposes.

Debt Service Funds – These funds account for financial resources that are restricted, committed, or assigned to expenditure for principal and interest on long-term general obligation debt of governmental activities, including amounts accumulated for principal and interest maturing in future years.

Capital Projects Funds – Capital projects funds are used to account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets (other than those financed by proprietary funds).

Permanent Funds – Used to account for and report resources that are restricted to the extent that only the earnings, and not the principal, may be used for purposes that supports the reporting government's programs – that is, for the benefit of the government or its citizenry.

City of Superior, Wisconsin

Notes to Basic Financial Statements

Note 1 **Summary of Significant Accounting Policies** (Continued)

Basis of Presentation (Continued)

Proprietary Funds

Enterprise Funds – Enterprise funds are used to account for operations (a) that are financed and operated in a manner similar to private business enterprises—where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges, or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

Internal Service Funds – Internal service funds are used to account for the financing of goods or services provided by one department to other departments of the City.

In addition, the City reports the following fund types:

Agency funds are used to account for assets held by the City in a trustee capacity or as an agent for individuals, private organizations, and/or other governmental units.

Major Funds

The City reports the following major governmental funds:

The General Fund, which accounts for the City's primary operating activities.

The Capital Improvement Projects Fund, which accounts for the City's Capital Improvement Program.

The Hallet Dock Capital Project Fund, which accounts for the City's rehabilitation project on the Hallet Dock.

The City reports the following major proprietary funds:

Sewerage System Fund accounts for the operations of the City's sewerage system.

Landfill Utility Fund accounts for the operations of the City's landfill.

Stormwater Utility Fund accounts for the City's stormwater utility.

City of Superior, Wisconsin

Notes to Basic Financial Statements

Note 1 **Summary of Significant Accounting Policies** (Continued)

Basis of Presentation (Continued)

Nonmajor Funds

The City reports the following nonmajor funds:

Special Revenue Funds

State and Federal Grant Allocation and Allotment Fund

Special Assessment Fund

Hotel/Motel Tax Fund

Communications Center Fund

Library Fund

Crime Prevention Fund

Urban Tree Fund

Parks and Recreation Boat Ramp Fee Fund

Municipal Forest Fund

Narcotics Fund

Brown Field Grant Fund

UDAG CD Loan Fund

CDBG Revolving Loan Fund

Home SF Grant 2006-2008 Fund

CHS Dock Corrosion Project Fund

Economic Development Fund

Business Improvement District Fund

Neighborhood Improvement Fund

Fire Department PPP Fund

City of Superior, Wisconsin

Notes to Basic Financial Statements

Note 1 **Summary of Significant Accounting Policies** (Continued)

Basis of Presentation (Continued)

Capital Projects Funds

Tax Increment District No. 7 Fund
Tax Increment District No. 8 Fund
Tax Increment District No. 9 Fund
Tax Increment District No. 10 Fund
Tax Increment District No. 11 Fund
CHS Dock Rehabilitation Fund
Fraser Dock Rehabilitation Project Fund
Gavilon Grain Dock Project Fund
Barkers Island Marina Improvement Fund
Kestrel Project Fund
Magnetation LLC Project Fund
Tax Increment District No. 12 Fund
June 2012 Rain Event Fund

Debt Service Funds

1998A Bond Issue Fund
2001B Refunding Bond Issue Fund
2002B Corporate Purpose Bond Fund
2002B TIF No. 9 Portion Fund
2005B Refunding Bond Fund
2005B TIF No. 8 Portion Fund
2006 TIF No. 8 State Trust Fund Loan Fund
2008A TIF No. 9 Portion Fund
2008A CIP Bonds Fund
2009 GO Refunding Fund
2009A TIF No. 7 Portion Fund
2009A TIF No. 8 Portion Fund

City of Superior, Wisconsin

Notes to Basic Financial Statements

Note 1 **Summary of Significant Accounting Policies** (Continued)

Basis of Presentation (Continued)

Debt Service Funds

Barkers Island State Trust Fund Loan Fund
2011A Refunding Bonds UAAL Fund
2011A Refunding TID No. 9 Fund
2011A Refunding TID No. 11 Fund
2011A Refunding TID No. 8 Fund
Debt Service No. 7 Fund
Debt Service No. 9 Fund
Debt Service CIP No. 1 Fund
Debt Service Animal Shelter Fund
Debt Service CIP No. 2 Fund
Debt Service Cash on Hand Fund
2012 GO Notes Kestrel Fund
2012C Non TID Debt Fund
2012C TID No. 8 Fund
2012 GO Corporate Purpose TID No. 8 Fund
STFL Flood Fund
STFL TID No. 8 Exodus Fund

Nonmajor Proprietary Fund

Golf Course Fund

City of Superior, Wisconsin

Notes to Basic Financial Statements

Note 1 **Summary of Significant Accounting Policies** (Continued)

Basis of Accounting

In the government-wide statement of net position and statement of activities, both governmental and business-type activities are presented using the economic resources measurement focus and the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used. Revenues, expenses, gains, losses, assets, and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual, i.e., both measurable and available. Available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures are recorded when the related fund liability is incurred, except for unmatured interest on long-term debt, claims, judgments, compensated absences, and pension expenditures, which are recorded as a fund liability when expected to be paid with expendable available financial resources.

The City of Superior's share of property taxes is recorded in the year levied as receivables and deferred inflows of resources in the governmental funds fund, with corresponding amounts due other governmental fund types. The property taxes due to other governments are recorded as a receivable in the tax collection fund with corresponding amounts due other governments.

City of Superior, Wisconsin

Notes to Basic Financial Statements

Note 1 **Summary of Significant Accounting Policies** (Continued)

Basis of Accounting (Continued)

Entitlements are recorded as revenues when all eligibility requirements are met, including any time requirements, and the amount is received during the period or within the availability period for this revenue source (within 60 days of year-end). Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other eligibility requirements have been met and the amount is received during the period or within the availability period for this revenue source (within 60 days of year-end).

In the government-wide financial statements, special assessments are recognized as revenues when levied against the benefiting properties. In governmental fund financial statements, special assessments are recorded as revenues when they become measurable and available as current assets. Annual installments due in future years are reflected as receivables and deferred inflows. Delinquent special assessments being held for collection by the county are reported as receivables and unavailable revenues in the capital improvement fund.

Revenues susceptible to accrual include property taxes, miscellaneous taxes, public charges for services, and interest.

Other general revenues such as fines and forfeitures, inspection fees, recreation fees, and miscellaneous revenues are recognized when received in cash or when measurable and available under the criteria described above.

Proprietary funds and fiduciary funds are accounted for on the accrual basis. Revenues such as user fees are recognized in the accounting period in which they are earned; expenses are recognized in the period incurred.

City of Superior, Wisconsin

Notes to Basic Financial Statements

Note 1 **Summary of Significant Accounting Policies** (Continued)

Use of Estimates

The preparation of financial statements in accordance with accounting principles generally accepted in the United States (GAAP) requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures/expenses during the reporting period. Actual results could differ from those estimates.

Measurement Focus

On the government-wide statement of net position and statement of activities, both governmental and business-type activities are presented using the flow of economic resources measurement focus as defined below.

The measurement focus of all governmental funds is the current financial resources measurement focus. Under this focus, sources and uses of financial resources, including capital outlays, debt proceeds, and debt retirements are reflected in operations. Resources not available to finance expenditures and commitments of the current period are recognized as unavailable revenues. Liabilities for claims, judgments, compensated absences, and pension contributions that will not be currently liquidated using expendable available financial resources are included as liabilities in the government-wide and proprietary fund financial statements but are excluded from the governmental funds financial statements. The related expenditures are recognized in the governmental fund financial statements when the liabilities are liquidated.

The measurement focus of proprietary funds and fiduciary funds is the economic resources measurement focus. Under this focus, revenues and expenses are matched using the accrual basis of accounting. All capital assets are capitalized at historical cost and depreciated over their useful lives.

City of Superior, Wisconsin

Notes to Basic Financial Statements

Note 1 **Summary of Significant Accounting Policies** (Continued)

Cash and Cash Equivalents

For purposes of the statement of cash flows, the City considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

Investments

Investments of individual funds are combined to form a pool and are accounted for at fair value. Investments held in the Landfill Utility Fund are not included in the pool and are held separately. Interest earnings of the pooled investments are allocated to certain funds based on their average balance.

Receivables and Revenue Recognition

Under Wisconsin law, personal property taxes and the first installment of real estate taxes are due January 31 and are collected by city, village, and town treasurers or clerks, who then make settlement with school districts and with county treasurers for certain purposes. These transactions are accounted for in the general and tax collection funds. The second installment of real estate taxes (due July 31) and delinquent taxes are collected and settled by the county treasurer.

The 2012 tax levy is budgeted as property tax revenue for the year 2013 and is recognized as revenue in 2013 to the extent available. Real property tax assessments for the 2012 tax levy were based on assessed valuations as of January 1, 2012. The City levied property taxes pursuant to law in December 2012, at which time an enforceable legal claim is attached to properties. Douglas County obtains liens on property for which taxes are delinquent on the third Tuesday in October each year. The County pays the City in full for real estate taxes by August 31 each year.

The property taxes are recorded as a receivable in the tax collection fund and the general fund, with corresponding amounts due other governments and governmental fund types. Since the property taxes are levied for the subsequent year, the property taxes due governmental funds for City purposes are recorded as deferred inflows of resources in the governmental funds. This amount is recognized as revenue in the following year by each individual fund. Property taxes due other governments are recorded as liabilities in the tax collection fund.

City of Superior, Wisconsin

Notes to Basic Financial Statements

Note 1 **Summary of Significant Accounting Policies** (Continued)

Receivables and Revenue Recognition (Continued)

The government-wide, proprietary fund, and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash transaction takes place. Nonexchange transactions, in which the City gives or receives value without directly receiving or giving equal value in exchange, include property taxes, grants, entitlements, and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

The governmental fund statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when they become both measurable and available (susceptible to accrual). "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers all revenues reported in the governmental funds to be available if the revenues are collected within 60 days after the end of the current fiscal year.

Income from investments is recognized when earned.

Special assessments receivable are recorded as levied. Current revenues represent the amounts considered available as explained above.

Other receivables are reported at gross less an allowance for uncollectible accounts where applicable.

Prepays

Payments made to vendors for services that will benefit periods beyond December 31, 2013, are recorded as prepayments. The costs of these governmental fund type services are recorded as expenditures when consumed rather than when purchased.

City of Superior, Wisconsin

Notes to Basic Financial Statements

Note 1 **Summary of Significant Accounting Policies** (Continued)

Inventories

Proprietary fund inventories are generally used for construction and for operation and maintenance work. They are not for resale. Inventory items are expensed directly to operations when purchased. Any materials and supplies on hand at year-end are considered immaterial. Governmental fund inventory items are accounted for on a first-in, first-out (FIFO) basis.

Capital Assets

Capital assets are recorded at historical cost or estimated historical cost for assets where actual historical cost is not available. Donated assets are recorded as capital assets at their estimated fair market value at the date of donation. The City maintains a threshold level of \$5,000 or more for capitalizing capital assets. The system for accumulation of capital asset cost data does not provide the means for determining the percentage of assets valued at actual and those valued at estimated cost.

Capital assets are recorded in the government-wide financial statements but are not reported in the fund financial statements. Capital assets are depreciated using the straight-line method over their estimated useful lives. Since surplus assets are sold for an immaterial amount when declared as no longer needed by the City, no salvage value is taken into consideration for depreciation purposes. Useful lives vary from 20 to 50 years for infrastructure, site improvements, and buildings and 5 to 15 years for equipment.

