

# **City of Superior, Wisconsin**

Superior, Wisconsin

## **Financial Statements and Supplementary Information**

Year Ended December 31, 2016

# City of Superior, Wisconsin

## Financial Statements and Supplementary Information

Year Ended December 31, 2016

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## 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, 2016, 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, 2016, 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.

### ***Change in Accounting Principle***

As discussed in Note 1 to the financial statements, the District adopted new accounting guidance GASB Statement No. 72, *Fair Value Measurement and Application*. Our opinions are not modified with respect to this matter.

## **Other Matters**

### ***Required Supplementary Information***

Accounting principles generally accepted in the United States require that the management's discussion and analysis, schedules of the employer's proportionate share of the net pension liability (asset) and employer contributions – WRS, and schedule of funding progress on pages 4 through 17 and pages 95 and 96 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 basic financial statements. The schedule of expenditures of federal and state awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* and the *State of Wisconsin Single Audit Guidelines* issued by the Wisconsin Department of Administration, and is not a required part of the basic 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 basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States. In our opinion, the schedule of expenditures of federal and state awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

### ***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated July 6, 2017, 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

July 6, 2017  
Eau Claire, Wisconsin

## Management's Discussion and Analysis

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## City of Superior, Wisconsin

### Management's Discussion and Analysis Year Ended December 31, 2016

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, 2016. 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 \$115,615 (net position). Of this amount, \$22,837 (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 \$3,666.
- As of the close of the current fiscal year, the City's governmental activities reported combined ending net position of \$70,592, an increase of \$1,267 in comparison with the prior year. Approximately 28% of this total amount, \$19,462, 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 \$9,916, or 43% of total general fund expenditures.
- The City's total long-term obligations increased by \$671 (1.2%) 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 56 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, the capital improvement program fund, and Tax Increment District No. 8, which are considered to be a major fund*. Data from the other 53 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 20–29 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 30–34 of this report.

***Fiduciary fund.*** The fiduciary fund is used to account for resources held for the benefit of parties outside the government. The fiduciary fund is *not* reflected in the government-wide financial statement because the resources of this fund are *not* available to support the City's own programs. The 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 the fiduciary fund is much like that used for governmental funds.

The basic fiduciary fund financial statement can be found on page 35 of this report.

**Notes to the basic financial statements.** The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 36–94 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 \$115,615 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 are 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, 2016

	<b>Governmental Activities</b>	<b>Business-Type Activities</b>	<b>Total</b>
Current and other assets	\$ 55,177	\$ 14,842	\$ 70,019
Capital assets	63,527	52,794	116,321
<b>Total assets</b>	<b>\$ 118,704</b>	<b>\$ 67,636</b>	<b>\$ 186,340</b>
Total deferred outflows of resources	\$ 10,706	\$ 1,692	\$ 12,398
Long-term liabilities	\$ 36,355	\$ 20,645	\$ 57,000
Other liabilities	3,832	3,038	6,870
<b>Total liabilities</b>	<b>\$ 40,187</b>	<b>\$ 23,683</b>	<b>\$ 63,870</b>
Total deferred inflows of resources	\$ 18,631	\$ 622	\$ 19,253
Net position:			
Net investment in capital assets	\$ 36,633	\$ 40,137	\$ 76,770
Restricted	14,497	1,511	16,008
Unrestricted	19,462	3,375	22,837
<b>Total net position</b>	<b>\$ 70,592</b>	<b>\$ 45,023</b>	<b>\$ 115,615</b>

**CITY OF SUPERIOR NET POSITION**

December 31, 2015

	<b>Governmental Activities</b>	<b>Business-Type Activities</b>	<b>Total</b>
Current and other assets	\$ 53,350	\$ 16,987	\$ 70,337
Capital assets	65,868	49,483	115,351
<b>Total assets</b>	<b>\$ 119,218</b>	<b>\$ 66,470</b>	<b>\$ 185,688</b>
Total deferred outflows of resources	\$ 3,300	\$ 501	\$ 3,801
Long-term liabilities	\$ 34,148	\$ 22,181	\$ 56,329
Other liabilities	4,878	2,166	7,044
<b>Total liabilities</b>	<b>\$ 39,026</b>	<b>\$ 24,347</b>	<b>\$ 63,373</b>
Total deferred inflows of resources	\$ 14,167	\$ -	\$ 14,167
Net position:			
Net investment in capital assets	\$ 41,428	\$ 34,715	\$ 76,143
Restricted	17,264	1,939	19,203
Unrestricted	10,633	5,970	16,603
<b>Total net position</b>	<b>\$ 69,325</b>	<b>\$ 42,624</b>	<b>\$ 111,949</b>

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, 2016

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Revenues:			
Program revenues:			
Charges for services	\$ 3,629	\$ 15,838	\$ 19,467
Operating grants and contributions	4,385	826	5,211
Capital grants and contributions	2,387	-	2,387
General revenues:			
Property taxes	14,333	-	14,333
Other taxes	623	-	623
Intergovernmental revenues not restricted to specific programs	13,667	-	13,667
Investment income	282	109	391
Other	1,168	78	1,246
	<u>40,474</u>	<u>16,851</u>	<u>57,325</u>
Total revenues			
Expenses:			
General government	3,764	-	3,764
Public safety	14,582	-	14,582
Public works	13,472	-	13,472
Health & human services	200	-	200
Culture, recreation, & education	3,620	-	3,620
Economic development	2,792	-	2,792
Interest and fiscal charges	993	-	993
Sewerage system	-	6,251	6,251
Landfill utility	-	5,820	5,820
Stormwater utility	-	2,007	2,007
Golf course	-	158	158
	<u>39,423</u>	<u>14,236</u>	<u>53,659</u>
Total expenses			
Increase in net position before transfers	1,051	2,615	3,666
Transfers	216	(216)	-
	<u>1,267</u>	<u>2,399</u>	<u>3,666</u>
Increase in net position	1,267	2,399	3,666
Net position - January 1, 2016	69,325	42,624	111,949
	<u>70,592</u>	<u>45,023</u>	<u>115,615</u>
Net position - December 31, 2016	<u>\$ 70,592</u>	<u>\$ 45,023</u>	<u>\$ 115,615</u>

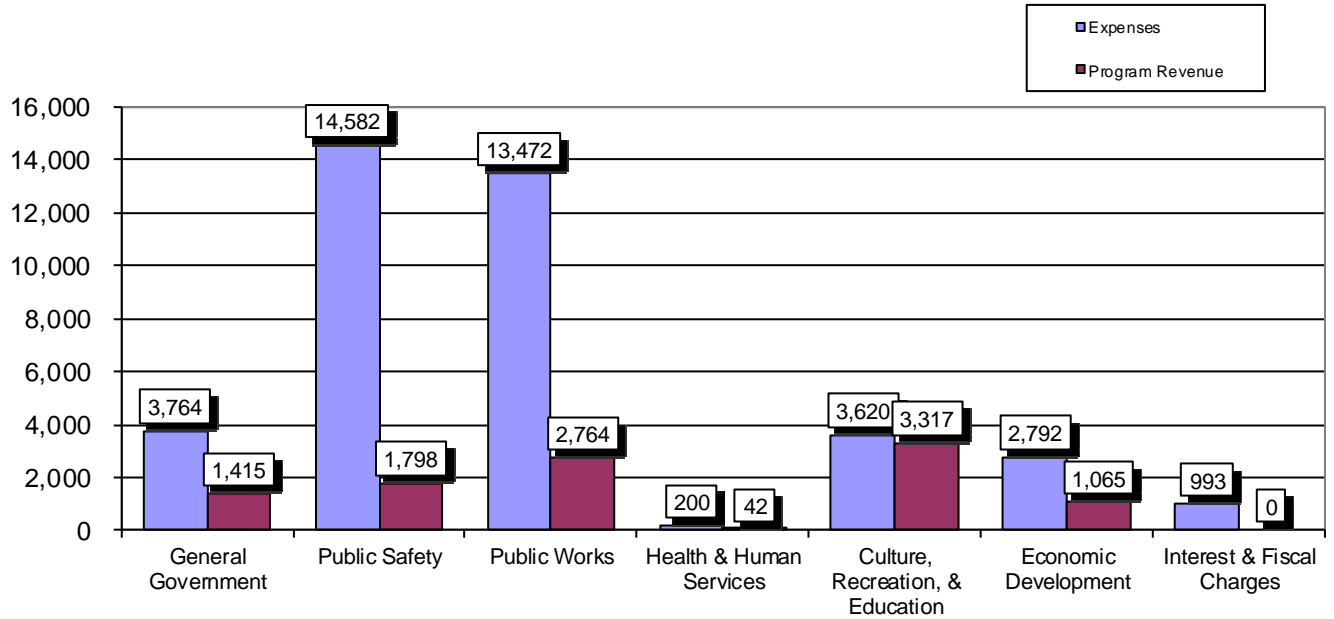
**CITY OF SUPERIOR'S CHANGES IN NET POSITION**

For the year ended December 31, 2015

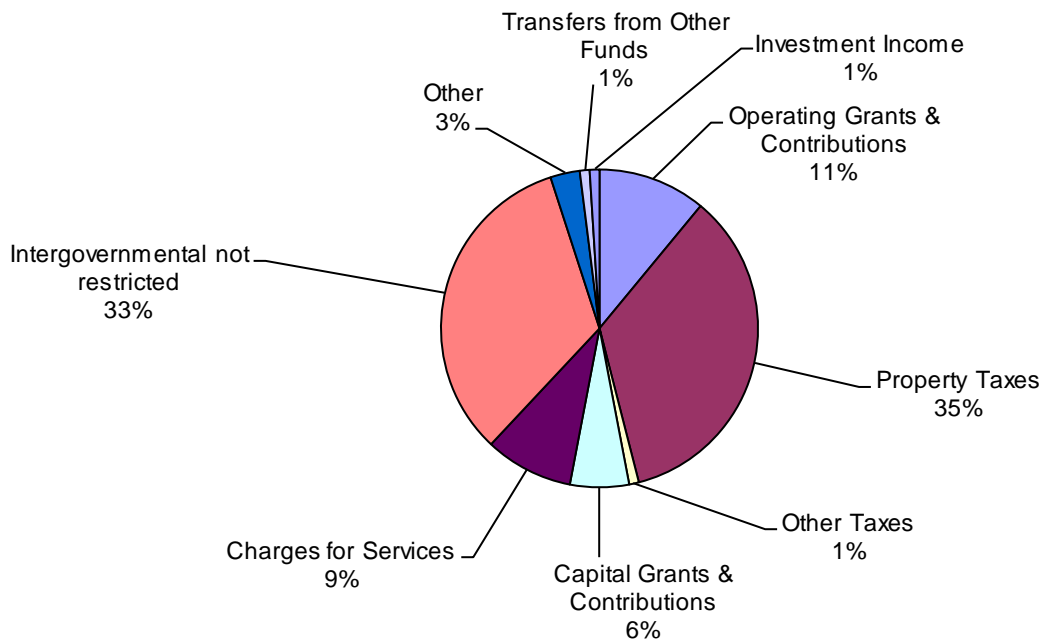
	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Revenues:			
Program revenues:			
Charges for services	\$ 2,690	\$ 14,636	\$ 17,326
Operating grants and contributions	2,946	161	3,107
Capital grants and contributions	2,332	-	2,332
General revenues:			
Property taxes	13,898	-	13,898
Other taxes	679	-	679
Intergovernmental revenues not restricted to specific programs	12,958	-	12,958
Investment income	455	207	662
Other	776	105	881
Total revenues	<u>36,734</u>	<u>15,109</u>	<u>51,843</u>
Expenses:			
General government	5,331	-	5,331
Public safety	12,960	-	12,960
Public works	8,453	-	8,453
Health & human services	246	-	246
Culture, recreation, & education	3,761	-	3,761
Economic development	2,828	-	2,828
Interest and fiscal charges	995	-	995
Sewerage system	-	5,692	5,692
Landfill utility	-	5,914	5,914
Stormwater utility	-	1,783	1,783
Golf course	-	156	156
Total expenses	<u>34,574</u>	<u>13,545</u>	<u>48,119</u>
Increase in net position before transfers	2,160	1,564	3,724
Transfers	<u>(328)</u>	<u>328</u>	<u>-</u>
Increase in net position	1,832	1,892	3,724
Net position - January 1, 2015	61,410	39,839	101,249
Restatement of beginning net position	<u>6,083</u>	<u>893</u>	<u>6,976</u>
Net position - December 31, 2015	<u>\$ 69,325</u>	<u>\$ 42,624</u>	<u>\$ 111,949</u>