The cost of normal maintenance and repairs that does not add to the value of the asset or materially extend the asset's life is not capitalized.

Capital assets not being depreciated include land and construction in progress.

City of Superior, Wisconsin

Notes to Basic Financial Statements

Note 1 **Summary of Significant Accounting Policies** (Continued)

Restricted Cash and Investments

Assets whose use is restricted by bond agreements or regulatory agencies are reported as restricted.

Interfund Transactions

Quasi-external transactions are accounted for as revenues, expenditures, or expenses. Transactions that constitute reimbursements to a fund for expenditures/expenses initially made from it that are properly applicable to another fund are recorded as expenditures/expenses in the reimbursing fund and as reductions of expenditures/expenses in the fund that is reimbursed.

All other interfund transactions, except quasi-external transactions and reimbursements, are reported as transfers.

Activities between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the noncurrent portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds."

Internal balances between funds of the government activities or funds of the business-type activities are eliminated in the government-wide financial statements.

City of Superior, Wisconsin

Notes to Basic Financial Statements

Note 1 **Summary of Significant Accounting Policies** (Continued)

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position and/or balance sheet will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period and so will *not* be recognized as an outflow of resources (expense/expenditure) until then. The governmental activities, business-type activities, and the proprietary funds report a deferred amount on refunding.

In addition to liabilities, the statement of net position and/or balance sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period and so will *not* be recognized as an inflow of resources (revenue) until that time. The City has two types of items that qualify for reporting in this category. The first is property taxes levied for the subsequent year. These amounts are deferred and recognized as an inflow of resources in the following year as amounts become available. The second is *unavailable revenue*, which is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from three sources: special assessments, loans, and advances from other funds. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

Compensated Absences

City employees accumulate vacation and sick leave hours for subsequent use or for payment upon termination, death, or retirement. Earned vacation pay up to maximums established by the various contracts may be paid upon termination of employment. Employees vest accrued sick leave at age 55, which is available for medical expenses including health insurance premium payments at retirement. All vacation and sick pay is accrued when incurred in the government-wide, proprietary, and fiduciary fund financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

City of Superior, Wisconsin

Notes to Basic Financial Statements

Note 1 **Summary of Significant Accounting Policies** (Continued)

Long-Term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities. Bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Net Position

Net position represents the difference between assets and deferred outflows of resources and liabilities and deferred inflows of resources in the government-wide and proprietary fund financial statements. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balance (adjusted for unspent proceeds) of any long-term debt used to build or acquire the capital assets. Net position is reported as restricted in the government-wide and proprietary fund financial statements when there are limitations imposed on its use through external restrictions imposed by creditors, grantors, or laws or regulations of other governments, or imposed by law through constitutional provisions or enabling legislation.

When both restricted and unrestricted resources are available for use, it is the City's policy to use externally restricted resources first.

City of Superior, Wisconsin

Notes to Basic Financial Statements

Note 1 **Summary of Significant Accounting Policies** (Continued)

Fund Balances

In the fund financial statements, governmental funds report aggregate amounts for five classifications of fund balances based on the constraints imposed on the use of these resources. The nonspendable fund balance classification includes amounts that cannot be spent because they are either (a) not in spendable form – prepaid items or inventories or (b) legally or contractually required to be maintained intact.

The spendable portion of the fund balance comprises the remaining four classifications: restricted, committed, assigned, and unassigned.

Restricted fund balance: This classification reflects the constraints imposed on resources either (a) externally by creditors, grantor, contributors, or laws or regulations of other governments or (b) imposed by law through constitutional provisions or enabling legislation.

Committed fund balance: These amounts can only be used for specific purposes pursuant to constraints imposed by formal resolutions or ordinances of the City Council – the City’s highest level of decision-making authority. Those committed amounts cannot be used for any other purpose unless the City Council removes the specified use by taking the same type of action that imposed the original commitment. This classification also includes contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

Assigned fund balance: This classification reflects the amounts constrained by the City’s “intent” to be used for specific purposes, but are neither restricted nor committed. The City Council has the authority to assign amounts to be used for specific purposes. Assigned fund balances include all remaining amounts (except negative balances) that are reported in governmental funds, other than the General Fund, that are not classified as nonspendable and are neither restricted nor committed.

City of Superior, Wisconsin

Notes to Basic Financial Statements

Note 1 **Summary of Significant Accounting Policies** (Continued)

Fund Balances (Continued)

Unassigned fund balance: This fund balance is the residual classification for the General Fund. It is also used to report negative fund balances in other governmental funds.

When both restricted and unrestricted resources are available for use, it is the City's policy to use externally restricted resources first, then unrestricted resources – committed, assigned, and unassigned – in order as needed.

Subsequent Events

Subsequent events have been evaluated through June 12, 2014, which is the date the financial statements were available to be issued.

Note 2 **Stewardship, Compliance, and Accountability**

Budget Information

The City's budget is adopted in accordance with state law. Budget amounts in the basic financial statements include appropriations authorized in the original budget resolution and subsequent revisions authorized by the City. Budgets are formally adopted for the General Fund, some special revenue funds, some capital projects funds, the Debt Service Fund, and the enterprise funds. Reported budget amounts represent the originally adopted budget as amended. Amendments to the originally adopted budget require a two-thirds vote by the City Council.

Unexpended budgeted amounts lapse at the end of the year. Spending control for the General Fund is established by the amount of expenditures budgeted for major departments within the fund, but management control is exercised at budgetary line item levels.

City of Superior, Wisconsin

Notes to Basic Financial Statements

Note 2 Stewardship, Compliance, and Accountability (Continued)

Excess of Expenditures Over Appropriations

The following individual functional areas incurred expenditures in excess of appropriations:

	Budget	Actual	Actual Over Budget
General Fund:			
Health and human services	\$ 169,000	\$ 177,413	\$ 8,413
Capital outlay	-	46,351	46,351

City of Superior, Wisconsin

Notes to Basic Financial Statements

Note 2 Stewardship, Compliance, and Accountability (Continued)

Deficit Fund Equity

The following deficits will be eliminated by future operations:

	Deficit Fund Equity
Communications Center Fund	\$ 1,800
Brown Field Grant Fund	12,587
State and Federal Grant Allocation and Allotment Fund	338,002
Hallet Dock Capital Project Fund	51
Tax Incremental District No. 8 Fund	33,758
Tax Increment District No. 11 Fund	837,747
CHS Dock Rehabilitation Fund	4,369
Fraser Dock Rehabilitation Fund	28,820
Tax Increment District No. 12 Fund	16,898
2002B Corporate Purpose Bond Fund	14
2005B Refunding Bond Fund	8,682
2008A TIF No. 9 Portion Fund	24,902
2008A CIP Bonds Fund	3,477
2002B TIF No. 9 Portion Fund	49
2012C Non TID Debt Fund	175
2012C TID No. 8 Fund	786
Debt Service Animal Shelter Fund	700
Debt Service CIP No. 2 Fund	700
Total	\$ 1,313,517

City of Superior, Wisconsin

Notes to Basic Financial Statements

Note 3 Cash and Investments

Deposits

Custodial Credit Risk: Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The City's policy for custodial credit risk requires that funds on deposit in excess of Federal Deposit Insurance or Federal Savings and Loan Insurance limits be secured by some form of collateral. At year-end, the carrying amount of the City's deposits was \$10,266,570 and the bank balance was \$10,453,863. Of the bank balance, \$1,458,072 was covered by Federal Depository Insurance or by the State of Wisconsin Public Depository Guarantee Fund and \$8,995,791 was uninsured and uncollateralized.

Investments

Interest Rate Risk: The City does 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 City's portfolio will contain both short-term (up to five years) and long-term (beyond five years) maturities; however, extended maturities must take advantage of higher yields and cannot be more than 50 percent of the total investments. Unless matched to a specific cash flow, or approved by the City Council, the City will not directly invest in securities maturing more than 10 years from the date of purchase. State Statute limits the maturity of commercial paper and corporate bonds to not more than seven years. The City's distribution of investments by maturity as of December 31, 2013, is as follows:

	Fair Value	Remaining Maturity (in years)			
		0-1	1-5	5-10	More Than 10
State LGIP	\$ 265,089	\$ 265,089	\$ -	\$ -	\$ -
Money Market Accounts	800,472	800,472	-	-	-
Negotiable CDs	9,573,703	4,453,637	5,120,066	-	-
U.S. Treasury Notes	1,865,092	638,889	909,424	316,779	-
FFCB	657,847	-	-	657,847	-
FHLB	12,588,820	-	1,214,702	11,374,118	-
FHLMC	373,845	-	98,905	274,940	-
FNMA	5,067,028	-	1,698,015	3,369,013	-
Totals	\$ 31,191,896	\$ 6,158,087	\$ 9,041,112	\$ 15,992,697	\$ -

City of Superior, Wisconsin

Notes to Basic Financial Statements

Note 3 Cash and Investments (Continued)

Investments (Continued)

Credit Risk: Statutes authorize the City to invest in time deposits that mature in not more than three years, bonds or securities issued or guaranteed by the federal government, bonds or securities of any other municipality or district within the state of Wisconsin, the Wisconsin Investment Trust, securities of open-end management investment companies or investment trusts (mutual funds) if the portfolio is limited to (a) bonds and securities issued by the federal government or a commission, board, or other instrumentality of the federal government, (b) bonds that are guaranteed as to principal and interest by the federal government or a commission, board, or other instrumentality of the federal government, and (c) repurchase agreements that are fully collateralized by these bonds or securities, repurchase agreements with public depositories, if the agreement is secured by federal bonds or securities, and any security with a maturity in seven years or less and having the highest or second highest rating category of a nationally recognized rating agency. At December 31, 2013, the City's investments in the State of Wisconsin Local Government Investment Pool, money market accounts, and negotiable certificates of deposit are unrated. The City's investments in the bonds of U.S. agencies were rated AA+ by Standard & Poor's.

Concentration of Credit Risk: For an investment, concentration of credit risk is the risk of loss that may be caused by the City's investment in a single issuer. The City does not have an investment policy for concentration of credit risk. Investments in any one issuer that represent 5 percent or more of the Landfill Utility Fund's investments of \$2,477,831 are as follows:

<u>Issuer</u>	<u>Reported Amount</u>
FFCB	\$ 302,636
FHLB	636,009
FNMA	479,603

City of Superior, Wisconsin

Notes to Basic Financial Statements

Note 3 Cash and Investments (Continued)

Investments (Continued)

Custodial Credit Risk: For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) to the transaction, the City will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The City does not have an investment policy for custodial credit risk. At December 31, 2013, the City's investments subject to custodial credit risk are \$30,691,896.

The City's cash and investment balances at December 31, 2013, were as follows:

	Fair Value
Cash deposits	\$ 10,266,570
Investments:	
Money Market Accounts	800,472
State of Wisconsin Local Government Investment Pool	265,089
Negotiable CDs	9,573,703
U.S. Treasury Notes	1,865,092
FFCB	657,847
FHLB	12,588,820
FHLMC	373,845
FNMA	5,067,028
Total cash and investments	\$ 41,458,466

City of Superior, Wisconsin

Notes to Basic Financial Statements

Note 3 Cash and Investments (Continued)

Investments (Continued)

The total cash and investments are accounted for in the financial statements as follows:

Cash and investments - Governmental activities	\$ 24,917,638
Cash and investments - Business-type activities	9,967,769
Restricted deposits - Governmental activities	147,981
Restricted deposits - Business-type activities	3,331,262
Cash and investments - Tax Collection Agency Fund	3,093,816
	<hr/>
	\$ 41,458,466

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, 2013, the fair value of the city's share of LGIP's assets was substantially equal to the amount reported above.

Investments in the 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 except U.S. government and agency securities. The bond provides unlimited coverage on principal losses, reduced by any FDIC and State of Wisconsin Guarantee Fund insurance.

The City is exposed to market risk through its participation in the state Treasurer's Local Government Pooled Investment Fund.

Fluctuating cash flows during the year due to tax collections, receipt of state aids, and/or proceeds from borrowing may have resulted in temporary balances exceeding insured amounts by substantially higher amounts.

City of Superior, Wisconsin

Notes to Basic Financial Statements

Note 4 Restricted Deposits

Mandatory segregations of assets are presented on the combined balance sheet as restricted deposits. Such segregations are required by bond agreements and other external parties.

The following is a list of restricted deposits at December 31, 2013:

	Sewerage System Fund	Landfill Utility Fund	Library Fund	Total
Redemption and depreciation account	\$853,431	\$ -	\$ -	\$ 853,431
Closure and postclosure care	-	2,477,831	-	2,477,831
Library endowments	-	-	147,981	147,981
	<u>\$853,431</u>	<u>\$2,477,831</u>	<u>\$147,981</u>	<u>\$3,479,243</u>

Note 5 Receivables

Receivables as of year-end for the City's individual major funds and agency fund are shown at gross amounts with no uncollectible amounts recognized. The other Governmental Funds receivables are also shown at gross amounts except for the loans receivable balances, which are shown net the allowances for doubtful accounts of \$500,000.

City of Superior, Wisconsin

Notes to Basic Financial Statements

Note 6 Interfund Receivables/Payables

The following is a schedule of interfund receivables and payables at December 31, 2013:

Receivable Fund	Payable Fund	Amount
General Fund	Golf Course Fund	\$ 286,139
General Fund	Other Capital Projects Funds	118,562
Special Revenue Funds	Other Capital Projects Funds	347,242
Special Revenue Funds	General Fund	142,222
Debt Service Funds	General Fund	2,710,897
Sewerage System Fund	General Fund	139,279
Sewerage System Fund	Other Capital Projects Funds	336,695
Stormwater Utility Fund	General Fund	164,398
		\$ 4,245,434

Interfund receivables/payables represent taxes receivable and any overdrafts on pooled cash and investment accounts.

City of Superior, Wisconsin

Notes to Basic Financial Statements

Note 6 **Interfund Receivables/Payables** (Continued)

When the Golf Course Fund was created in 1992, the General Fund transferred equipment in exchange for a long-term interfund receivable, which is to be repaid in annual installments of \$81,072 including 4.8 percent imputed interest until 2029.

Maturities of the loans are as follows:

Year Ending December 31,	Principal	Interest	Total
2014	\$ 64,677	\$ 16,395	\$ 81,072
2015	66,645	14,427	81,072
2016	68,672	12,400	81,072
2017	70,760	10,312	81,072
2018	72,912	8,160	81,072
Remaining years	232,316	10,901	243,217
	<u>\$ 575,982</u>	<u>\$ 72,595</u>	<u>\$ 648,577</u>

City of Superior, Wisconsin

Notes to Basic Financial Statements

Note 7 Capital Assets

Capital asset activity for the year ended December 31, 2013, was as follows:

	Beginning Balance	Additions	Disposals	Transfers	Ending Balance
Governmental activities:					
Capital assets not being depreciated:					
Land	\$16,445,572	\$ -	\$ -	\$ -	\$16,445,572
Construction in progress	1,559,281	5,312,231	238,905	(1,025,874)	5,606,733
Total capital assets not being depreciated	\$18,004,853	\$ 5,312,231	\$ 238,905	\$ (1,025,874)	\$22,052,305
Capital assets being depreciated:					
Land improvements	\$ 7,205,273	\$ 78,819	\$ -	\$ -	\$ 7,284,092
Buildings and improvements	11,991,195	23,938	-	-	12,015,133
Machinery and equipment	17,328,942	861,499	261,091	-	17,929,350
Roads	41,798,443	1,088,484	-	1,025,874	43,912,801
Sidewalks/Bikepaths	12,202,114	413,104	105,784	-	12,509,434
Total capital assets being depreciated	90,525,967	2,465,844	366,875	1,025,874	93,650,810
Less accumulated depreciation for:					
Land improvements	3,087,749	312,781	-	-	3,400,530
Buildings and improvements	4,855,399	259,433	-	-	5,114,832
Machinery and equipment	12,488,248	936,983	251,716	-	13,173,515
Roads	26,024,043	1,172,886	-	-	27,196,929
Sidewalks/Bikepaths	6,280,345	423,711	105,784	-	6,598,272
Total accumulated depreciation	52,735,784	3,105,794	357,500	-	55,484,078
Governmental activities capital assets being depreciated - Net	\$37,790,183	\$ (639,950)	\$ 9,375	\$ 1,025,874	\$38,166,732

City of Superior, Wisconsin

Notes to Basic Financial Statements

Note 7 **Capital Assets** (Continued)

Depreciation expense was charged to governmental activities as follows:

Governmental activities:	
General government	\$ 91,388
Public safety	414,605
Public works	2,131,593
Culture, recreation, and education	412,800
Economic development	55,408
	<hr/>
	\$ 3,105,794
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Construction in progress for governmental activities consisted of constructing and improving city streets of \$5,299,331, playground improvements of \$236,103, and other projects.

City of Superior, Wisconsin

Notes to Basic Financial Statements

Note 7 Capital Assets (Continued)

	Beginning Balance	Additions	Disposals	Reclasses	Ending Balance
Business-type activities:					
Capital assets not being depreciated:					
Land	\$ 1,381,640	\$ -	\$ -	\$ -	\$ 1,381,640
Construction in progress	5,580,264	5,066,598	-	(10,628,395)	18,467
Total capital assets not being depreciated	<u>\$ 6,961,904</u>	<u>\$ 5,066,598</u>	<u>\$ -</u>	<u>\$(10,628,395)</u>	<u>\$ 1,400,107</u>
Capital assets being depreciated:					
Land improvements	\$ 23,147,855	\$ 439,313	\$ -	\$ 5,084,218	\$ 28,671,386
Buildings and improvements	16,771,238	-	-	-	16,771,238
Machinery and equipment	9,165,529	72,287	-	(44,608)	9,193,208
Transportation equipment	2,882,188	-	44,800	44,608	2,881,996
Infrastructure	13,918,758	958,663	-	5,544,177	20,421,598
Total capital assets being depreciated	<u>65,885,568</u>	<u>1,470,263</u>	<u>44,800</u>	<u>10,628,395</u>	<u>77,939,426</u>
Less accumulated depreciation for:					
Land improvements	3,704,158	1,779,171	-	-	5,483,329
Buildings and improvements	10,508,793	407,355	-	-	10,916,148
Machinery and equipment	7,671,528	232,958	-	-	7,904,486
Transportation equipment	2,119,582	132,948	44,800	-	2,207,730
Infrastructure	4,150,555	-	-	-	4,150,555
Total accumulated depreciation	<u>28,154,616</u>	<u>2,552,432</u>	<u>44,800</u>	<u>-</u>	<u>30,662,248</u>
Net capital assets being depreciated	<u>\$ 37,730,952</u>	<u>\$(1,082,169)</u>	<u>\$ -</u>	<u>\$ 10,628,395</u>	<u>\$ 47,277,178</u>

City of Superior, Wisconsin

Notes to Basic Financial Statements

Note 7 **Capital Assets** (Continued)

Depreciation expense was charged to business-type activities.

Business-type activities:

Sewer utility	\$ 953,912
Landfill utility	1,261,465
Stormwater utility	231,204
Golf course	105,851

\$ 2,552,432

Note 8 **Long-Term Obligations**

Governmental Activities General Obligation Bonds and Notes: Various issues of unmatured general obligation bonds and notes totaling \$29,833,037 are outstanding at December 31, 2013. The bonds and notes bear interest rates ranging from 0.40% to 4.125% and mature in varying amounts with the final payments due on October 1, 2031.

Business-Type Activities Revenue Bonds: Various issues of unmatured revenue bonds totaling \$7,905,624 are outstanding at December 31, 2013. The bonds bear interest rates ranging from 2.4% to 3.85% with the final payments due on May 1, 2031.

Business-Type Activities General Obligation Notes: Various issues of unmatured general obligation bonds and notes totaling \$11,284,372 are outstanding at December 31, 2013. The bonds and notes bear interest rates ranging from 0.40% to 3.85% and mature in varying amounts with the final payments due on December 1, 2023.

Compensated Absences: At December 31, 2013, the accumulated compensated absences benefits based on accumulated vacation and sick leave is \$1,901,396.

City of Superior, Wisconsin

Notes to Basic Financial Statements

Note 8 Long-Term Obligations (Continued)

Summary of Long-Term Obligation Transactions

Type	Fund Liquidating	January 1, 2013	Issued/ Additions	Retired	December 31, 2013	Current Maturities December 31, 2013
Governmental Activities:						
General Obligation Bonds and Notes:						
Refunding Bonds, 2005B	Debt Service	\$ 387,180	\$ -	\$ 387,180	\$ -	\$ -
State Trust Fund Loan, 2006A	Debt Service	373,554	-	21,775	351,779	22,754
State Trust Fund Loan, 2006B	Debt Service	166,628	-	8,803	157,825	9,200
State Trust Fund Loan, 2006 TIF No. 8	Debt Service	55,624	-	17,819	37,805	18,532
Corporate Purpose, 2008A TIF No. 9	Debt Service	2,430,000	-	135,000	2,295,000	140,000
Corporate Purpose, 2008A CIP	Debt Service	2,475,000	-	110,000	2,365,000	115,000
Refunding Bonds, 2005B TIF No. 8	Debt Service	17,820	-	17,820	-	-
Refunding Note, 2009A	Debt Service	97,150	-	97,150	-	-
Refunding Note, 2009A TIF No. 7	Debt Service	298,200	-	59,915	238,285	58,630
Refunding Note, 2009A TIF No. 8	Debt Service	354,650	-	72,935	281,715	71,370
Refunding Bonds, 2011A UAAL	Debt Service	3,136,316	-	220,688	2,915,628	224,932
Refunding Bonds, 2011A TID No. 9	Debt Service	495,000	-	35,000	460,000	35,000
Refunding Bonds, 2011A TID No. 11	Debt Service	1,865,000	-	90,000	1,775,000	95,000
Refunding Bonds, 2011A TID No. 8	Debt Service	330,000	-	55,000	275,000	55,000
Corporate Purpose, 2011B CIP	Debt Service	3,640,000	-	-	3,640,000	-
Corporate Purpose, 2011B TID No. 7	Debt Service	241,400	-	25,500	215,900	23,800
Corporate Purpose, 2011B TID No. 9	Debt Service	468,600	-	49,500	419,100	46,200
Promissory Note, 2011C	Debt Service	1,550,000	-	160,000	1,390,000	160,000
Promissory Note, 2011D	Debt Service	2,325,000	-	165,000	2,160,000	215,000
Promissory Note, 2012A	Debt Service	2,660,000	-	-	2,660,000	-
Corporate Purpose, 2012C	Debt Service	3,130,900	-	-	3,130,900	473,220
Corporate Purpose, 2012C	Debt Service	144,100	-	-	144,100	21,780
Promissory Note, 2012D TID 8	Debt Service	1,235,000	-	65,000	1,170,000	55,000

City of Superior, Wisconsin

Notes to Basic Financial Statements

Note 8 Long-Term Obligations (Continued)