**Governmental activities.** Governmental activities increased the City's net position by \$1,267.

**Expenses and Program Revenues - Governmental Activities 2016**

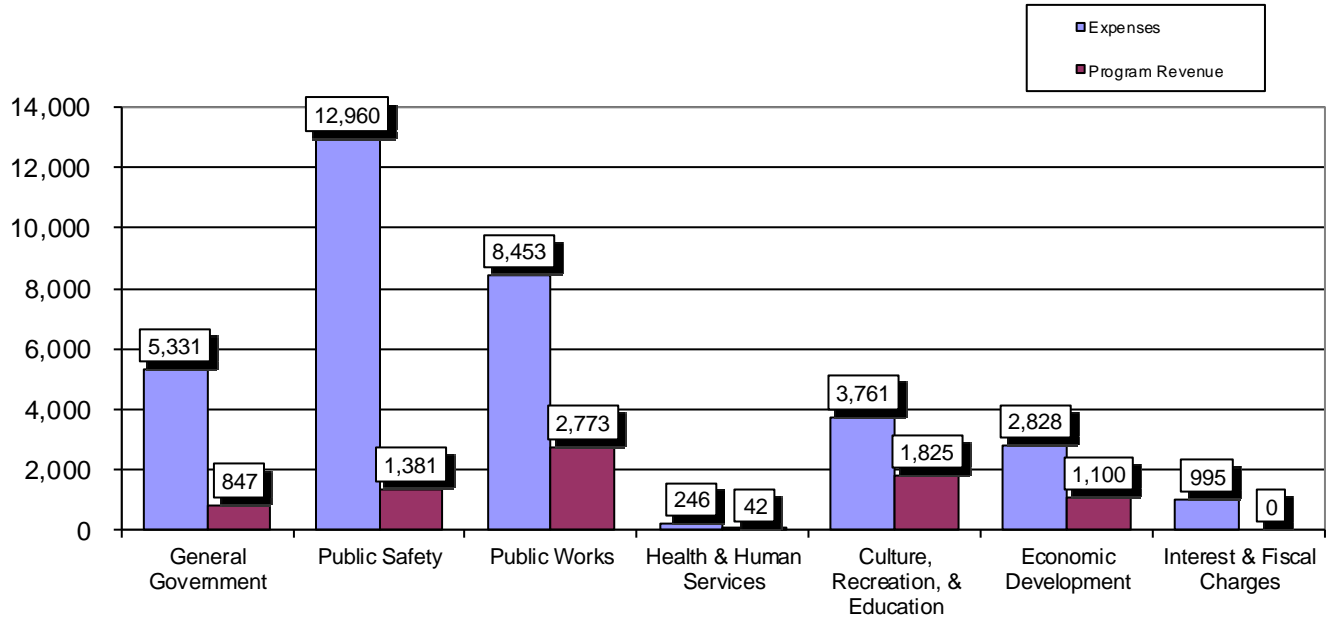


**Program and General Revenues by Source - Governmental Activities - 2016**

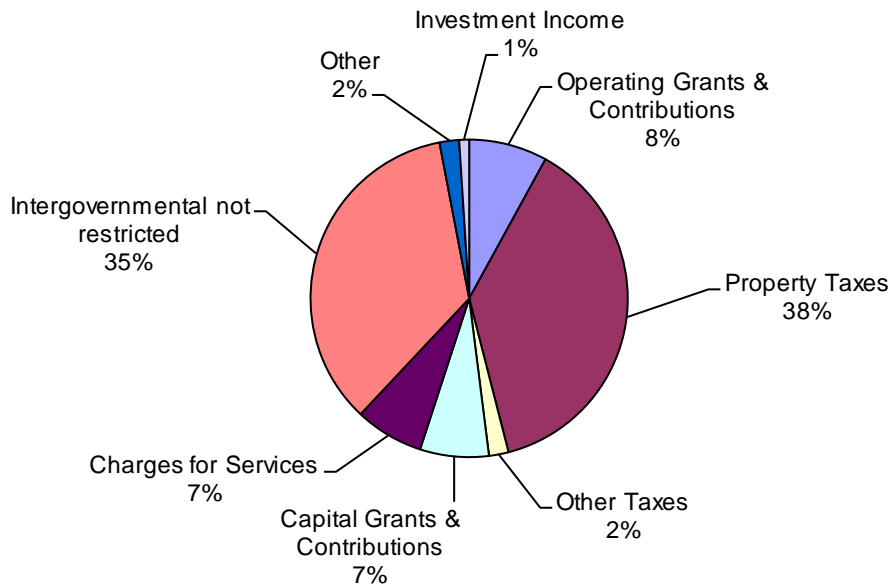


**Governmental activities.** Governmental activities increased the City's net position by \$1,832.

**Expenses and Program Revenues - Governmental Activities 2015**

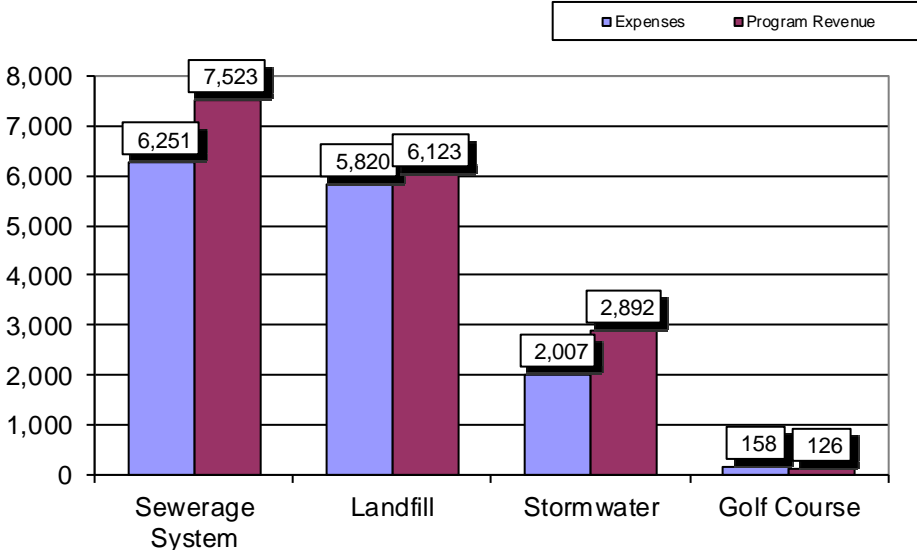


**Program and General Revenues by Source - Governmental Activities - 2015**

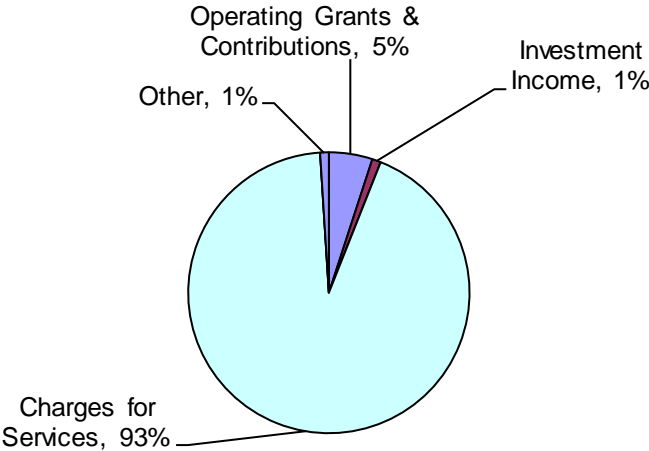


**Business-type activities.** Business-type activities increased the City’s net position by \$2,399.

**Expenses and Program Revenues - Business-Type Activities - 2016**



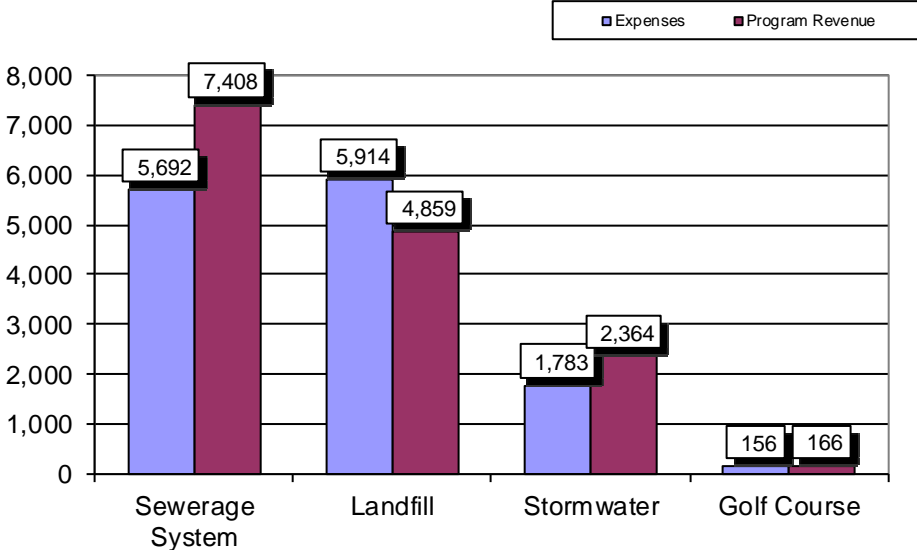
**Revenues by Source - Business-Type Activities 2016**



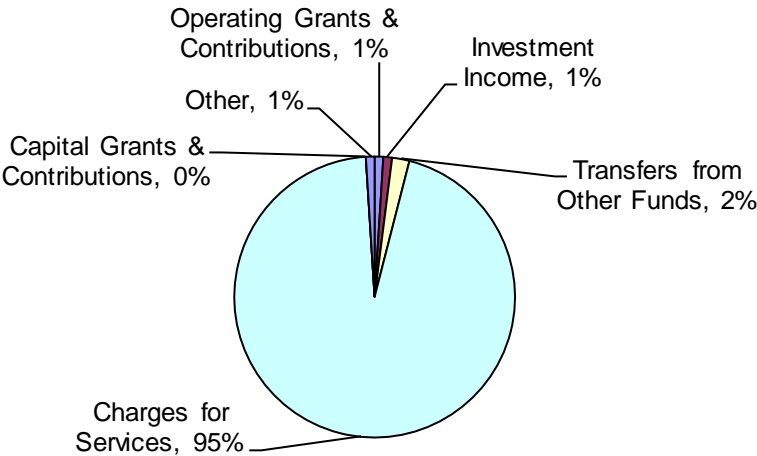


**Business-type activities.** Business-type activities increased the City's net position by \$1,892.

**Expenses and Program Revenues - Business-Type Activities - 2015**



**Revenues by Source - Business-Type Activities 2015**



## 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 \$9,916, while total fund balance reached \$9,953. 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 43 percent of total general fund expenditures, while total fund balance also represents 43 percent of that same amount.

The fund balance of the City's general fund increased by \$787.

Expenditures in the general fund were \$1,435 lower than budgeted due to general government, public safety, public works, health and human services, 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 \$4,397 for the Landfill Utility Fund (\$2,849), the Stormwater Utility Fund \$2,399, and the Golf Course Fund (\$697). The total increase (decrease) in net position for the funds was \$1,282, \$212, \$938, and (\$38), 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, 2016, amounts to \$116,321 (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 2016**

(net of accumulated depreciation)

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Land and improvements	\$ 21,349	\$ 22,637	\$ 43,986
Buildings and improvements	8,981	5,160	14,141
Machinery and equipment	4,372	1,250	5,622
Transportation equipment	-	1,184	1,184
Infrastructure	-	17,457	17,457
Construction in progress	321	5,106	5,427
Roads	22,820	-	22,820
Sidewalks/Bikepaths	5,684	-	5,684
	<u>5,684</u>	<u>-</u>	<u>5,684</u>
Total	<u>\$ 63,527</u>	<u>\$ 52,794</u>	<u>\$ 116,321</u>

**CITY OF SUPERIOR'S CAPITAL ASSETS 2015**

(net of accumulated depreciation)

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Land and improvements	\$ 21,707	\$ 23,334	\$ 45,041
Buildings and improvements	9,306	5,271	14,577
Machinery and equipment	4,534	1,670	6,204
Transportation equipment	-	1,048	1,048
Infrastructure	-	16,501	16,501
Construction in progress	-	1,659	1,659
Roads	24,598	-	24,598
Sidewalks/Bikepaths	5,723	-	5,723
	<u>5,723</u>	<u>-</u>	<u>5,723</u>
Total	<u>\$ 65,868</u>	<u>\$ 49,483</u>	<u>\$ 115,351</u>

Additional information on the City's capital assets can be found in Note 8 on pages 63–66 of this report.

**Long-term debt.** At the end of the current fiscal year, the City had total bonds and notes outstanding of \$44,614. Of this amount, \$39,203 comprises debt backed by the full faith and credit of the government. The remainder, \$5,411, represents the City's bonds secured solely by specified revenue sources (i.e., revenue bonds).

**CITY OF SUPERIOR'S OUTSTANDING DEBT**

	Governmental		Business-Type		Total	
	Activities		Activities			
	2016	2015	2016	2015	2016	2015
G.O. bonds and notes	\$ 31,606	\$ 31,645	\$ 7,597	\$ 9,417	\$ 39,203	\$ 41,062
Revenue bonds	-	-	5,411	5,726	5,411	5,726
<b>Total</b>	<b>\$ 31,606</b>	<b>\$ 31,645</b>	<b>\$ 13,008</b>	<b>\$ 15,143</b>	<b>\$ 44,614</b>	<b>\$ 46,788</b>

The City's total bond and note payable debt decreased by \$2,174 (5 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 \$82,609, 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 9 on pages 66–70 of this report.

**Economic Factors**

- The unemployment rate for Douglas County is currently 5.2 percent. This compares to the state's average unemployment rate of 4.1 percent and the national average rate of 4.7 percent.
- The equalized value has increased an average of .60 percent per year over the last five years. Equalized value increased 1.3 percent between 2015 and 2016.

**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

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# City of Superior, Wisconsin

## Statement of Net Position

December 31, 2016

<i>Assets and Deferred Outflows of Resources</i>	Primary Government		
	Governmental Activities	Business-Type Activities	Total
Current assets:			
Cash and investments	\$ 32,624,247	\$ 5,396,295	\$ 38,020,542
Receivables:			
Property taxes	13,192,349	-	13,192,349
Accounts	1,400	3,665,220	3,666,620
Special assessments	10,238	279,239	289,477
Due from other governments	2,356,377	259,733	2,616,110
Other	434,738	374,219	808,957
Internal balances	(382,386)	382,386	-
Inventories	36,990	-	36,990
Prepays	65,283	3,700	68,983
Total current assets	48,339,236	10,360,792	58,700,028
Noncurrent assets:			
Restricted:			
Cash and investments	133,296	4,481,301	4,614,597
Loans receivable	6,704,334	-	6,704,334
Capital assets:			
Land	16,476,872	1,601,862	18,078,734
Construction in progress	321,340	5,105,983	5,427,323
Land improvements	9,334,533	31,316,855	40,651,388
Buildings and improvements	14,926,610	17,262,305	32,188,915
Machinery and equipment	18,076,049	10,290,099	28,366,148
Infrastructure	68,176,113	23,033,063	91,209,176
Accumulated depreciation	(63,784,205)	(35,816,518)	(99,600,723)
Total noncurrent assets	70,364,942	57,274,950	127,639,892
Total assets	118,704,178	67,635,742	186,339,920
Deferred outflows of resources:			
Deferred outflows related to pensions	10,632,118	1,664,704	12,296,822
Deferred amount on refunding	74,508	27,421	101,929
Total deferred outflows of resources	10,706,626	1,692,125	12,398,751
<b>TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>	<b>\$ 129,410,804</b>	<b>\$ 69,327,867</b>	<b>\$ 198,738,671</b>

<i>Liabilities, Deferred Inflows of Resources, and Net Position</i>	Primary Government		
	Governmental Activities	Business-Type Activities	Total
Liabilities:			
Current liabilities:			
Accounts payable	\$ 2,055,072	\$ 2,867,647	\$ 4,922,719
Claims payable	371,132	-	371,132
Accrued payroll	555,640	117,764	673,404
Accrued interest	283,701	51,402	335,103
Deposits	416,243	1,500	417,743
Due to other governments	53	-	53
Refundable grant advances	145,024	-	145,024
Unearned revenue	4,901	-	4,901
Current portion of long-term obligations:			
Accrued compensated absences	323,691	43,366	367,057
Bonds and notes payable	3,095,549	1,904,777	5,000,326
Total current liabilities	7,251,006	4,986,456	12,237,462
Noncurrent liabilities:			
Compensated absences	1,580,375	211,729	1,792,104
Bonds and notes payable	28,966,772	11,171,269	40,138,041
Net OPEB obligation	483,323	73,234	556,557
Net pension liability	1,905,671	293,126	2,198,797
Landfill closure and postclosure	-	6,947,309	6,947,309
Total noncurrent liabilities	32,936,141	18,696,667	51,632,808
Total liabilities	40,187,147	23,683,123	63,870,270
Deferred inflows of resources:			
Related to pensions	4,045,898	622,332	4,668,230
Property taxes for subsequent year	14,585,444	-	14,585,444
Total deferred inflows of resources	18,631,342	622,332	19,253,674
Net position:			
Net investment in capital assets	36,633,028	40,136,631	76,769,659
Restricted	14,496,804	1,510,967	16,007,771
Unrestricted	19,462,483	3,374,814	22,837,297
Total net position	70,592,315	45,022,412	115,614,727
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION</b>	<b>\$ 129,410,804</b>	<b>\$ 69,327,867</b>	<b>\$ 198,738,671</b>

See accompanying notes to basic financial statements.

# City of Superior, Wisconsin

## Statement of Activities

Year Ended December 31, 2016

Functions/Programs	Expenses
Primary government:	
Governmental activities:	
General government	\$ 3,763,762
Public safety	14,581,535
Public works	13,471,658
Health and human services	200,332
Culture, recreation, and education	3,620,034
Economic development	2,792,083
Interest and fiscal charges	993,329
Total governmental activities	39,422,733
Business-type activities:	
Sewerage system	6,250,637
Landfill utility	5,820,108
Stormwater utility	2,007,500
Golf course	158,014
Total business-type activities	14,236,259
Total primary government	\$ 53,658,992
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	
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
\$ 1,132,257	\$ 271,750	\$ 11,111	\$ (2,348,644)	\$ -	\$ (2,348,644)
1,064,532	418,813	314,806	(12,783,384)	-	(12,783,384)
57,831	737,926	1,968,351	(10,707,550)	-	(10,707,550)
2,090	-	40,000	(158,242)	-	(158,242)
1,054,876	2,261,689	-	(303,469)	-	(303,469)
317,717	694,985	52,530	(1,726,851)	-	(1,726,851)
-	-	-	(993,329)	-	(993,329)
3,629,303	4,385,163	2,386,798	(29,021,469)	-	(29,021,469)
7,462,747	60,214	-	-	1,272,324	1,272,324
6,026,497	95,939	-	-	302,328	302,328
2,222,152	670,087	-	-	884,739	884,739
126,289	-	-	-	(31,725)	(31,725)
15,837,685	826,240	-	-	2,427,666	2,427,666
\$ 19,466,988	\$ 5,211,403	\$ 2,386,798	(29,021,469)	2,427,666	(26,593,803)
			11,125,853	-	11,125,853
			3,207,000	-	3,207,000
			623,053	-	623,053
			13,667,172	-	13,667,172
			282,358	109,185	391,543
			1,165,542	78,218	1,243,760
			2,000	13	2,013
			216,228	(216,228)	-
			30,289,206	(28,812)	30,260,394
			1,267,737	2,398,854	3,666,591
			69,324,578	42,623,558	111,948,136
			\$ 70,592,315	\$ 45,022,412	\$ 115,614,727

See accompanying notes to basic financial statements.