Type	Fund Liquidating	January 1, 2013	Issued/ Additions	Retired	December 31, 2013	Current Maturities December 31, 2013
Governmental Activities: (continued)						
General Obligation Bonds and Notes: (continued)						
State Trust Fund Loan, 2013 Flood	Debt Service	\$ -	\$ 3,000,000	\$ -	\$ 3,000,000	\$ 293,796
State Trust Fund Loan, 2013 TIF No. 8	Debt Service	-	750,000	-	750,000	89,050
Plus deferred amounts:						
Premium on bonds		217,866	-	28,112	189,754	-
Total governmental activities		28,094,988	3,750,000	1,822,197	30,022,791	2,223,264
Business-Type Activities:						
Revenue Bonds:						
2005C	Sewerage System	1,975,000	-	100,000	1,875,000	100,000
2010	Stormwater Utility	2,816,710	389,959	127,770	3,078,899	150,912
Clean Water Fund, 2012B	Sewerage System	1,805,843	1,272,184	126,302	2,951,725	133,037
Less deferred amounts:						
Discount on bonds		(6,216)	(3,903)	-	(10,119)	-
Total revenue bonds		6,591,337	1,658,240	354,072	7,895,505	383,949
General Obligation Notes:						
2011A Refunding	Golf Course Fund	86,832	-	6,110	80,722	6,228
2011A Refunding	Sewerage System	350,656	-	24,674	325,982	25,149
2009A	Landfill Utility	1,480,000	-	195,000	1,285,000	200,000
2011A Refunding	Landfill Utility	121,196	-	8,528	112,668	8,692
2011B GO Bonds	Landfill Utility	1,900,000	-	100,000	1,800,000	100,000

City of Superior, Wisconsin

Notes to Basic Financial Statements

Note 8 Long-Term Obligations (Continued)

Type	Fund Liquidating	January 1, 2013	Issued/ Additions	Retired	December 31, 2013	Current Maturities December 31, 2013
Business-Type Activities: (Continued)						
Build America Bonds	Landfill Utility	\$ 2,525,000	\$ -	\$ 290,000	\$ 2,235,000	\$ 295,000
Corporate Purpose, 2012C	Sewerage System	1,655,000	-	560,000	1,095,000	590,000
Corporate Purpose, 2012C	Landfill Utility	2,710,000	-	210,000	2,500,000	230,000
Corporate Purpose, 2012C	Stormwater Utility	2,000,000	-	150,000	1,850,000	165,000
Plus deferred amounts:						
Premium on bonds		73,000	-	12,167	60,833	-
Total general obligation notes		12,901,684	-	1,556,479	11,345,205	1,620,069
Total business-type activities		19,493,021	1,658,240	1,910,551	19,240,710	2,004,018
Total bonds and notes		47,588,009	5,408,240	3,732,748	49,263,501	\$ 4,227,282
Compensated absences		2,370,218	385,138	853,960	1,901,396	\$ 323,284
		\$ 49,958,227	\$ 5,793,378	\$ 4,586,708	\$ 51,164,897	

City of Superior, Wisconsin

Notes to Basic Financial Statements

Note 8 Long-Term Obligations (Continued)

Debt service requirements to maturity are as follows:

Years	Governmental-Type Long-Term Debt		Business-Type Long-Term Debt		Totals
	Principal	Interest	Principal	Interest	
2014	\$ 2,223,264	\$ 798,174	\$ 2,004,018	\$ 522,722	\$ 5,548,178
2015	2,599,325	750,464	2,049,235	474,670	5,873,694
2016	2,664,088	697,210	2,110,438	415,488	5,887,224
2017	2,710,549	636,819	2,155,361	352,139	5,854,868
2018	2,744,849	571,877	1,547,791	285,659	5,150,176
2019-2023	11,933,907	1,780,738	6,518,444	804,513	21,037,602
2024-2028	3,702,055	518,245	1,980,889	250,550	6,451,739
2029-2031	1,255,000	79,740	823,820	25,014	2,183,574
Totals	\$ 29,833,037	\$ 5,833,267	\$ 19,189,996	\$ 3,130,755	\$ 57,987,055

Long-Term Debt Margin: Pursuant to Section 67.03 of the Wisconsin Statutes, the total indebtedness of the City for general purposes may not exceed 5% of the value of the taxable property.

	Amount
Equalized value at December 31, 2013	\$ 1,564,770,500
Legal debt margin percentage	5%
	78,238,525
Outstanding general obligation debt	\$ 41,117,409
Less amount available in Debt Service Fund	<u>1,759,437</u>
Indebtedness applicable to debt limit	<u>39,357,972</u>
Legal debt margin	<u>\$ 38,880,553</u>

City of Superior, Wisconsin

Notes to Basic Financial Statements

Note 9 Line of Credit

The City of Superior has an arrangement with a bank, in the form of a Taxable Note Anticipation Note of 2010 dated September 18, 2013, and expiring September 1, 2017, under which it could draw up to \$4,497,754 at an interest rate of 5.25%. No amounts were drawn on the note during the year. The note is required by the Wisconsin Department of Natural Resources to provide proof of financial responsibility for the closure responsibilities of the landfill.

Note 10 Interfund Transfers

The following is a schedule of interfund transfers in the fund financial statements:

Fund transferred to	Fund transferred from	Amount
General Fund		
General Fund	Special Revenue Funds	\$ 1,420
General Fund	Capital Improvement Projects Fund	23,693
General Fund	Other Capital Projects Funds	151,255
General Fund	Landfill Utility Fund	205,000
General Fund	Sewerage System Fund	43,000
Special Revenue Funds		
Special Revenue Funds	General Fund	1,250,600
Special Revenue Funds	Special Revenue Funds	71,750
Capital Projects Funds		
Capital Improvement Projects Fund	General Fund	958,000
Capital Improvement Projects Fund	Special Revenue Funds	50,000
Enterprise Funds		
Landfill Utility Fund	General Fund	955,298
Stormwater Utility Fund	Special Revenue Funds	8,716
Stormwater Utility Fund	Landfill Utility Fund	5,207
Internal Service Fund	General Fund	53,000
		\$ 3,776,939

City of Superior, Wisconsin

Notes to Basic Financial Statements

Note 10 **Interfund Transfers** (Continued)

Interfund transfers represent amounts transferred for payments related to long-term debt, property tax equivalent, deficit of tax increments, special assessments, and to provide funding.

Note 11 **Net Position**

Net position reported on the government-wide statement of net position at December 31, 2013, include the following:

Governmental Activities

Net investment in capital assets:

Land	\$ 16,445,572
Other capital assets - Net of accumulated depreciation	43,773,465
Less: Related long-term debt outstanding (net of unspent proceeds to debt)	<u>22,393,048</u>
Total net investment in capital assets	37,825,989

Restricted net position:

Capital projects	8,791,661
Crime prevention	41,775
Library expenses	367,729
Narcotics task force	28,933
Community improvement and development projects	129,447
Fire department	602
Hazardous materials grant	18,401
Housing loans	<u>2,111,665</u>

Total restricted net position 11,490,213

Unrestricted 10,896,298

Total net position \$ 60,212,500

City of Superior, Wisconsin

Notes to Basic Financial Statements

Note 11 Net Position (Continued)

Business-Type Activities

Net investment in capital assets:

Land	\$ 1,381,640
Other capital assets - Net of accumulated depreciation	47,295,645
Less: Related long-term debt outstanding (net of unspent proceeds to debt)	<u>18,641,329</u>

Total net investment in capital assets	30,035,956
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Restricted for debt service	853,431
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Unrestricted	<u>7,989,930</u>
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Total net position	<u><u>\$ 38,879,317</u></u>
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City of Superior, Wisconsin

Notes to Basic Financial Statements

Note 12 Governmental Fund Balances

Governmental fund balances on the fund financial statements at December 31, 2013, include the following:

Nonspendable

Major Funds:

General Fund:

Inventories	\$ 49,297
Prepays	50,889

Nonmajor Funds:

Economic Development Fund:

Notes receivable	100,000
	<u>200,000</u>
	<u>\$ 200,186</u>

Restricted

Major Funds:

Capital Improvement Program Fund:

Capital Projects	\$ 2,911,056
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Nonmajor Funds:

Debt Service Funds:

Debt service	1,833,877
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Capital Projects Funds:

Capital Projects	5,880,605
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Special Revenue Funds:

Crime prevention	41,775
Library expenditures	367,729
Narcotics task force	28,933
Community improvement and development projects	129,447
Fire department	602
Hazardous materials grant	18,401
Housing loans	1,737,967
	<u>1,737,967</u>

\$ 12,950,392

Committed

Nonmajor Funds:

Special Revenue Funds:

Maintenance and development of boat launching facilities	\$ 93,941
	<u>93,941</u>

City of Superior, Wisconsin

Notes to Basic Financial Statements

Note 12 Governmental Fund Balances (Continued)

Unreserved fund balance as of December 31, 2013, includes the following items:

Assigned

Nonmajor Funds:

Special Revenue Funds:

Urban Tree Fund	\$ 26,099
Municipal Forest Fund	13,792
Special Assessment Fund	100,563
CHS Dock Corrosion Project Fund	244
Economic Development Fund	1,650,221
Business Improvement Fund	41,571
Neighborhood Improvement Fund	118,397
Fire Department PPP Fund	6,047

Capital Projects Funds:

Capital Projects Fund	<u>82,731</u>
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\$ 2,039,665

Unassigned

Major Funds:

General Fund	\$ 8,224,568
Hallet Dock Capital Projects Fund	(51)

Nonmajor Funds:

Debt Service Funds	(39,485)
Capital Projects Funds	(921,592)
Special Revenue Funds	<u>(352,389)</u>

\$ 6,911,051

City of Superior, Wisconsin

Notes to Basic Financial Statements

Note 13 **Operating Lease**

The City has leased portions of land and improvements including piers, slips, buildings, and equipment to a private marina operator. This noncancelable lease expires in April 2017. The lease requires minimum rentals plus contingency rentals based on a percentage of operator revenues.

Actual minimum and contingent rentals received during 2013 were \$457,637.

Note 14 **Employees' Retirement System**

All eligible City of Superior employees participate in the Wisconsin Retirement System (WRS), a cost-sharing, multiple-employer, defined benefit, public employee retirement system. All employees initially employed by a participating WRS employer prior to July 1, 2011, expected to work at least 600 hours a year and expected to be employed for at least one year from employee's date of hire, are eligible to participate in the WRS. All employees initially employed by a participating WRS employer on or after July 1, 2011, and expected to work at least 1,200 hours a year and expected to be employed for at least one year from employee's date of hire are eligible to participate in the WRS. Note: Employees hired to work nine or ten months per year (e.g. teachers contracts) but expected to return year after year are considered to have met the one-year requirement.

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

Contribution rates for 2013 were:

	Employee	Employer
General	6.65%	6.65%
Executives and elected officials	7.00%	7.00%
Protective with Social Security	6.65%	9.75%
Protective without Social Security	6.65%	12.35%

City of Superior, Wisconsin

Notes to Basic Financial Statements

Note 14 Employees' Retirement System (Continued)

The payroll for City of Superior employees covered by the WRS for the year ended December 31, 2013, was \$14,094,891; the employer's total payroll was \$14,441,876. The total required contribution for the year ended December 31, 2013, was \$2,135,092, which consisted of \$1,197,782, or 8.5% of payroll from the employer and \$937,310, or 6.6% of payroll from employees. Total contributions for the years ending December 31, 2012 and 2011, were \$1,858,530 and \$1,853,232, respectively, equal to the required contributions for each year.

Employees who retire at or after age 65 (62 for elected officials and 54 for protective occupation employees with less than 25 years of service, 53 for protective occupation employees with more than 25 years of service) are entitled to receive a retirement benefit. Employees may retire at age 55 (50 for protective occupation employees) and receive actuarially reduced benefits. The factors influencing the benefit are: (1) final average earnings, (2) years of creditable service, and (3) a formula factor. A final average earnings is the average of the employee's three highest years' earnings. Employees terminating covered employment and submitting application before becoming eligible for a retirement benefit may withdraw their contributions and, by doing so, forfeit all rights to any subsequent benefit. For employees beginning participation on or after January 1, 1990, and no longer actively employed on or after April 24, 1998, creditable service in each of five years is required for eligibility for a retirement annuity. Participants employed prior to 1990 and on or after April 24, 1998, and prior to July 1, 2011, are immediately vested. Participants who initially became WRS eligible on or after July 1, 2011, must have five years of creditable service to be vested.

The WRS also provides death and disability benefits for employees. Eligibility for and the amount of all benefits is determined under Chapter 40 of the Wisconsin Statutes. The WRS issues an annual financial report which may be obtained by writing to the Department of Employee Trust Funds, P.O. Box 7931, Madison, Wisconsin 53707-7931.

City of Superior, Wisconsin

Notes to Basic Financial Statements

Note 15 **Postemployment Benefits Other Than Pension Benefits**

The City administers a single-employer defined benefit health care plan. The plan provides medical benefits to eligible retirees and their spouses through the City's group medical insurance plan, which covers both active and retired members. Benefit provisions are established through collective bargaining agreements and City employment policies. If eligible, the retiree may receive medical insurance benefits until they are eligible for Medicare. Benefits provided are as follows:

- a. Nonunion Employees—In return for two days banked unused paid leave, the retiree will receive one month of prepaid medical coverage upon their retirement.
- b. Union Employees—Banked unused sick and vacation days via the City's VantageCare plan may be used for continued medical coverage on the City's plan upon retirement.
- c. All City employees may choose to remain on the City's group medical plan and self-pay the full (100%) required premium amounts when their VantageCare Credit and/or banked months have been depleted.

The City currently contributes enough money to the plan to satisfy current obligations on a pay-as-you-go basis. The costs of administering the plan are paid by the City and the plan does not issue a standalone report.

City of Superior, Wisconsin

Notes to Basic Financial Statements

Note 15 Postemployment Benefits Other Than Pension Benefits (Continued)

The City's annual other postemployment benefits (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or fund excess) over a period not to exceed 30 years. The following table shows the components of the City's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the City's net OPEB obligation:

Annual required contribution	\$ 541,480
Interest on net OPEB obligations	(33,713)
Adjustment to annual required contribution	<u>41,773</u>
Annual OPEB cost (expense)	549,540
Contributions made	<u>410,140</u>
Decrease in net OPEB asset	139,400
Net OPEB obligation (asset) - Beginning of year	<u>(674,259)</u>
Net OPEB obligation (asset) - End of year	<u><u>\$ (534,859)</u></u>

The City's annual OPEB costs, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation (asset) for 2013 is as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation (Asset)
12/31/11	\$ 444,922	123%	\$ (653,287)
12/31/12	549,290	104%	(674,259)
12/31/13	549,540	75%	(534,859)

City of Superior, Wisconsin

Notes to Basic Financial Statements

Note 15 Postemployment Benefits Other Than Pension Benefits (Continued)

The funded status as of January 1, 2012, the most recent actuarial valuation date, was zero percent funded. The actuarial accrued liability for benefits was \$6,093,709, and the actuarial value of assets was \$0, resulting in an unfunded actuarial accrued liability (UAAL) of \$6,093,709. The covered payroll (annual payroll of active employees covered by the plan) was \$13,135,714, and the ratio of the UAAL to the covered payroll was 46.4 percent.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the health care costs trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the January 1, 2012, actuarial valuation, the projected unit credit actuarial cost method was used. The actuarial assumptions included a 5 percent rate of return and an annual health care cost trend rate of 9 percent initially, reduced by decrements to a rate of 5 percent after nine years. Both rates include a 5 percent inflation assumption. The actuarial value of the plan assets was not determined because there were no plan assets as of the date of the actuarial valuation. The plan's unfunded actuarial liability is being amortized using the level dollar amortization method on an open basis. The remaining amortization period at January 1, 2012, was 30 years.

City of Superior, Wisconsin

Notes to Basic Financial Statements

Note 16 Risk Management

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; employee health claims; and natural disasters.

General Liability Fund - The City has joined with several other Wisconsin municipalities to form the Cities and Villages Mutual Insurance Company (CVMIC) to provide liability insurance. The agreement governing CVMIC provides that a distribution to a withdrawing or expelled member municipality will be made of an allocable proportion of unreserved amounts held by CVMIC.

The City is partially self-insured for liability claims and pays premiums to CVMIC for liability insurance coverage up to \$5,000,000 per occurrence. The actuary for CVMIC determines premium charges to its members required to pay the expected claims and loss adjustment expenses. CVMIC's ongoing operational expenses, other than loss adjustment expenses, are apportioned pro rata to each member.

The provision for current year claims includes paid and unpaid claims and expenses associated with settling claims, including legal fees. The claims liability at December 31, 2013, is based on CVMIC's evaluation of individual claims, management's evaluation, and an actuarial review of experience with respect to the probable number and nature of claims arising from losses that have been incurred but have not yet been reported. The liability represents the estimated ultimate cost of settling the claims. Any adjustments resulting from the settlement of losses will be reflected in earnings at the time the adjustments are determined.

City of Superior, Wisconsin

Notes to Basic Financial Statements

Note 16 Risk Management (Continued)

CVMIC provides general liability, police professional liability, public officials' liability, and vehicle liability coverage for the City. The City's self-insured retention limit is \$75,000 for each occurrence with a maximum limit of \$300,000 annually. Settled claims have not exceeded the CVMIC coverage in any of the past three years. Premiums paid to CVMIC for insurance coverage are recorded in a self-insurance internal service fund. The self-insurance internal service fund charges various City departments and operations for their portion of insurance coverage for the year. A separate financial report is issued annually by CVMIC.

Condensed financial information (statutory basis) of Cities and Villages Mutual Insurance Company as of December 31, 2013, follows:

	Amount
<u>Assets</u>	<u>\$ 48,233,345</u>
Reserves and liabilities	\$ 19,248,512
Policyholders' surplus:	
Restricted	25,000,000
Unassigned surplus	3,984,833
<u>Total Liabilities and Policyholders' Surplus</u>	<u>\$ 48,233,345</u>

City of Superior, Wisconsin

Notes to Basic Financial Statements

Note 16 Risk Management (Continued)

On December 31, 2013, the City's General Liability Fund had a net position of \$200,962. The claims liability reported in the fund at December 31, 2013, includes a liability for claims if information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated. Changes in the fund's claim liability amount for the last three years are as follows:

	Claims Liability January 1	Provision for Current Year Claims	Claim Payments	Claims Liability December 31
2013	\$ 174,660	\$ 253,685	\$ 275,687	\$ 152,658
2012	159,002	296,237	280,579	174,660
2011	202,153	207,568	250,719	159,002

City of Superior, Wisconsin

Notes to Basic Financial Statements

Note 16 Risk Management (Continued)

Health Insurance Fund - City employees, retirees, and employee dependents are eligible for medical and dental benefits from a health insurance fund. Funding is provided by charges to City departments, employees, and retirees. Retirees use accumulated unpaid sick leave at retirement or are billed monthly premiums for health benefits based on actual costs of providing such benefits. The program is supplemented by stop-loss protection, which limits the City's annual liability. The limits are \$125,000 per specific claim and approximately \$6,000,421 in the aggregate for 2013. Fund expenses consist of payments for medical and dental claims, stop-loss insurance premiums, and administrative fees. On December 31, 2013, the Health Insurance Fund had a net position of \$4,105,748, which is set aside for future health insurance liabilities. The claims liability reported in the fund at December 31, 2013, includes a liability for claims if information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated. Changes in the fund's claims liability amount for the last three years are as follows:

	Liability January 1	Claims and Changes in Estimates	Claim Payments	Liability December 31
2013	\$ 656,570	\$ 4,604,338	\$ 4,822,866	\$ 438,042
2012	385,598	5,314,885	5,043,913	656,570
2011	543,903	4,157,250	4,315,555	385,598

Other Risks - The City also purchases commercial insurance policies for various property and other liability risks. Payments of premiums for these policies are recorded as expenditures or expenses in various funds of the City. Settlements of claims have not exceeded insurance coverage for each of the last three years, and there were no significant reductions in coverage compared to the prior year.

City of Superior, Wisconsin

Notes to Basic Financial Statements

Note 17 **Contingent Liabilities**

There are several lawsuits pending against the City. The outcome and eventual liability of the City, if any, in those cases is not known at this time. The City estimates that the potential losses not covered by insurance resulting from such litigation would not materially affect the financial statements.

Note 18 **Accounting for Landfill Closure and Postclosure Care Costs**

State and federal laws and regulations require that the City of Superior place a final cover on its landfill when closed and perform certain maintenance and monitoring functions at the landfill site for 40 years after closure. In addition to operating expenses related to current activities of the landfill, an expense provision and related liability are being recognized based on the future closure and postclosure care costs that will be incurred near or after the date the landfill no longer accepts waste. The recognition of these landfill closure and postclosure care costs is based on the amount of the landfill used during the year. The estimated liability for landfill closure and postclosure care costs has a balance of \$4,748,638 as of December 31, 2013, which is based on 100% usage (filled) of the landfill. The estimated total current cost of the landfill closure and postclosure care (\$4,748,638) is based on the amount that would be paid if all equipment, facilities, and services required to monitor and maintain the landfill were acquired as of December 31, 2013. However, the actual cost of closure and postclosure care may be higher due to inflation, changes in technology, or changes in landfill laws and regulations.

The City is required by state and federal laws and regulations to make annual contributions to a trust to finance closure and postclosure care. The City is in compliance with these requirements and, at December 31, 2013, investments of \$2,477,831 are held for these purposes. These are reported as restricted assets on the balance sheet. The City expects that future inflation costs will be paid from interest earnings on these annual contributions. However, if interest earnings are inadequate or additional postclosure care requirements are determined (due to changes in technology or applicable laws or regulations, for example), these costs may need to be covered by charges to future landfill users or from future tax revenues.

City of Superior, Wisconsin

Notes to Basic Financial Statements

Note 19 Joint Operations

The City and Douglas County, Wisconsin, operate an industrial park with undivided net position/liabilities shared evenly. The joint operation is administered by the City's management. At December 31, 2013, the City's share of fund balance is included in other Governmental Funds.

The City and Douglas County, Wisconsin, jointly own property known as the Superior Business Center. The City and County have leased the property to Superior Business Center, Inc. (SBC), a nonprofit corporation which subleases the property. The lease agreement is for a 12-month period ending December 31, 2013, which may be extended by mutual agreement, and calls for SBC to pay rent equal to the debt service requirements of the local investment in the project. If the Business Center's rental collections are not adequate to allow SBC to make the rental payments required, the City and County will share funding of the deficit equally.

Note 20 Conduit Debt Obligations

From time to time, the City has issued Industrial Revenue Bonds to provide financial assistance to private-sector entities for the acquisition and construction of industrial and commercial facilities deemed to be in the public interest. The bonds are secured by the property financed and are payable solely from payments received on the underlying mortgage loans. Upon repayment of the bonds, ownership of the acquired facilities transfers to the private sector entity served by the bond issuance. Neither the City, the State, nor any political subdivision thereof is obligated in any manner for repayment of the bonds. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements.