# Fund Financial Statements

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# City of Superior, Wisconsin

## Balance Sheet – Governmental Funds

December 31, 2016

<i>Assets</i>	General Fund	Capital Improvement Program Fund	Tax Increment District No. 8	Other Governmental Funds	Total Governmental Funds
Cash and investments	\$ 13,292,415	\$ 8,729,131	\$ 35,779	\$ 5,174,107	\$ 27,231,432
Receivables:					
Property taxes	13,192,349	-	-	-	13,192,349
Accounts	-	-	-	1,400	1,400
Special assessments	737	-	-	9,501	10,238
Loans	-	-	2,615,000	4,089,334	6,704,334
Other	194,962	4,141	79,540	156,095	434,738
Due from other funds	254,259	-	-	3,929,956	4,184,215
Due from other governments	104,366	62,876	-	2,159,255	2,326,497
Inventories	36,990	-	-	-	36,990
Restricted assets, cash and investments	-	-	-	133,296	133,296
Long-term interfund receivable	375,989	-	-	-	375,989
<b>TOTAL ASSETS</b>	<b>\$ 27,452,067</b>	<b>\$ 8,796,148</b>	<b>\$ 2,730,319</b>	<b>\$ 15,652,944</b>	<b>\$ 54,631,478</b>
<i>Liabilities, Deferred Inflows of Resources, and Fund Balances (Deficits)</i>					
Liabilities:					
Accounts payable	\$ 644,735	\$ 421,885	\$ 39,770	\$ 934,962	\$ 2,041,352
Accrued compensation	485,430	-	-	59,813	545,243
Due to other funds	4,566,472	-	5,000	245,999	4,817,471
Due to other governments	53	-	-	-	53
Custodial deposits	371,078	-	8,700	36,465	416,243
Refundable grant advances	-	-	-	145,024	145,024
Unearned revenue	-	-	-	4,901	4,901
Total liabilities	6,067,768	421,885	53,470	1,427,164	7,970,287
Deferred inflows of resources:					
Property taxes for subsequent year	10,917,578	-	-	3,667,866	14,585,444
Unavailable revenue - Special assessments	138,067	-	-	20,591	158,658
Unavailable revenue - Loans	-	-	2,615,000	941,104	3,556,104
Unavailable revenue - Advances to other funds	375,989	-	-	-	375,989
Total deferred inflows of resources	11,431,634	-	2,615,000	4,629,561	18,676,195
Fund balances (deficits):					
Nonspendable	36,990	-	-	100,000	136,990
Restricted	-	8,374,263	61,849	7,127,121	15,563,233
Committed	-	-	-	121,617	121,617
Assigned	-	-	-	2,507,616	2,507,616
Unassigned	9,915,675	-	-	(260,135)	9,655,540
Total fund balances (deficits)	9,952,665	8,374,263	61,849	9,596,219	27,984,996
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES (DEFICITS)</b>	<b>\$ 27,452,067</b>	<b>\$ 8,796,148</b>	<b>\$ 2,730,319</b>	<b>\$ 15,652,944</b>	<b>\$ 54,631,478</b>

# City of Superior, Wisconsin

## Balance Sheet – Governmental Funds (Continued)

December 31, 2016

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

Total fund balances - Governmental funds (previous page)	\$	27,984,996
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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	\$ 127,311,517	
Governmental accumulated depreciation	(63,784,205)	63,527,312

The net pension liability and the deferred outflows of resources and deferred inflows of resources related to pensions are only reported in the statement of net position:

Net pension liability	(1,878,851)	
Deferred outflows of resources related to pensions	10,482,642	
Deferred inflows of resources related to pensions	(3,988,958)	4,614,833

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 funds are included in the governmental activities in the statement of net position.

4,977,528

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.

4,090,751

Contributions made for Other Postemployment Benefits (OPEB) below the Annual Required Contribution (ARC) are reported as a Net OPEB Obligation in the statement of net position.

(475,036)

Unpaid compensated absences are a liability of the governmental funds only if the employee has resigned or retired.

(1,856,555)

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	32,062,321	
Deferred amount of refunding	(74,508)	
Accrued interest on long-term debt	283,701	(32,271,514)

<b>Total net position - Governmental activities</b>	<b>\$</b>	<b>70,592,315</b>
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# City of Superior, Wisconsin

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

Year Ended December 31, 2016

	General Fund	Capital Improvement Program Fund	Tax Increment District No. 8	Other Governmental Funds	Total Governmental Funds
Revenues:					
Taxes	\$ 10,978,483	\$ -	\$ -	\$ 3,966,268	\$ 14,944,751
Special assessments	13,146	-	-	38,758	51,904
Intergovernmental revenues	12,277,551	3,410,805	-	4,467,621	20,155,977
Licenses and permits	755,659	51,528	-	-	807,187
Fines, forfeitures, and penalties	279,821	-	-	19,445	299,266
Public charges for services	143,636	11,931	-	1,179,641	1,335,208
Intergovernmental charges	278,346	20,563	-	216,185	515,094
Investment income	107,384	60,508	39,770	26,288	233,950
Miscellaneous	820,058	366,917	-	360,367	1,547,342
<b>Total revenues</b>	<b>25,654,084</b>	<b>3,922,252</b>	<b>39,770</b>	<b>10,274,573</b>	<b>39,890,679</b>
Expenditures:					
Current:					
General government	3,091,065	5,700	-	2,000	3,098,765
Public safety	11,900,993	-	-	1,048,585	12,949,578
Public works	6,309,719	16,866	-	59,566	6,386,151
Health and human services	200,332	-	-	-	200,332
Culture and recreation	1,423,925	-	-	1,421,698	2,845,623
Economic development	164,738	20,343	4,527	2,142,030	2,331,638
Capital outlay	78,442	2,944,131	-	3,002,739	6,025,312
Debt service:					
Principal retirement	-	-	-	2,868,968	2,868,968
Interest expense	-	85,370	-	974,397	1,059,767
<b>Total expenditures</b>	<b>23,169,214</b>	<b>3,072,410</b>	<b>4,527</b>	<b>11,519,983</b>	<b>37,766,134</b>
<b>Excess of revenues over (under) expenditures</b>	<b>2,484,870</b>	<b>849,842</b>	<b>35,243</b>	<b>(1,245,410)</b>	<b>2,124,545</b>
Other financing sources (uses):					
Issuance of long-term debt	-	2,835,000	-	-	2,835,000
Transfers in	217,224	650,314	-	2,427,781	3,295,319
Transfers out	(1,914,703)	(89,579)	-	(1,149,809)	(3,154,091)
Premium on debt issuance	-	92,590	-	-	92,590
<b>Net other financing sources (uses)</b>	<b>(1,697,479)</b>	<b>3,488,325</b>	<b>-</b>	<b>1,277,972</b>	<b>3,068,818</b>
Change in fund balances	787,391	4,338,167	35,243	32,562	5,193,363
Fund balances at beginning	9,165,274	4,036,096	26,606	9,563,657	22,791,633
<b>Fund balances at end</b>	<b>\$ 9,952,665</b>	<b>\$ 8,374,263</b>	<b>\$ 61,849</b>	<b>\$ 9,596,219</b>	<b>\$ 27,984,996</b>

See accompanying notes to basic financial statements.

# City of Superior, Wisconsin

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

Year Ended December 31, 2016

Total net change in fund balances - Governmental funds	\$ 5,193,363
Amounts reported for governmental activities in the statement of activities are different because:	
<p>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.</p>	
Capital outlays reported in governmental fund statements	\$ 1,430,015
Depreciation expense reported in the statement of activities	(3,764,821)
<hr/>	
Amount by which capital outlays are less than depreciation in the current year	(2,334,806)
<p>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.</p>	
	202,303
<p>The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins, and donations) is to decrease net position.</p>	
	(5,644)
<p>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.</p>	
	(136,019)
<p>Unpaid vacation and sick pay is a liability of the governmental funds only if the employee has resigned or retired.</p>	
Amount by which the liability for sick pay changed in the current year	(89,761)
<p>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.</p>	
Increase in net OPEB obligation	(217,645)
<p>Vested employee 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.</p>	
Change in net pension asset - WRS	(2,803,625)
Change in net pension liability - WRS	(1,878,851)
Change in deferred outflows of resources related to pensions	7,318,083
Change in deferred inflows of resources related to pensions	(3,988,958)
<hr/>	
Amounts paid are less than amounts earned	(1,353,351)

# City of Superior, Wisconsin

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

Year Ended December 31, 2016

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

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 \$ 2,874,087

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 (2,835,000)

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 (71,291)

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 41,501

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**Change in net position - Governmental activities** \$ 1,267,737

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# City of Superior, Wisconsin

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

Year Ended December 31, 2016

	Original Budget	Final Budget	Actual	Variance With Final Budget Positive (Negative)
Revenues:				
Taxes:				
Current and delinquent general real estate and personal property	\$ 10,238,207	\$ 10,238,207	\$ 10,215,333	\$ (22,874)
Occupational	605,550	605,550	604,020	(1,530)
Mobile home fees	58,000	58,000	52,313	(5,687)
Other	119,000	119,000	106,817	(12,183)
	11,020,757	11,020,757	10,978,483	(42,274)
Special assessments - Current, deferred, and delinquent	10,200	10,200	13,146	2,946
Intergovernmental revenues:				
Federal grants	452,000	452,000	458,085	6,085
State shared revenues	7,878,022	7,878,022	7,901,432	23,410
Fire insurance	65,650	65,650	67,629	1,979
Terminal taxes	1,795,200	1,795,200	1,626,468	(168,732)
State grants, mass transit	370,148	370,148	366,272	(3,876)
State grants, other	-	-	11,167	11,167
Local street and road state aid	1,201,000	1,201,000	1,201,000	-
Connecting streets	311,080	311,080	309,266	(1,814)
Payment for municipal services	260,000	260,000	300,723	40,723
Computer exemption credit	32,320	32,320	35,509	3,189
	12,365,420	12,365,420	12,277,551	(87,869)



# City of Superior, Wisconsin

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

Year Ended December 31, 2016

	Original Budget	Final Budget	Actual	Variance With Final Budget Positive (Negative)
Revenues: (Continued)				
Licenses and permits:				
Licenses:				
Amusement devices	\$ 6,300	\$ 6,300	\$ 7,021	\$ 721
Cigarette	4,000	4,000	4,300	300
Dog	2,400	2,400	2,090	(310)
Liquor and beer	69,000	69,000	62,390	(6,610)
Public carrier	2,600	2,600	4,950	2,350
Hotel/motel rooming	1,050	1,050	1,163	113
Tavern operator	13,000	13,000	15,515	2,515
Other	30,400	30,400	26,034	(4,366)
Permits:				
Building	200,000	200,000	253,853	53,853
Plumbing	40,000	40,000	25,271	(14,729)
Other permits	25,000	25,000	24,331	(669)
Electrical	25,000	25,000	50,950	25,950
Razing/moving	500	500	150	(350)
Curb cut/erector	1,000	1,000	1,506	506
Other inspection fees	3,590	3,590	4,385	795
Franchise fees	270,890	270,890	271,750	860
	694,730	694,730	755,659	60,929
Fines, forfeitures, and penalties:				
Parking violations	100,000	100,000	90,931	(9,069)
Other law and ordinance violations	181,000	181,000	188,890	7,890
	281,000	281,000	279,821	(1,179)

# City of Superior, Wisconsin

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

Year Ended December 31, 2016

	Original Budget	Final Budget	Actual	Variance With Final Budget Positive (Negative)
Revenues: (Continued)				
Public charges for services:				
Airport	\$ 46,350	\$ 46,350	\$ 52,876	\$ 6,526
City clerk	200	200	3,613	3,413
Police department	5,600	5,600	5,778	178
Fire department	65,488	65,488	74,286	8,798
Culture, recreation, and education	4,000	4,000	7,083	3,083
	121,638	121,638	143,636	21,998
Intergovernmental charges:				
Equipment depot	191,580	191,580	177,796	(13,784)
Revenue from local governments	89,160	89,160	100,550	11,390
	280,740	280,740	278,346	(2,394)
Investment income	263,000	263,000	107,384	(155,616)
Miscellaneous revenue:				
Rent	556,220	556,220	525,439	(30,781)
Property sales	-	-	6,820	6,820
Insurance recoveries	30,900	30,900	36,801	5,901
Other	185,000	185,000	250,998	65,998
	772,120	772,120	820,058	47,938
Total revenues	25,809,605	25,809,605	25,654,084	(155,521)

# City of Superior, Wisconsin

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

Year Ended December 31, 2016

	Original Budget	Final Budget	Actual	Variance With Final Budget Positive (Negative)
Expenditures:				
General government:				
City council	\$ 146,253	\$ 146,253	\$ 149,903	\$ (3,650)
Mayor	229,308	229,308	215,874	13,434
City attorney	298,093	298,093	280,521	17,572
City clerk	265,723	265,723	280,978	(15,255)
Finance	708,486	708,486	683,297	25,189
Assessor	342,172	342,172	337,295	4,877
Buildings and grounds	735,843	735,843	692,305	43,538
Human resources	245,343	245,343	238,441	6,902
Elections	63,126	63,126	75,260	(12,134)
Judgments, losses, and unallocated	810,116	523,816	137,191	386,625
	3,844,463	3,558,163	3,091,065	467,098
Public safety:				
Police department	7,123,802	7,210,102	7,192,008	18,094
Fire department	4,111,872	4,111,872	4,110,893	979
Building inspection	635,965	655,965	598,092	57,873
	11,871,639	11,977,939	11,900,993	76,946
Public works:				
Mass transit	1,418,880	1,418,880	1,242,041	176,839
Administration and engineering	439,402	439,402	448,083	(8,681)
Street division	2,839,068	2,839,068	2,572,497	266,571
Airport	93,683	93,683	83,405	10,278
Traffic signals and signs	281,617	281,617	350,389	(68,772)
Equipment depot	1,896,722	1,896,722	1,613,304	283,418
	6,969,372	6,969,372	6,309,719	659,653

# City of Superior, Wisconsin

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

Year Ended December 31, 2016

	Original Budget	Final Budget	Actual	Variance With Final Budget Positive (Negative)
Expenditures: (Continued)				
Health and human services:				
Animal shelter	\$ 203,351	\$ 203,351	\$ 151,632	\$ 51,719
Other	48,700	48,700	48,700	-
	252,051	252,051	200,332	51,719
Culture and recreation:				
Recreation programs and events	503,951	503,951	442,676	61,275
Parks, trees, and boulevards	860,812	860,812	818,015	42,797
Superior public museums	163,234	163,234	163,234	-
	1,527,997	1,527,997	1,423,925	104,072
Economic development:				
Planning and development	204,454	204,454	164,738	39,716
Capital outlay	114,500	114,500	78,442	36,058
Total expenditures	24,784,476	24,604,476	23,169,214	1,435,262
Excess of revenues over expenditures	1,025,129	1,205,129	2,484,870	1,279,741
Other financing sources (uses):				
Transfers in	257,500	257,500	217,224	(40,276)
Transfers out	(1,282,629)	(1,462,629)	(1,914,703)	(452,074)
Net other financing uses	(1,025,129)	(1,205,129)	(1,697,479)	(492,350)
Excess of revenues and other financing sources over expenditures and other financing uses	\$ -	\$ -	\$ 787,391	\$ 787,391

# City of Superior, Wisconsin

## Statement of Net Position—Proprietary Funds

December 31, 2016

<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	\$ 3,113,032	\$ 864,014	\$ 1,419,249	\$ -	\$ 5,396,295	\$ 5,392,815
Receivables:						
Accounts	2,078,785	866,653	719,782	-	3,665,220	-
Special assessments	205,203	8,064	65,972	-	279,239	-
Due from other governments	61,557	-	198,176	-	259,733	29,880
Other	24,219	350,000	-	-	374,219	-
Due from other funds	677,298	99,445	110,772	-	887,515	-
Prepays	3,700	-	-	-	3,700	65,283
<b>Total current assets</b>	<b>6,163,794</b>	<b>2,188,176</b>	<b>2,513,951</b>	<b>-</b>	<b>10,865,921</b>	<b>5,487,978</b>
Noncurrent assets:						
Restricted deposits	1,510,967	2,970,334	-	-	4,481,301	-
Capital assets:						
Land	-	61,240	246,622	1,294,000	1,601,862	-
Construction in progress	2,787,139	-	2,318,844	-	5,105,983	-
Land improvements	-	17,783,813	11,870,161	1,662,881	31,316,855	-
Buildings and improvements	16,333,073	178,714	-	750,518	17,262,305	-
Machinery and equipment	6,193,622	3,455,515	377,426	263,536	10,290,099	-
Infrastructure	23,033,063	-	-	-	23,033,063	-
Accumulated depreciation	(22,352,973)	(9,913,082)	(1,477,846)	(2,072,617)	(35,816,518)	-
<b>Total noncurrent assets</b>	<b>27,504,891</b>	<b>14,536,534</b>	<b>13,335,207</b>	<b>1,898,318</b>	<b>57,274,950</b>	<b>-</b>
<b>Total assets</b>	<b>33,668,685</b>	<b>16,724,710</b>	<b>15,849,158</b>	<b>1,898,318</b>	<b>68,140,871</b>	<b>5,487,978</b>
Deferred outflows of resources:						
Deferred outflows related to pensions	895,867	424,175	344,662	-	1,664,704	149,476
Deferred amount on refunding	27,421	-	-	-	27,421	-
<b>Total deferred outflows of resources</b>	<b>923,288</b>	<b>424,175</b>	<b>344,662</b>	<b>-</b>	<b>1,692,125</b>	<b>149,476</b>
<b>TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>	<b>\$ 34,591,973</b>	<b>\$ 17,148,885</b>	<b>\$ 16,193,820</b>	<b>\$ 1,898,318</b>	<b>\$ 69,832,996</b>	<b>\$ 5,637,454</b>

<i>Liabilities, Deferred Inflows of Resources, and Net Position</i>	Business-Type Activities - Enterprise Funds					Governmental
	Sewerage	Landfill	Stormwater	Golf	Total	Activities
	System Fund	Utility Fund	Utility Fund	Course Fund		Internal Service Fund
Current liabilities:						
Accounts payable	\$ 1,706,412	\$ 1,020,869	\$ 136,962	\$ 3,404	\$ 2,867,647	\$ 13,720
Claims payable	-	-	-	-	-	371,132
Accrued payroll	61,337	29,757	26,670	-	117,764	10,397
Accrued interest	17,316	16,833	15,975	1,278	51,402	-
Deposits	-	-	-	1,500	1,500	-
Due to other funds	-	-	-	254,259	254,259	-
Current portion of interfund payable	-	-	-	70,759	70,759	-
Current portion of long-term obligations:						
Accrued compensated absences	17,332	13,168	12,866	-	43,366	8,077
Bonds and notes payable	666,682	890,168	340,642	7,285	1,904,777	-
<b>Total current liabilities</b>	<b>2,469,079</b>	<b>1,970,795</b>	<b>533,115</b>	<b>338,485</b>	<b>5,311,474</b>	<b>403,326</b>
Long-term liabilities:						
Long-term interfund payable	-	-	-	305,229	305,229	-
Accrued compensated absences	84,621	64,289	62,819	-	211,729	39,434
Bonds and notes payable	2,961,995	4,513,358	3,642,336	53,580	11,171,269	-
Net OPEB obligation	36,652	18,253	18,329	-	73,234	8,287
Net pension liability	158,006	75,562	59,558	-	293,126	26,820
Landfill closure and postclosure liability	-	6,947,309	-	-	6,947,309	-
<b>Total long-term liabilities</b>	<b>3,241,274</b>	<b>11,618,771</b>	<b>3,783,042</b>	<b>358,809</b>	<b>19,001,896</b>	<b>74,541</b>
<b>Total liabilities</b>	<b>5,710,353</b>	<b>13,589,566</b>	<b>4,316,157</b>	<b>697,294</b>	<b>24,313,370</b>	<b>477,867</b>
Deferred inflows related to pensions	335,462	160,424	126,446	-	622,332	56,940
Net position:						
Net investment in capital assets	22,638,458	6,247,626	9,352,229	1,898,318	40,136,631	-
Restricted	1,510,967	-	-	-	1,510,967	-
Unrestricted	4,396,733	(2,848,731)	2,398,988	(697,294)	3,249,696	5,102,647
<b>Total net position</b>	<b>28,546,158</b>	<b>3,398,895</b>	<b>11,751,217</b>	<b>1,201,024</b>	<b>44,897,294</b>	<b>5,102,647</b>
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds					125,118	
Net position business-type activities					45,022,412	
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION</b>	<b>\$ 34,591,973</b>	<b>\$ 17,148,885</b>	<b>\$ 16,193,820</b>	<b>\$ 1,898,318</b>	<b>\$ 69,832,996</b>	<b>\$ 5,637,454</b>

See accompanying notes to basic financial statements.