As of December 31, 2013, there were 15 series of Industrial Revenue Bonds and 2 Collateralized Utility Revenue Bonds outstanding. The aggregate principal amount payable for the series issued after July 1, 1995, was \$29 million. The aggregate principal amount payable for the 13 series issued prior to July 1, 1995, could not be determined; however, their original issue amounts totaled \$64 million.

City of Superior, Wisconsin

Notes to Basic Financial Statements

Note 21 Revenues Pledged

Sewerage System Fund

The City has pledged future sewerage system customer revenues, net of specified operating expenses, to repay \$2,665,000 in sewerage system revenue refunding bonds issued November 8, 2005. Proceeds from the bonds were used to refund debt. The bonds are payable solely from the sewerage system customer net revenues and are payable through December 1, 2017.

The City has also pledged future sewerage system customer revenues, net of specified operations expenses, to repay \$3,649,077 in sewerage system revenue bonds issued February 22, 2012. As of December 31, 2013, the City has only received \$3,078,027. Proceeds from the bonds were used to provide financing for sewerage system improvements. The bonds are payable solely from the sewerage system customer net revenues and are payable through May 1, 2031.

Annual principal and interest payments on the bonds are expected to require less than 100 percent of net revenues. The total principal and interest remaining to be paid on the bonds is \$5,717,998. Principal and interest paid for the current year and total customer net revenues were \$358,482 and \$3,198,411.

Stormwater Utility Fund

The City has pledged future stormwater utility customer revenues, net of specified operating expenses, to repay \$3,398,121 in stormwater system revenue bonds issued January 13, 2010. As of December 31, 2013, the City has only received \$3,398,121 of the bond proceeds. Proceeds from the bonds were used to provide financing for stormwater utility capital projects. The bonds are payable solely from the stormwater system customer net revenues and are payable through May 1, 2029. Annual principal and interest payments on the bonds are expected to require less than 100 percent of net revenues. The total principal and interest remaining to be paid on the bonds based on proceeds received to date are \$3,919,570. Principal and interest paid for the current year and total customer net revenues were \$214,566 and \$623,531.

City of Superior, Wisconsin

Notes to Basic Financial Statements

Note 22 Outstanding Contractual Commitments

The City entered into various contracts with construction contractors during the year. The following amount remains unspent as of December 31, 2013:

<u>Construction Contractors</u>	<u>Amount Remaining</u>
RJS Construction Group, LLC	\$ 2,007,433
Wisconsin Department of Transportation	4,303,113
MN/WI Playground	75,611
Total	\$ 6,386,157

Note 23 Restatement of Net Position

During the current year, the City discovered an error that the prior year financial statements overstated revenues and receivables. The Stormwater Utility and the Business-Type Activities overstated accounts receivable by \$744,159, charges for service by \$172,918, change in net position by \$172,918, and beginning net position by \$744,159. This error has been corrected.

Details of the restatement are as follows:

	<u>Business- Type Activities</u>	<u>Stormwater Utility Fund</u>
Net position - December 31, 2012 (as previously reported)	\$ 37,213,966	\$ 9,320,194
Less: Adjustment for overstatement	(917,077)	(917,077)
Net position - December 31, 2012 (as restated)	\$ 36,296,889	\$ 8,403,117

Required Supplementary Information

City of Superior, Wisconsin

Schedule of Funding Progress

Year Ended December 31, 2013

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Liability (AAL) - Accrued Projected Unit Credit	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
1/1/2008	\$ -	\$ 3,652,864	\$ 3,652,864	0.0%	\$ 12,538,910	29.1%
1/1/2010	-	5,061,648	5,061,648	0.0%	13,260,538	38.2%
1/1/2012	-	6,093,709	6,093,709	0.0%	13,135,714	46.4%

Supplementary Financial Information

City of Superior, Wisconsin

Schedule of Expenditures of Federal and State Awards

Year Ended December 31, 2013

Grantor Agency / Pass-Through Agency / Program Title	CFDA or State ID Number	City Fund Number	Award Amount
FEDERAL AWARDS			
<u>Environmental Management</u>			
U.S. Environmental Protection Agency			
Passed through the Wisconsin Department of Natural Resources			
ARRA - Brownfields Assessment and Cleanup Cooperative			
Agreements			
	66.818		
Superior Community Recreation Project	ARRA / RAG-022		
June 14, 2010 - December 14, 2011	SAHA10	214	\$ 290,000
Total U.S. Environmental Protection Agency			
U.S. Department of Commerce			
Passed Through Wisconsin Coastal Management Program			
Coastal Zone Management Administration Awards			
Aquatic Invasive Species Awareness Project			
Grant Agreement #AD129611-013.20			
July 16, 2012 - June 30, 2013			
	11.419		
	KIOSKS	606	5,000
<u>Public Safety</u>			
U.S. Department of Homeland Security			
Direct Program:			
Assistance to Firefighters Grant			
Staffing for Adequate Fire and Emergency Response			
Agreement #EMW-2012-FH-00325			
February 23, 2013 - February 22, 2015			
	97.044		
	SAFER	101/211	944,962
Passed through Minnesota Department of Public Safety			
Port Security Grant Program: Grant #A-PSGP-2009-Superior			
Police Dept			
June 1, 2009 - November 30, 2012			
	97.056	210	252,948
	09PSGP		
Port Security Grant Program: Grant #2010-PSGP-00800			
Superior Police Dept			
June 1, 2010 - May 31, 2013			
	97.056	210	109,583
	10PSGT		

Accrued Receivable (Refundable Grant Advances) 12-31-12	Local Receipts	Federal / State Receipts	Local Expenditures	Federal / State Expenditures	Accrued Receivable (Refundable Grant Advances) 12-31-13
\$ 250	\$ -	\$ 250	\$ -	\$ -	-
250	-	250	-	-	-
-	3,197	3,197	3,197	3,197	-
-	16,174	146,656	16,174	237,853	91,197
86,017	-	86,017	-	-	-
-	-	109,553	-	109,553	-

City of Superior, Wisconsin

Schedule of Expenditures of Federal and State Awards (Continued) Year Ended December 31, 2013

Grantor Agency / Pass-Through Agency / Program Title	CFDA or State ID Number	City Fund Number	Award Amount
FEDERAL AWARDS (Continued)			
<u>Public Safety (Continued)</u>			
U.S. Department of Homeland Security (Continued)			
Passed through Minnesota Department of Public Safety (Continued)			
Port Security Grant Program: Grant #A-PSGP-2011-Superior Police Dept September 1, 2011 - August 31, 2014	97.056 11PSGT	210	\$ 37,348
Port Security Grant Program: Grant #2010-PSGP-00799 Superior Fire Dept June 1, 2010 - May 31, 2013	97.056 PS10FD	211	280,000
Total CFDA # 97.056			
Passed through the Wisconsin Department of Military Affairs			
Disaster Grants - Public Assistance			
Project #: PA-05-WI-4076-PW-00083 LFB-006 Billings Drive Completion Date: February 2, 2014	97.036 01FEMA	429	47,857
Project #: PA-05-WI-4076-PW-00115 RPH-013 Billings Park Entrance Road Completion Date: February 2, 2014	97.036 02FEMA	429	115,205
Project #: PA-05-WI-4076-PW-00037 RPH-011 Aerated Stabilization Pond at CSTP2 (Completion Date: February 2, 2013	97.036 03FEMA	429	1,157,145
Project #: PA-05-WI-4076-PW-00036 TWP-008 Outlet K Sewer Completion Date: February 2, 2014	97.036 04FEMA	429	32,932
Project #: PA-05-WI-4076-PW-00062 TWP-009 Storm Sewer - K Street Completion Date: February 2, 2014	97.036 05FEMA	429	25,127

Accrued Receivable (Refundable Grant Advances) 12-31-12	Local Receipts	Federal / State Receipts	Local Expenditures	Federal / State Expenditures	Accrued Receivable (Refundable Grant Advances) 12-31-13
\$ -	\$ 321	\$ 21,930	\$ 321	\$ 21,930	\$ -
-	-	260,067	-	260,067	-
86,017	321	477,567	321	391,550	-
(27,921)	4,654	-	4,654	27,921	-
2,400	2,054	-	2,054	12,326	14,726
13,266	79,863	-	79,863	479,179	492,445
4,705	18,200	4,705	18,200	-	-
(21,538)	-	-	-	-	(21,538)

City of Superior, Wisconsin

Schedule of Expenditures of Federal and State Awards (Continued) Year Ended December 31, 2013

Grantor Agency / Pass-Through Agency / Program Title	CFDA or State ID Number	City Fund Number	Award Amount
FEDERAL AWARDS (Continued)			
<u>Public Safety (Continued)</u>			
U.S. Department of Homeland Security (Continued)			
Passed through the Wisconsin Department of Military Affairs (Continued)			
Project #: PA-05-WI-4076-PW-00108			
TWP-010 Emergency Protective Measures - Landfill	97.036	429	\$ 63,675
Completion Date: February 2, 2013	06FEMA		
Project #: PA-05-WI-4076-PW-00109			
RPH-016 Nemadji Golf Course	97.036	429	17,044
Completion Date: February 2, 2014	07FEMA		
Project #: PA-05-WI-4076-PW-00075			
CMK-002 Osaugie Trail, Crosstown Trail, Billings Park S	97.036	429	46,683
Completion Date: February 2, 2014	08FEMA		
Project #: PA-05-WI-4076-PW-00107			
LFB-009 Debris From Roads	97.036	429	21,280
Completion Date: February 2, 2013	09FEMA		
Project #: PA-05-WI-4076-PW-00123			
OAP-018 Emergency Protective Measures	97.036	429	9,708
Completion Date: February 2, 2013	10FEMA		
Project #: PA-05-WI-4076-PW-00127			
OAP-017 Roads - Wyoming Ave Culvert	97.036	429	74,700
Completion Date: February 2, 2014	13FEMA		
Project #: PA-05-WI-4076-PW-00125			
OAP-017 Roads - Minor Road Repairs	97.036	429	10,006
Completion Date: February 2, 2014	14FEMA		
Total CFDA # 97.036			
Total U.S. Department of Homeland Security:			

Accrued Receivable (Refundable Grant Advances) 12-31-12	Local Receipts	Federal / State Receipts	Local Expenditures	Federal / State Expenditures	Accrued Receivable (Refundable Grant Advances) 12-31-13
\$ 51,036	\$ 2,107	\$ -	\$ 2,107	\$ 12,640	\$ 63,676
2,435	1,000	-	1,000	-	2,435
(12,172)	2,574	3,270	2,574	15,442	-
(8,773)	1,462	-	1,462	8,773	-
5,799	651	9,708	651	3,908	(1)
469	957	-	957	5,743	6,212
4,392	936	10,006	936	5,614	-
14,098	114,458	27,689	114,458	571,546	557,955
100,115	130,953	651,912	130,953	1,200,949	649,152

City of Superior, Wisconsin

Schedule of Expenditures of Federal and State Awards (Continued)

Year Ended December 31, 2013

Grantor Agency / Pass-Through Agency / Program Title	CFDA or State ID Number	City Fund Number	Award Amount
FEDERAL AWARDS (Continued)			
<u>Public Safety (Continued)</u>			
U.S. Department of Justice			
Direct:			
Bulletproof Vest Partnership Program-FY2011	11VEST	16.607	400 \$ -
Bulletproof Vest Partnership Program-FY2012	11VEST	16.607	400 6,375
Public Safety Partnership and Community Policing Grants	16.710	210	262,567
COPS Hiring Program: Grant #2010-UM-WX-0349	COPR10		
September 1, 2010 - August 31, 2013			
Child Sexual Predator Program			
Grant #2011-CS-WX-0020	16.710	210	
August 1, 2011 - July 31, 2013	CSPP		499,852
Total CFDA # 16.710			
Edward Byrne Memorial Justice Assistance Grant Program			
Project #2010-DJ-BX-2821	16.738		
October 1, 2010 - September 30, 2014	11JAG	210	10,603
Congressionally Recommended Awards			
Lake Superior Forensic Technology & Internet Crimes Against			
Children (ICAC) Task Force; Proj #2010-DD-BX-0380	16.753		
July 1, 2010 - June 30, 2013	COMPTF	210	549,995
Passed through the Wisconsin Office of Justice Assistance			
Violence Against Women Formula Grants			
2012-VA-02A-9600	16.588	210	52,510
July 1, 2012 - June 30, 2013	DART12		
2010/2012-VA-02X/02A-10229	16.588	210	54,662
July 1, 2013 - June 30, 2014	VAWA13		
Total CFDA # 16.588			
Total U.S. Department of Justice			

Accrued Receivable (Refundable Grant Advances) 12-31-12	Local Receipts	Federal / State Receipts	Local Expenditures	Federal / State Expenditures	Accrued Receivable (Refundable Grant Advances) 12-31-13
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
886	3,134	886	3,134	3,134	3,134
17,785	-	79,291	-	80,319	18,813
80,576	-	227,170	-	167,708	21,114
98,361	-	306,461	-	248,027	39,927
7,210	-	7,210	-	-	-
51,294	-	153,909	-	102,615	-
14,447	29,832	43,741	29,832	29,294	-
-	25,264	-	25,264	28,162	28,162
14,447	55,096	43,741	55,096	57,456	28,162
172,198	58,230	512,207	58,230	411,232	71,223

City of Superior, Wisconsin

Schedule of Expenditures of Federal and State Awards (Continued)

Year Ended December 31, 2013

Grantor Agency / Pass-Through Agency / Program Title	CFDA or State ID Number	City Fund Number	Award Amount
FEDERAL AWARDS (Continued)			
U.S. Department of Transportation			
Passed through WI Department of Transportation			
Highway Safety Cluster:			
Alcohol Impaired Driving Countermeasures Incentive Grants I			
Superior PD Alcohol Grant			
Highway Safety Project #0954-31-06	20.601		
October 1, 2013 - September 30, 2014	PDAL14	210	\$ 19,700
Highway Planning and Construction	20.205		
Marina Drive Repairs - Disaster Code 0112-16-281-01	01FHWH	429	196,550
Highway Planning and Construction	20.205		
N 28th Street Culvert Repair - Disaster Code 0112-16-281-02	02FHWH	429	116,000
Highway Planning and Construction	20.205		
Woodlawn Avenue Repair - Disaster Code 0112-16-281-03	04FHWH	429	157,000
Highway Planning and Construction	20.205		
25th Ave E Culvert Repair - Disaster Code 0112-16-281-04	05FHWH	429	512,000
Highway Planning and Construction	20.205		
Transportation Enhancement Program - Project ID 8998-00-78	20.205		
Sidewalk Replacement	TEOBEY	400	452,183
Safe Routes to School (SRTS) Program - Project ID 8998-00-77	20.205		
School Zone Sidewalk Replacement	SRTS09	400	438,046
Total CFDA #20.205			
Total Department of Transportation			

Accrued Receivable (Refundable Grant Advances) 12-31-12	Local Receipts	Federal / State Receipts	Local Expenditures	Federal / State Expenditures	Accrued Receivable (Refundable Grant Advances) 12-31-13
\$ -	\$ 94	\$ 248	\$ 94	\$ 248	\$ -
-	326,350	-	326,350	196,550	196,550
-	21,158	-	21,158	84,630	84,630
-	300	-	300	1,200	1,200
-	206,609	-	206,609	512,000	512,000
394,466	179,029	580,325	179,029	57,717	(128,142)
378,898	34,688	-	34,688	59,149	438,047
773,364	768,134	580,325	768,134	911,246	1,104,285
773,364	768,228	580,573	768,228	911,494	1,104,285

City of Superior, Wisconsin

Schedule of Expenditures of Federal and State Awards (Continued)

Year Ended December 31, 2013

Grantor Agency / Pass-Through Agency / Program Title	CFDA or State ID Number	City Fund Number	Award Amount
FEDERAL AWARDS (Continued)			
<u>Community Development</u>			
U.S. Department of Housing and Urban Development			
Direct Programs:			
CDBG - Entitlement Grants Cluster			
Community Development Block Grants/Entitlement Grants	14.218		
2011 - CDBG		259	\$ 784,404
2012 - CDBG		259	646,257
2013 - CDBG		259	669,493
Total CFDA #14.218			
Passed through Wisconsin Department of Commerce			
Economic Development Initiative - Neighborhood Initiative	14.251	418	
City of Superior Shipyard Improvements	FRASR2		
March 1, 2011 - June 29, 2012			2,000,000
Total U.S. Department of Housing and Urban Development			
<u>Transportation</u>			
U.S. Department of Transportation			
Direct Programs:			
Federal Transit - Formula Grants			
2013	20.507	101	434,841
Total Federal Awards			

Accrued Receivable (Refundable Grant Advances) 12-31-12	Local Receipts	Federal / State Receipts	Local Expenditures	Federal / State Expenditures	Accrued Receivable (Refundable Grant Advances) 12-31-13
\$ 363,156	\$ -	\$ 363,156	\$ -	\$ -	\$ -
27,882	148,352	305,726	148,352	447,679	169,835
-	-	-	-	-	-
391,038	148,352	668,882	148,352	447,679	169,835
-	-	-	-	1,392,924	1,392,924
391,038	148,352	668,882	148,352	1,840,603	1,562,759
-	-	434,841	-	434,841	-
\$ 1,436,965	\$ 1,108,960	\$ 2,851,862	\$ 1,108,960	\$ 4,802,316	\$ 3,387,419

City of Superior, Wisconsin

Schedule of Expenditures of Federal and State Awards (Continued)

Year Ended December 31, 2013

Grantor Agency / Pass-Through Agency / Program Title	CFDA or State ID Number	City Fund Number	Award Amount
STATE AWARDS			
<u>Public Safety</u>			
Wisconsin Department of Military Affairs			
State Match - Federal Disaster Assistance			
Project #: PA-05-WI-4076-PW-00083			
LFB-006 Billings Drive	465.305	429	\$ 7,976
Completion Date: February 2, 2014	01FEMA		
Project #: PA-05-WI-4076-PW-00115			
RPH-013 Billings Park Entrance Road	465.305	429	19,201
Completion Date: February 2, 2014	02FEMA		
Project #: PA-05-WI-4076-PW-00037			
RPH-011 Aerated Stabilization Pond at CSTP2	465.305	429	192,858
Completion Date: February 2, 2013	03FEMA		
Project #: PA-05-WI-4076-PW-00036			
TWP-008 Outlet K Sewer	465.305	429	5,489
Completion Date: February 2, 2014	04FEMA		
Project #: PA-05-WI-4076-PW-00062			
TWP-009 Storm Sewer - K Street	465.305	429	4,188
Completion Date: February 2, 2014	05FEMA		
Project #: PA-05-WI-4076-PW-00108			
TWP-010 Emergency Protective Measures - Landfill	465.305	429	10,613
Completion Date: February 2, 2013	06FEMA		
Project #: PA-05-WI-4076-PW-00109			
RPH-016 Nemadji Golf Course	465.305	429	2,841
Completion Date: February 2, 2014	07FEMA		
Project #: PA-05-WI-4076-PW-00075			
CMK-002 Osaugie Trail, Crosstown Trail, Billings Park S	465.305	429	7,781
Completion Date: February 2, 2014	08FEMA		

Accrued Receivable (Refundable Grant Advances) 12-31-12	Local Receipts	Federal / State Receipts	Local Expenditures	Federal / State Expenditures	Accrued Receivable (Refundable Grant Advances) 12-31-13
\$ (4,654)	\$ -	\$ -	\$ -	\$ 4,654	\$ -
400	-	-	-	2,054	2,454
2,211	-	-	-	79,863	82,074
784	-	784	-	-	-
(3,590)	-	-	-	-	(3,590)
8,506	-	-	-	2,107	10,613
406	-	-	-	-	406
(2,029)	-	545	-	2,574	-

City of Superior, Wisconsin

Schedule of Expenditures of Federal and State Awards (Continued)

Year Ended December 31, 2013

Grantor Agency / Pass-Through Agency / Program Title	CFDA or State ID Number	City Fund Number	Award Amount
STATE AWARDS (Continued)			
<u>Public Safety (Continued)</u>			
Wisconsin Department of Military Affairs			
Project #: PA-05-WI-4076-PW-00107			
LFB-009 Debris From Roads	465.305	429	\$ 3,547
Completion Date: February 2, 2013	09FEMA		
Project #: PA-05-WI-4076-PW-00123			
OAP-018 Emergency Protective Measures	465.305	429	1,618
Completion Date: February 2, 2013	10FEMA		
Project #: PA-05-WI-4076-PW-00127			
OAP-017 Roads - Wyoming Ave Culvert	465.305	429	12,450
Completion Date: February 2, 2014	13FEMA		
Project #: PA-05-WI-4076-PW-00125			
OAP-017 Roads - Minor Road Repairs	465.305	429	
Completion Date: February 2, 2014	14FEMA		1,668
Total State ID #465.305			
Regional Emergency Response Teams - HazMat	465.306		
July 1, 2013 - June 30, 2014	13HZMT	242	92,883
July 1, 2012 - June 30, 2012		242	131,935
January 1, 2012 - June 30, 2012		242	65,968
July 1, 2011 - December 31, 2011, 2011 Funding		242	65,968
Total State ID #465.306			
Total Department of Military Affairs			

Accrued Receivable (Refundable Grant Advances) 12-31-12	Local Receipts	Federal / State Receipts	Local Expenditures	Federal / State Expenditures	Accrued Receivable (Refundable Grant Advances) 12-31-13
\$ (1,462)	\$ -	\$ -	\$ -	\$ 1,462	\$ -
967	-	1,618	-	651	-
78	-	-	-	957	1,035
732	-	1,668	-	936	-
2,349	-	4,615	-	95,258	92,992
-	-	23,221	-	19,630	(3,591)
(131,935)	-	-	-	-	(131,935)
(65,968)	-	-	-	771	(65,197)
(60,778)	-	-	-	60,778	-
(258,681)	-	23,221	-	81,179	(200,723)
(256,332)	-	27,836	-	176,437	(107,731)

City of Superior, Wisconsin

Schedule of Expenditures of Federal and State Awards (Continued)

Year Ended December 31, 2013

Grantor Agency / Pass-Through Agency / Program Title	CFDA or State ID Number	City Fund Number	Award Amount
STATE AWARDS (Continued)			
<u>Transportation</u>			
Wisconsin Department of Transportation			
Harbor Assistance Program (Hallet Dock) 0495-12-02 April 9, 2012 - December 31, 2013	395.128 HLLT#2	410	\$ 3,332,269
Harbor Assistance Program (General Mills) 0495-13-04 December 5, 2012 - December 31, 2014	395.128 GMDCK2	410	4,744,000
Harbor Assistance Program (Fraser Shipyards Dock) 0495-09-01 December 16, 2010 - June 1, 2012	395.128 FRASER	418	3,274,595
Total State ID #395.128			
Urban Mass Transit Operating Assistance 2009	395.104	101	276,928
2010			342,272
2011			352,588
2012			341,573
2013			331,036
Paratransit Aids Contract 2013	395.104	101	12,772
Total State ID #395.104			
Total Department of Transportation			