# City of Superior, Wisconsin

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

Year Ended December 31, 2016

	Business-Type Activities - Enterprise Funds					Governmental Activities Internal Service Fund
	Sewerage System Fund	Landfill Utility Fund	Stormwater Utility Fund	Golf Course Fund	Total	
Operating revenues:						
Charges for services	\$ 6,354,035	\$ 5,863,946	\$ 2,089,681	\$ -	\$ 14,307,662	\$ 5,757,190
Rental fees	-	-	-	120,000	120,000	-
Other	1,108,712	162,551	132,471	6,289	1,410,023	1,334,375
<b>Total operating revenues</b>	<b>7,462,747</b>	<b>6,026,497</b>	<b>2,222,152</b>	<b>126,289</b>	<b>15,837,685</b>	<b>7,091,565</b>
Operating expenses:						
Personal services	2,661,614	1,171,927	975,965	-	4,809,506	868,060
Services and operations	2,378,021	2,919,724	652,413	51,792	6,001,950	1,730,496
Insurance claims and premiums	-	-	-	-	-	4,407,670
<b>Total operating expenses</b>	<b>5,039,635</b>	<b>4,091,651</b>	<b>1,628,378</b>	<b>51,792</b>	<b>10,811,456</b>	<b>7,006,226</b>
Operating income (loss) before depreciation	2,423,112	1,934,846	593,774	74,497	5,026,229	85,339
Depreciation	1,102,319	1,565,875	276,396	91,263	3,035,853	-
<b>Operating income (loss)</b>	<b>1,320,793</b>	<b>368,971</b>	<b>317,378</b>	<b>(16,766)</b>	<b>1,990,376</b>	<b>85,339</b>
Nonoperating revenues (expenses):						
Intergovernmental revenue	-	95,939	670,087	-	766,026	-
Other nonoperating revenues	-	46,193	32,025	-	78,218	-
Interest and amortization expense	(105,221)	(162,714)	(103,532)	(14,959)	(386,426)	(1,481)
Interest income	62,675	24,090	22,398	22	109,185	48,408
Gain (loss) on sale of fixed assets	(7,487)	13	-	-	(7,474)	-
<b>Total nonoperating revenues (expenses)</b>	<b>(50,033)</b>	<b>3,521</b>	<b>620,978</b>	<b>(14,937)</b>	<b>559,529</b>	<b>46,927</b>
Income (loss) before contributions and transfers	1,270,760	372,492	938,356	(31,703)	2,549,905	132,266
Capital contributions	60,214	-	-	-	60,214	-
Transfers in	-	7,782	-	-	7,782	75,000
Transfers out	(49,233)	(167,991)	-	(6,786)	(224,010)	-
<b>Change in net position</b>	<b>1,281,741</b>	<b>212,283</b>	<b>938,356</b>	<b>(38,489)</b>	<b>2,393,891</b>	<b>207,266</b>
<b>Net position at beginning</b>	<b>27,264,417</b>	<b>3,186,612</b>	<b>10,812,861</b>	<b>1,239,513</b>		<b>4,895,381</b>
<b>Net position at end</b>	<b>\$ 28,546,158</b>	<b>\$ 3,398,895</b>	<b>\$ 11,751,217</b>	<b>\$ 1,201,024</b>		<b>\$ 5,102,647</b>
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds					4,963	
Change in net position of business-type activities					<u>\$ 2,398,854</u>	

See accompanying notes to basic financial statements.

# City of Superior, Wisconsin

## Statement of Cash Flows — Proprietary Funds

Year Ended December 31, 2016

	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	\$ 7,332,311	\$ 5,328,423	\$ 2,407,818	\$ 126,511	\$ 15,195,063	\$ 7,149,278
Cash paid to suppliers for goods and services	(1,177,041)	(2,908,499)	(644,488)	(87,941)	(4,817,969)	(6,149,908)
Cash paid to employees for services	(2,585,765)	(1,134,596)	(925,270)	-	(4,645,631)	(881,896)
<b>Net cash provided by operating activities</b>	<b>3,569,505</b>	<b>1,285,328</b>	<b>838,060</b>	<b>38,570</b>	<b>5,731,463</b>	<b>117,474</b>
Cash flows from noncapital financing activities:						
Intergovernmental revenue	-	95,939	525,911	-	621,850	-
Other miscellaneous revenue	-	46,193	32,025	-	78,218	-
Decrease (Increase) in due from other funds	147,822	(60,435)	12,354	-	99,741	-
Increase in due to other funds	-	-	-	58,359	58,359	-
Principal paid on long-term debt	(28,470)	(9,840)	-	(7,050)	(45,360)	-
Interest paid on long-term debt	(8,242)	(2,849)	-	(2,041)	(13,132)	-
Transfers in from other funds	-	7,782	-	-	7,782	75,000
Transfers out to other funds	(49,233)	(167,991)	-	(6,786)	(224,010)	-
<b>Net cash provided by (used in) noncapital financing activities</b>	<b>61,877</b>	<b>(91,201)</b>	<b>570,290</b>	<b>42,482</b>	<b>583,448</b>	<b>75,000</b>
Cash flows from capital and related financing activities:						
Acquisition and construction of capital assets	(3,813,000)	-	(2,541,060)	-	(6,354,060)	-
Proceeds from sale of capital assets	-	13	-	-	13	-
Capital contributions	60,214	-	-	-	60,214	-
Principal paid on long-term interfund payable	-	-	-	(68,673)	(68,673)	-
Interest paid on long-term interfund payable	-	-	-	(12,401)	(12,401)	-
Principal paid on long-term debt	(888,577)	(870,000)	(330,579)	-	(2,089,156)	-
Interest paid on long-term debt	(95,578)	(172,811)	(115,280)	-	(383,669)	(1,480)
<b>Net cash used in capital and related financing activities</b>	<b>(4,736,941)</b>	<b>(1,042,798)</b>	<b>(2,986,919)</b>	<b>(81,074)</b>	<b>(8,847,732)</b>	<b>(1,480)</b>



# City of Superior, Wisconsin

## Statement of Cash Flows — Proprietary Funds (Continued)

Year Ended December 31, 2016

	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 investing activities:						
Interest received	\$ 62,675	\$ 24,090	\$ 22,398	\$ 22	\$ 109,185	\$ 48,408
Increase in restricted deposits	-	(10,445)	-	-	(10,445)	-
Net cash provided by investing activities	62,675	13,645	22,398	22	98,740	48,408
Net increase (decrease) in cash and cash equivalents	(1,042,884)	164,974	(1,556,171)	-	(2,434,081)	239,402
Cash and cash equivalents at beginning of the year	5,666,883	699,040	2,975,420	-	9,341,343	5,153,413
Cash and cash equivalents at end of the year	\$ 4,623,999	\$ 864,014	\$ 1,419,249	\$ -	\$ 6,907,262	\$ 5,392,815
Reconciliation:						
Cash and investments	\$ 3,113,032	\$ 864,014	\$ 1,419,249	\$ -	\$ 5,396,295	\$ 5,392,815
Restricted deposits	1,510,967	-	-	-	1,510,967	-
Cash and cash equivalents	\$ 4,623,999	\$ 864,014	\$ 1,419,249	\$ -	\$ 6,907,262	\$ 5,392,815

# City of Superior, Wisconsin

## Statement of Cash Flows — Proprietary Funds (Continued)

Year Ended December 31, 2016

	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 (loss) to net cash provided by operating activities:						
Operating income (loss)	\$ 1,320,793	\$ 368,971	\$ 317,378	\$ (16,766)	\$ 1,990,376	\$ 85,339
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:						
Provision for depreciation and amortization	1,102,319	1,565,875	276,396	91,263	3,035,853	-
Changes in operating assets and liabilities:						
Decrease (increase) in accounts receivable	(69,236)	(698,074)	185,666	222	(581,422)	-
Decrease (increase) in due from other governments	(61,200)	-	-	-	(61,200)	57,713
Decrease (increase) in prepayments	(3,700)	-	-	-	(3,700)	7,360
Increase in net OPEB obligation	738	14,580	18,329	-	33,647	1,621
Decrease in net pension asset	231,835	113,974	81,786	-	427,595	39,292
Increase in net pension liability	158,006	75,562	59,558	-	293,126	26,820
Increase in deferred outflows related to pensions	(646,841)	(306,938)	(255,435)	-	(1,209,214)	(108,060)
Increase in deferred inflows related to pensions	335,462	160,424	126,446	-	622,332	56,940
Increase (decrease) in accounts payable	1,125,480	(244,957)	(22,759)	(20,094)	837,670	(158,933)
Increase (decrease) in accrued expenses	75,849	37,331	50,695	-	163,875	(13,836)
Decrease in custodial deposits	-	-	-	(16,055)	(16,055)	-
Decrease in due to other governments	-	(12,638)	-	-	(12,638)	-
Increase in claims payable	-	-	-	-	-	123,218
Increase in landfill closure and postclosure liability	-	211,218	-	-	211,218	-
Total adjustments	2,248,712	916,357	520,682	55,336	3,741,087	32,135
Net cash provided by operating activities	\$ 3,569,505	\$ 1,285,328	\$ 838,060	\$ 38,570	\$ 5,731,463	\$ 117,474

See accompanying notes to basic financial statements.

# City of Superior, Wisconsin

## Statement of Assets and Liabilities — Fiduciary Fund

December 31, 2016

<i>Assets</i>	Agency Fund Tax Collection
Cash and investments	\$ 1,172,318
Taxes receivable	24,878,664
<b>TOTAL ASSETS</b>	<b>\$ 26,050,982</b>
<i>Liabilities</i>	
Liabilities:	
Due to other governments	\$ 26,050,982
<b>TOTAL LIABILITIES</b>	<b>\$ 26,050,982</b>

# City of Superior, Wisconsin

## Notes to Basic Financial Statements

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### 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.

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.

# City of Superior, Wisconsin

## Notes to Basic Financial Statements

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

#### **The Financial Reporting Entity** (Continued)

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, 2016, and for the year then ended, the Authority had no financial position or results of operations to report.

#### **New Accounting Pronouncement**

Management adopted new accounting guidance GASB Statement No. 72, *Fair Value Measurement and Application*. This statement provides guidance for determining a fair value measurement for financial reporting purposes and provides guidance for applying fair value to certain investments and disclosures related to all fair value measurements.

#### **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.

# City of Superior, Wisconsin

## Notes to Basic Financial Statements

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

#### **Basis of Presentation** (Continued)

##### *Government-Wide Financial Statements* (Continued)

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.

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.

# City of Superior, Wisconsin

## Notes to Basic Financial Statements

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

#### **Basis of Presentation** (Continued)

##### *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.

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

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### 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 support 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

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### 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.

Tax Increment District No. 8 Fund

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

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### 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  
CDBG Revolving Loan Fund  
Home SF Grant 2006-2008 Fund  
Economic Development Fund  
Business Improvement District Fund  
Superior Business Center Fund  
Fire Department PPP Fund  
UDAG CD Loan Fund  
Neighborhood Improvement Fund

# City of Superior, Wisconsin

## Notes to Basic Financial Statements

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### 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. 9 Fund  
Tax Increment District No. 11 Fund  
Fraser Dock Rehabilitation Project Fund  
The Hallet Dock Capital Project Fund  
Barkers Island Marina Improvement Fund  
Kestrel Project Fund  
Tax Increment District No. 12 Fund  
June 2012 Rain Event Fund  
Tax Increment District No. 13 Fund

##### Debt Service Funds

2008A TIF No. 9 Portion Fund  
2008A CIP Bonds Fund  
2009A TIF No. 7 Portion Fund  
2009A TIF No. 8 Portion Fund

# City of Superior, Wisconsin

## Notes to Basic Financial Statements

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

#### **Basis of Presentation** (Continued)

#### Debt Service Funds (Continued)

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

Debt Service 2014A

Debt Service 2015A

Debt Service 2016A

Debt Service 2016B

#### Nonmajor Proprietary Fund

Golf Course Fund

# City of Superior, Wisconsin

## Notes to Basic Financial Statements

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### 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.

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).

# City of Superior, Wisconsin

## Notes to Basic Financial Statements

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

#### **Basis of Accounting** (Continued)

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 governmental funds.

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.