Accrued Receivable (Refundable Grant Advances) 12-31-12	Local Receipts	Federal / State Receipts	Local Expenditures	Federal / State Expenditures	Accrued Receivable (Refundable Grant Advances) 12-31-13
\$ 559,260	\$ 99,603	\$ 906,097	\$ 99,603	\$ 345,677	\$ (1,160)
-	695,365	1,475,023	695,365	2,836,159	1,361,136
252,228	-	252,228	-	-	-
811,488	794,968	2,633,348	794,968	3,181,836	1,359,976
27,693	-	-	-	-	27,693
(7,163)	-	-	-	-	(7,163)
23,665	-	-	-	-	23,665
34,158	-	-	-	-	34,158
-	575,294	297,932	575,294	331,036	33,104
-	-	12,772	-	12,772	-
78,353	575,294	310,704	575,294	343,808	111,457
889,841	1,370,262	2,944,052	1,370,262	3,525,644	1,471,433

City of Superior, Wisconsin

Schedule of Expenditures of Federal and State Awards (Continued)

Year Ended December 31, 2013

Grantor Agency / Pass-Through Agency / Program Title	CFDA or State ID Number	City Fund Number	Award Amount
STATE AWARDS (Continued)			
<u>Culture, Recreation and Education</u>			
Wisconsin Department of Tourism			
WI Arts Board - Creative Communities/Local Arts August 1, 2013 - July 31, 2014	Unknown WAB-14	812	\$ 5,650
Wisconsin Department of Natural Resources			
Corrosion Project / Boating Projects January 15, 2009 - June 30, 2010	RBF-ENUM-17 PLCP09	215 / 213	100,000
Riparian Landowners Education Project Project #AEPP-271-11 Aquatic Invasive Species April 1, 2011 - December 31, 2012	370.678 DNRAIS	606	9,750
Total Wisconsin Department of Natural Resources			
Total Culture, Recreation and Education			
Total State Awards			
Total Federal and State Awards			

Accrued Receivable (Refundable Grant Advances) 12-31-12	Local Receipts	Federal / State Receipts	Local Expenditures	Federal / State Expenditures	Accrued Receivable (Refundable Grant Advances) 12-31-13
\$ -	\$ -	\$ 5,650		\$ -	\$ (5,650)
(450)	-	-		-	(450)
6,447	933	-	933	866	7,313
5,997	933	-	933	866	6,863
5,997	933	5,650	933	866	1,213
\$ 639,506	\$ 1,371,195	\$ 2,977,538	\$ 1,371,195	\$ 3,702,947	\$ 1,364,915
\$ 2,076,471	\$ 2,480,155	\$ 5,829,400	\$ 2,480,155	\$ 8,505,263	\$ 4,752,334

City of Superior

Notes to the Schedule of Expenditures of Federal and State Awards

Year Ended December 31, 2013

Note 1 Basis of Presentation

The accompanying schedule of expenditures of federal and state awards includes the federal and state grant activity of City of Superior, Wisconsin and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* and the *State of Wisconsin Single Audit Guidelines*, issued by the Wisconsin Department of Administration. Because the schedule presents only a selected portion of the operations of the City of Superior, Wisconsin, it is not intended to and does not present the financial position, changes in net position, or cash flows of the City of Superior, Wisconsin.

Note 2 Summary of Significant Accounting Policies

Expenditures reported on the schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in OMB Circular A-87, *Cost Principles for State, Local, and Indian Tribal Governments*, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Pass-through entity identifying numbers are presented where available.



Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters

Honorable Mayor and
Members of the City Council
City of Superior
Superior, Wisconsin

We have audited in accordance with auditing standards generally accepted in the United States and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Superior, Wisconsin (the "City"), as of and for the year ended December 31, 2013, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated June 12, 2014.

Internal Control Over Financial Reporting

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

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies, and therefore material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control that we consider to be material weaknesses and a significant deficiency.

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 entity's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying schedule of findings and questioned costs to be material weaknesses. (2013-02 and 2013-03.)

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in the accompanying schedule of findings and questioned costs to be a significant deficiency. (2013-01.)

Compliance and Other Matters

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

Response to Findings

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

Purpose of This Report

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



Wipfli LLP

June 12, 2014
Eau Claire, Wisconsin

A-133 Information



Independent Auditor's Report on Compliance For Each Major Federal and State Program and on Internal Control Over Compliance

Honorable Mayor and
Members of the City Council
City of Superior
Superior, Wisconsin

Report on Compliance for Each Major Federal and State Program

We have audited the City of Superior, Wisconsin's (the "City") compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* and the *State of Wisconsin Single Audit Guidelines*, issued by the Wisconsin Department of Administration, that could have a direct and material effect on each of the City's major federal and state programs for the year ended December 31, 2013. The City's major federal and state programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility for Compliance

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the City's major federal and state programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; *OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations*, and the *State of Wisconsin Single Audit Guidelines*, issued by the Wisconsin Department of Administration. Those standards and *OMB Circular A-133* require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal and state program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal and state program. However, our audit does not provide a legal determination of the City's compliance.

Opinion

In our opinion, the City of Superior, Wisconsin complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal and state programs for the year ended December 31, 2013.

Report on Internal Control Over Compliance

Management of the City is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal and state program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal and state program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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

Wipfli LLP

Wipfli LLP

June 12, 2014
Eau Claire, Wisconsin

City of Superior

Schedule of Findings and Questioned Costs

Year Ended December 31, 2013

I. Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

Material weakness(es) identified? X Yes No

Significant deficiency(ies) identified not considered to be material weakness(es)? X Yes None reported

Noncompliance material to the financial statements? Yes X No

Federal Awards

Internal control over major programs:

Material weakness(es) identified? Yes X No

Significant deficiency(ies) identified not considered to be material weakness(es)? Yes X None reported

Type of auditor's report issued on compliance for major programs: Unqualified

Any audit findings disclosed that are required to be reported in accordance with Circular A-133 Section .510(a)? Yes X No

Identification of major federal programs:

CFDA Number	Name of Federal Program or Cluster
97.036	Disaster Grants - Public Assistance
20.205	Highway Planning and Construction
14.251	Economic Development Initiative - Neighborhood Initiative

Dollar threshold used to distinguish between Type A and Type B Programs \$300,000

Auditee qualified as a low-risk auditee? Yes X No

City of Superior

Schedule of Findings and Questioned Costs (Continued)

Year Ended December 31, 2013

I. Summary of Auditor's Results (Continued)

State Financial Assistance

Internal control over major programs:

Material weakness(es) identified? Yes No

Significant deficiency(ies) identified not considered to be material weakness(es)? Yes None reported

Type of auditor's report issued on compliance for major programs:

Unmodified

Any audit findings disclosed that are required to be reported in accordance with the *State of Wisconsin Single Audit Guidelines*?

Yes No

Identification of major state programs:

State I.D. Number	Name of State Program
395.128	Harbor Assistance Program

City of Superior

Schedule of Findings and Questioned Costs (Continued)

Year Ended December 31, 2013

II. Financial Statement Findings

2013-01 Segregation of Duties

Criteria – The lack of proper segregation of duties is considered an internal control deficiency.

Condition – The size of the City's staff in charge of accounting and reporting functions indicates a lack of segregated duties. The basic premise is that no one employee should have access to both physical assets and the related accounting records or to all phases of a transaction, which decreases the likelihood that unauthorized or false transactions will be prevented or detected in a timely fashion. The Common Council and Finance Committee perform limited reviews of the transactions in this area. However, because oversight is limited, this is a significant deficiency in internal control.

Effect – This condition may lead to misstated financial statements.

Cause – Management and those charged with governance have accepted the degree of risk associated with this condition because of cost.

Recommendation – We recommend that management and those charged with governance continue to evaluate whether to accept the degree of risk associated with this condition because of cost or other considerations.

Corrective Action Plan – The City does not have the resources available to increase staff size and address this internal control deficiency. The City Council and management are aware of the incompatible duties and will continue to provide oversight and monitor the City's operations.

City of Superior

Schedule of Findings and Questioned Costs (Continued)

Year Ended December 31, 2013

II. Financial Statement Findings (Continued)

2013-02 Financial Accounting and Reporting

Criteria – *Government Auditing Standards* considers the inability to report financial data reliably in accordance with accounting principles generally accepted in the United States (GAAP) to be an internal control deficiency.

Condition – The City's internal control over financial reporting does not end at the general ledger, but extends to the financial statements and notes. The City does not have an internal control system designed to provide for the preparation of the financial statements being audited. As auditors, we were requested to draft the financial statements and accompanying notes to the financial statements. It is the responsibility of management and those charged with governance to make the decision whether to accept the degree of risk associated with this condition because of cost or other considerations. Because the City relies on Wipfli to provide the necessary understanding of current accounting and disclosure principles and draft the financial statements and accompanying notes, a material weakness exists in the City's internal controls.

Effect – The completeness of the financial statement disclosures and the accuracy of the financial statement presentation is negatively impacted as outside auditors do not have the same comprehensive understanding of the City as its own management.

Cause – Management and those charged with governance have accepted the degree of risk associated with this condition because of cost.

Recommendation – We recommend that management and those charged with governance continue to evaluate whether to accept the degree of risk associated with this condition because of cost or other considerations.

Corrective Action Plan – The City does not have the resources and staff to prepare the financial statements and notes but will continue to oversee the auditor's services and review and approve the financial statements and notes.

City of Superior

Schedule of Findings and Questioned Costs (Continued)

Year Ended December 31, 2013

II. Financial Statement Findings (Continued)

2013-03 Material Adjustments

Criteria – Material adjusting journal entries not prepared by the City's accounting department are considered an internal control deficiency.

Condition – During our audit, Wipfli LLP proposed numerous adjusting journal entries. We deem these adjustments to be material in relation to the financial statements. Since the City's internal controls did not discover these adjustments prior to the audit, a material weakness exists in the City's internal controls.

Effect – This means that the proper recording and reporting of financial information may not occur within a timely manner.

Cause – The City does not have policies and procedures in place to ensure that all transactions are properly recorded on the general ledger prior to the audit.

Recommendation – We recommend individuals involved in the accounting function implement policies and procedures to provide sufficient internal control over recording accrual-related journal entries.

Corrective Action Plan – The City will work to establish policies and procedures to reduce the number of adjusting journal entries proposed by the auditor.

III. Federal and State Findings and Questioned Costs

None.

City of Superior

Schedule of Findings and Questioned Costs (Continued)

Year Ended December 31, 2013

Section IV – Other Issues

Does the auditor's report or the notes to the financial statements include disclosure with regard to substantial doubt as to the auditee's ability to continue as a going concern? No

Does the audit report show audit issues (i.e., material noncompliance, nonmaterial noncompliance, questioned costs, material weakness, significant deficiency, management letter comment, excess revenue, or excess reserve) related to grants/contracts with funding agencies that require audits to be in accordance with the *State of Wisconsin Single Audit Guidelines*:

Office of Justice Assistance	No
Department of Military Affairs	No
Department of Transportation	No
Department of Commerce	No
Department of Natural Resources	No
Wisconsin Coastal Management Program	No
Department of Tourism	No

Was a Management Letter or other document conveying audit comments issued as a result of this audit? Yes

Name of Partner



Dan C. Walker, CPA

Date

June 12, 2014

City of Superior, Wisconsin

Summary Schedule of Prior Audit Findings

Year Ended December 31, 2013

Financial Statement Findings:

2012-01 Segregation of Duties—See finding 2013-01.

2012-02 Financial Accounting and Reporting—See finding 2013-02.

2012-03 Material Adjustments—See finding 2013-03.

Federal and State Findings and Questioned Costs

None.