#### **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.

# City of Superior, Wisconsin

## Notes to Basic Financial Statements

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

#### **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.

#### **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.

# City of Superior, Wisconsin

## Notes to Basic Financial Statements

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

#### **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.

#### **Fair Value Measurements**

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. A three-tier hierarchy prioritizes the inputs used in measuring fair value. These tiers include Level 1, defined as quoted market prices in active markets for identical assets or liabilities; Level 2, defined as inputs other than quoted market prices in active markets that are either directly or indirectly observable; and Level 3, defined as unobservable inputs therefore, requiring an entity to develop its own assumptions. The asset's or liability's fair value measurement within the hierarchy is based on techniques that maximize the use of relevant observable inputs and minimizes the use of unobservable inputs.

#### **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 2015 tax levy is budgeted as property tax revenue for the year 2016 and is recognized as revenue in 2016 to the extent available. Real property tax assessments for the 2015 tax levy were based on assessed valuations as of January 1, 2015. The City levied property taxes pursuant to law in December 2015, 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.



# City of Superior, Wisconsin

## Notes to Basic Financial Statements

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

#### **Receivables and Revenue Recognition** (Continued)

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.

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.

# City of Superior, Wisconsin

## Notes to Basic Financial Statements

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

#### **Prepays**

Payments made to vendors for services that will benefit periods beyond December 31, 2016, are recorded as prepayments. The costs of these governmental fund type services are recorded as expenditures when consumed rather than when purchased.

#### **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

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

#### **Restricted Assets**

Restricted assets are cash, cash equivalents, and investments, whose use is limited by legal requirements such as a bond indenture or asset in an irrevocable trust.

#### **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

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### 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 and each reports its proportionate share of the collective deferred outflows of resources related to pensions and the City's contributions to pension plans subsequent to the measurement date of the collective net pension liability (asset).

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 three 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 long-term interfund receivables. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. The third is the deferred inflows of resources for the City's proportionate share of the collective deferred inflows of resources related to pensions.

#### **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

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

#### **Pension Plan**

For purposes of measuring the net pension liability (asset), deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Wisconsin Retirement System (WRS) and additions to/deductions from WRS' fiduciary net position have been determined on the same basis as they are reported by WRS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

#### **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

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### 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 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.

*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.

# City of Superior, Wisconsin

## Notes to Basic Financial Statements

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

#### **Fund Balances** (Continued)

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 July 6, 2017, 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:			
City council	\$ 146,253	\$ 149,903	\$ 3,650
City clerk	265,723	280,978	15,255
Elections	63,126	75,260	12,134
Administration and engineering	439,402	448,083	8,681
Traffic signals and signs	281,617	350,389	68,772

#### Deficit Fund Equity

The following deficits will be eliminated by future operations:

	Deficit Fund Equity
Communications Center Fund	\$ 600
Tax Increment District No. 11 Fund	189,017
Fraser Dock Rehabilitation Project Fund	5,269
Tax Increment District No. 12 Fund	20,188
Tax Increment District No. 13 Fund	45,061
<b>Total</b>	<b>\$ 260,135</b>



# 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 \$6,746,357 and the bank balance was \$7,464,316. As of December 31, 2016, none of the City's deposits were exposed to custodial credit risk.

#### 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, 2016, is as follows:

	Total	Remaining Maturity (in years)			
		0-1	1-5	5-10	More Than 10
State LGIP	\$ 9,702,280	\$ 9,702,280	\$ -	\$ -	\$ -
Money Market Accounts	922,961	922,961	-	-	-
Negotiable CDs	12,309,023	3,273,916	9,035,107	-	-
U.S. Treasury Notes	588,350	264,702	323,648	-	-
FFCB	655,882	-	655,882	-	-
FHLB	4,336,355	-	2,334,975	2,001,380	-
FHLMC	3,495,195	-	564,911	2,930,284	-
FNMA	5,051,054	-	597,654	4,453,400	-
<b>Totals</b>	<b>\$ 37,061,100</b>	<b>\$ 14,163,859</b>	<b>\$ 13,512,177</b>	<b>\$ 9,385,064</b>	<b>\$ -</b>

# City of Superior, Wisconsin

## Notes to Basic Financial Statements

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### 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, 2016, 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 \$2,970,334 are as follows:

<u>Issuer</u>	<u>Reported Amount</u>
FFCB	\$ 296,404
FHLB	323,152
FHLMC	299,103
FNMA	597,654

# City of Superior, Wisconsin

## Notes to Basic Financial Statements

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### 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, 2016, the City's investments subject to custodial credit risk are \$26,358,820.

The City's cash and investment balances at December 31, 2016, were as follows:

Cash deposits	\$ 6,746,357
Investments:	
Money Market Accounts	922,961
State of Wisconsin Local Government Investment Pool	9,702,280
Negotiable CDs	12,309,023
U.S. Treasury Notes	588,350
FFCB	655,882
FHLB	4,336,355
FHLMC	3,495,195
FNMA	5,051,054
<hr/>	
Total cash and investments	<hr/> <hr/> \$ 43,807,457

# City of Superior, Wisconsin

## Notes to Basic Financial Statements

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### 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	\$ 32,624,247
Cash and investments - Business-type activities	5,396,295
Restricted deposits - Governmental activities	133,296
Restricted deposits - Business-type activities	4,481,301
Cash and investments - Tax Collection Agency Fund	1,172,318
	<hr/>
	\$ 43,807,457

The City is a participant in the Local Government Investment Pool (LGIP), which is authorized in Wisconsin Statutes 25.14 and 25.17 under the oversight of the State of Wisconsin Investment Board. The LGIP is not registered with the Securities Exchange Commission as an investment company. The LGIP operates and reports to participants on the amortized cost basis. LGIP pool shares are bought and redeemed at \$1 based on the amortized cost of the investments in the LGIP. The investment in the LGIP is not subject to the fair value hierarchy disclosures.

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.

### Note 4 Fair Value Measurements

At December 31, 2016, the City held investments in negotiable CDs, U.S. Treasury Notes, FFCB, FHLB, FHLMC, and FNMA, which are categorized as Level 2 inputs.

# City of Superior, Wisconsin

## Notes to Basic Financial Statements

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### Note 5 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, 2016:

	Sewerage System Fund	Landfill Utility Fund	Library Fund	Total
Redemption and depreciation account	\$ 1,510,967	\$ -	\$ -	\$ 1,510,967
Closure and postclosure care	-	2,970,334	-	2,970,334
Library endowments	-	-	133,296	133,296
	\$ 1,510,967	\$ 2,970,334	\$ 133,296	\$ 4,614,597

### Note 6 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, which are shown net the allowances for doubtful accounts of \$500,000.

# City of Superior, Wisconsin

## Notes to Basic Financial Statements

### Note 7 Interfund Receivables/Payables

The following is a schedule of interfund receivables and payables at December 31, 2016:

Receivable Fund	Payable Fund	Amount
General Fund	Golf Course Fund	\$ 254,259
Special Revenue Funds	TID #8 - Conner's Point	5,000
Special Revenue Funds	Other Capital Projects Funds	245,999
Special Revenue Funds	General Fund	158,262
Debt Service Funds	General Fund	3,520,695
Sewerage System Fund	General Fund	677,298
Landfill Utility Fund	General Fund	99,445
Stormwater Utility Fund	General Fund	110,772
		\$ 5,071,730

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

When the Golf Course Fund was created in 1990, the General Fund issued debt to cover expansion of the golf course in exchange for a long-term interfund receivable, which is to be repaid in annual installments of \$81,072 including 3.0 percent imputed interest until 2021.

Maturities of the loans are as follows:

Year Ending December 31,	Principal	Interest	Total
2017	\$ 70,759	\$ 10,313	\$ 81,072
2018	72,913	8,159	81,072
2019	75,130	5,942	81,072
2020	77,415	3,657	81,072
2021	79,771	1,301	81,072
		\$ 375,988	\$ 29,372
		\$ 405,360	

# City of Superior, Wisconsin

## Notes to Basic Financial Statements

### Note 8 Capital Assets

Capital asset activity for the year ended December 31, 2016, was as follows:

	Beginning Balance	Additions	Disposals	Transfers	Ending Balance
Governmental activities:					
Capital assets not being depreciated:					
Land	\$ 16,445,572	\$ 31,300	\$ -	\$ -	\$ 16,476,872
Construction in progress	-	321,340	-	-	321,340
Total capital assets not being depreciated	\$ 16,445,572	\$ 352,640	\$ -	\$ -	\$ 16,798,212
Capital assets being depreciated:					
Land improvements	\$ 9,334,533	\$ -	\$ -	\$ -	\$ 9,334,533
Buildings and improvements	14,926,610	-	-	-	14,926,610
Machinery and equipment	17,462,846	705,069	91,866	-	18,076,049
Roads	54,946,158	-	-	-	54,946,158
Sidewalks/Bikepaths	13,199,363	372,306	341,714	-	13,229,955
Total capital assets being depreciated	109,869,510	1,077,375	433,580	-	110,513,305
Less accumulated depreciation for:					
Land improvements	4,072,810	390,079	-	-	4,462,889
Buildings and improvements	5,621,036	324,405	-	-	5,945,441
Machinery and equipment	12,928,842	861,799	86,221	-	13,704,420
Roads	30,348,623	1,777,413	-	-	32,126,036
Sidewalks/Bikepaths	7,476,008	411,125	341,714	-	7,545,419
Total accumulated depreciation	60,447,319	3,764,821	427,935	-	63,784,205
Governmental activities capital assets being depreciated - Net	\$ 49,422,191	\$ (2,687,446)	\$ 5,645	\$ -	\$ 46,729,100

# City of Superior, Wisconsin

## Notes to Basic Financial Statements

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**Note 8**      **Capital Assets** (Continued)

Depreciation expense was charged to governmental activities as follows:

Governmental activities:	
General government	\$ 80,056
Public safety	449,424
Public works	2,725,446
Culture, recreation, and education	465,837
Economic development	44,058
<hr/>	
	\$ 3,764,821
<hr/>	



# City of Superior, Wisconsin

## Notes to Basic Financial Statements

### Note 8 Capital Assets (Continued)

	Beginning Balance	Additions	Disposals	Reclasses	Ending Balance
Business-type activities:					
Capital assets not being depreciated:					
Land	\$ 1,381,640	\$ 24,600	\$ -	\$ 195,622	\$ 1,601,862
Construction in progress	1,658,555	5,493,435	-	(2,046,007)	5,105,983
Total capital assets not being depreciated	\$ 3,040,195	\$ 5,518,035	\$ -	\$ (1,850,385)	\$ 6,707,845
Capital assets being depreciated:					
Land improvements	\$ 30,609,308	\$ -	\$ -	\$ 707,547	\$ 31,316,855
Buildings and improvements	16,986,771	-	-	275,534	17,262,305
Machinery and equipment	8,316,682	64,782	859,045	(196,365)	7,326,054
Transportation equipment	2,694,323	144,932	71,575	196,365	2,964,045
Infrastructure	21,668,912	626,311	129,466	867,306	23,033,063
Total capital assets being depreciated	80,275,996	836,025	1,060,086	1,850,387	81,902,322
Less accumulated depreciation for:					
Land improvements	8,656,441	1,625,807	-	-	10,282,248
Buildings and improvements	11,716,043	386,745	-	-	12,102,788
Machinery and equipment	6,646,746	282,480	853,392	-	6,075,834
Transportation equipment	1,646,467	205,323	71,574	-	1,780,216
Infrastructure	5,167,565	535,498	127,631	-	5,575,432
Total accumulated depreciation	33,833,262	3,035,853	1,052,597	-	35,816,518
Net capital assets being depreciated	\$ 46,442,734	\$ (2,199,828)	\$ 7,489	\$ 1,850,387	\$ 46,085,804

# City of Superior, Wisconsin

## Notes to Basic Financial Statements

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### Note 8 Capital Assets (Continued)

Depreciation expense was charged to business-type activities.

Business-type activities:

Sewer utility	\$ 1,102,319
Landfill utility	1,565,875
Stormwater utility	276,396
Golf course	91,263

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\$ 3,035,853

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Construction in progress for the business-type activities consisted of constructing improvements and extensions to the stormwater system for \$2,318,844 and improvements and extensions to the Sewerage System Fund for \$2,787,139.

### Note 9 Long-Term Obligations

**Governmental Activities General Obligation Bonds and Notes:** Various issues of unmatured general obligation bonds and notes totaling \$31,606,358 are outstanding at December 31, 2016. 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 June 1, 2036.

**Business-Type Activities Revenue Bonds:** Various issues of unmatured revenue bonds totaling \$5,411,331 are outstanding at December 31, 2016. The bonds bear interest rates ranging from 2.4% to 3.153% 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 \$7,596,608 are outstanding at December 31, 2016. The bonds and notes bear interest rates ranging from 1.20% to 3.85% and mature in varying amounts with the final payments due on December 1, 2023.

**Compensated Absences:** At December 31, 2016, the accumulated compensated absences benefits based on accumulated vacation and sick leave is \$2,159,161.

# City of Superior, Wisconsin

## Notes to Basic Financial Statements

### Note 9 Long-Term Obligations (Continued)

#### Summary of Long-Term Obligation Transactions

Type	Fund Liquidating	January 1, 2016	Issued/ Additions	Retired	December 31, 2016	Current Maturities December 31, 2016
Governmental Activities:						
General Obligation Bonds and Notes:						
State Trust Fund Loan, 2006A	Debt Service	\$ 305,246	\$ -	\$ 24,811	\$ 280,435	\$ 25,965
State Trust Fund Loan, 2006B	Debt Service	139,011	-	10,030	128,981	10,498
Corporate Purpose, 2008A TIF No. 9	Debt Service	2,010,000	-	155,000	1,855,000	160,000
Corporate Purpose, 2008A CIP	Debt Service	2,130,000	-	175,000	1,955,000	185,000
Refunding Note, 2009A TIF No. 7	Debt Service	117,000	-	65,250	51,750	51,750
Refunding Note, 2009A TIF No. 8	Debt Service	143,000	-	79,750	63,250	63,250
Refunding Bonds, 2011A UAAL	Debt Service	2,453,032	-	254,640	2,198,392	263,128
Refunding Bonds, 2011A TID No. 9	Debt Service	390,000	-	35,000	355,000	35,000
Refunding Bonds, 2011A TID No. 11	Debt Service	1,585,000	-	95,000	1,490,000	100,000
Refunding Bonds, 2011A TID No. 8	Debt Service	165,000	-	55,000	110,000	55,000
Corporate Purpose, 2011B CIP	Debt Service	3,640,000	-	-	3,640,000	-
Corporate Purpose, 2011B TID No. 7	Debt Service	166,600	-	23,800	142,800	23,800
Corporate Purpose, 2011B TID No. 9	Debt Service	323,400	-	46,200	277,200	46,200
Promissory Note, 2011C	Debt Service	1,065,000	-	165,000	900,000	170,000
Promissory Note, 2011D	Debt Service	1,715,000	-	195,000	1,520,000	200,000
Promissory Note, 2012A	Debt Service	2,345,000	-	320,000	2,025,000	325,000
Corporate Purpose, 2012C	Debt Service	2,200,000	-	450,000	1,750,000	444,540
Corporate Purpose, 2012C	Debt Service	100,000	-	20,000	80,000	20,460
Promissory Note, 2012D TID 8	Debt Service	1,045,000	-	90,000	955,000	115,000

# City of Superior, Wisconsin

## Notes to Basic Financial Statements

### Note 9 Long-Term Obligations (Continued)

Type	Fund Liquidating	January 1, 2016	Issued/ Additions	Retired	December 31, 2016	Current Maturities December 31, 2016
Governmental Activities: (Continued)						
General Obligation Bonds and Notes: (continued)						
State Trust Fund Loan, 2013 Flood	Debt Service	\$ 2,399,129	\$ -	\$ 315,338	\$ 2,083,791	\$ 324,191
State Trust Fund Loan, 2013 TIF No. 8	Debt Service	574,028	-	89,269	484,759	91,767
Corporate Purpose, 2014A	Debt Service	2,765,000	-	110,000	2,655,000	115,000
Street Improvements, 2015A	Debt Service	3,870,000	-	100,000	3,770,000	150,000
Corporate Purpose, 2016A	Debt Service	-	2,065,000	-	2,065,000	55,000
Corporate Purpose, 2016B	Debt Service	-	770,000	-	770,000	65,000
Plus deferred amounts:						
Premium on bonds		404,541	92,589	41,167	455,963	-
Total governmental activities		32,049,987	2,927,589	2,915,255	32,062,321	3,095,549
Business-Type Activities:						
Revenue Bonds:						
2010	Stormwater Utility	2,772,317	-	160,579	2,611,738	165,642
Clean Water Fund, 2012B	Sewerage System	2,953,170	-	153,577	2,799,593	157,263
Total revenue bonds		5,725,487	-	314,156	5,411,331	322,905
General Obligation Notes:						
2011A Refunding	Golf Course Fund	67,915	-	7,050	60,865	7,285
2011A Refunding	Sewerage System	274,261	-	28,470	245,791	29,419
2009A	Landfill Utility	880,000	-	215,000	665,000	220,000
2011A Refunding	Landfill Utility	94,792	-	9,840	84,952	10,168
2011B GO Bonds	Landfill Utility	1,600,000	-	100,000	1,500,000	100,000

# City of Superior, Wisconsin

## Notes to Basic Financial Statements

### Note 9 Long-Term Obligations (Continued)

Type	Fund Liquidating	January 1, 2016	Issued/ Additions	Retired	December 31, 2016	Current Maturities December 31, 2016
Business-Type Activities: (Continued)						
Corporate Purpose, 2012C	Sewerage System	\$ 365,000	\$ -	\$ 135,000	\$ 230,000	\$ 135,000
Corporate Purpose, 2012C	Landfill Utility	2,035,000	-	240,000	1,795,000	240,000
Corporate Purpose, 2012C	Stormwater Utility	1,520,000	-	170,000	1,350,000	175,000
Corporate Purpose, 2014A	Landfill Utility	1,635,000	-	315,000	1,320,000	320,000
Corporate Purpose, 2014A	Sewerage System	945,000	-	600,000	345,000	345,000
Plus deferred amounts:						
Premium on bonds		106,994	-	38,887	68,107	-
Total general obligation notes		9,523,962	-	1,859,247	7,664,715	1,581,872
Total business-type activities		15,249,449	-	2,173,403	13,076,046	1,904,777
Total bonds and notes		47,299,436	2,927,589	5,088,658	45,138,367	\$ 5,000,326
Compensated absences		1,990,057	507,462	338,358	2,159,161	\$ 367,057
		\$ 49,289,493	\$ 3,435,051	\$ 5,427,016	\$ 47,297,528	

# City of Superior, Wisconsin

## Notes to Basic Financial Statements

### Note 9 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	
2017	\$ 3,095,549	\$ 936,260	\$ 1,904,777	\$ 313,319	\$ 6,249,905
2018	3,169,848	830,137	1,562,553	268,996	5,831,534
2019	3,191,803	754,363	1,478,317	226,732	5,651,215
2020	3,251,760	670,560	1,391,613	193,931	5,507,864
2021	3,367,390	576,110	1,380,178	162,311	5,485,989
2022-2026	8,635,008	1,774,566	3,545,313	420,151	14,375,038
2027-2031	4,730,000	768,410	1,745,188	97,470	7,341,068
2032-2036	2,165,000	161,532	-	-	2,326,532
<b>Totals</b>	<b>\$ 31,606,358</b>	<b>\$ 6,471,938</b>	<b>\$ 13,007,939</b>	<b>\$ 1,682,910</b>	<b>\$ 52,769,145</b>

**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, 2016	\$ 1,652,172,100
Legal debt margin percentage	5%
	82,608,605
Outstanding general obligation debt	\$ 39,202,966
Less amount available in Debt Service Fund	<u>1,432,459</u>
Indebtedness applicable to debt limit	<u>37,770,507</u>
<b>Legal debt margin</b>	<b>\$ 44,838,098</b>

# City of Superior, Wisconsin

## Notes to Basic Financial Statements

### Note 10 Line of Credit

The City of Superior has an arrangement with a bank, in the form of a Taxable Note Anticipation Note of 2013 dated September 18, 2013, and expiring September 1, 2017, under which it could draw up to \$4,497,754 at an interest rate of 4.75%. 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 11 Interfund Transfers

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

Fund transferred to	Fund transferred from	Amount
<b>General Fund</b>		
General Fund	Landfill Utility Fund	\$ 167,991
General Fund	Sewerage System Fund	49,233
<b>Special Revenue Funds</b>		
Special Revenue Funds	General Fund	1,462,629
Special Revenue Funds	Special Revenue Funds	71,750
<b>Capital Projects Fund</b>		
Capital Improvement Projects Fund	General Fund	452,074
Capital Improvement Projects Fund	Other Capital Projects Funds	66,454
Capital Improvement Projects Fund	Special Revenue Funds	125,000
Capital Improvement Projects Fund	Golf Course Fund	6,786
<b>Debt Service Funds</b>		
Debt Service Funds	Capital Improvement Projects Fund	14,579
Debt Service Funds	Other Capital Projects Funds	692,823
Debt Service Funds	Debt Service Funds	186,000
<b>Enterprise Funds</b>		
Landfill Utility Fund	Special Revenue Funds	7,782
<b>Internal Services Funds</b>		
Internal Service Fund	Capital Improvement Projects Fund	75,000
		\$ 3,378,101

# City of Superior, Wisconsin

## Notes to Basic Financial Statements

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### Note 11      **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 12      **Net Position**

Net position reported on the government-wide statement of net position at December 31, 2016, include the following:

#### **Governmental Activities**

Net investment in capital assets:

Land	\$ 16,476,872
Other capital assets - Net of accumulated depreciation	47,050,440
Less: Related long-term debt outstanding (net of unspent proceeds to debt)	<u>26,894,284</u>

Total net investment in capital assets 36,633,028

Restricted net position:

Capital projects	11,553,140
Crime prevention	17,786
Library expenses	314,086
Narcotics task force	41,655
Community improvement and development projects	102,144
Hazardous materials grant	17,732
Housing loans	<u>2,432,529</u>

Total restricted net position 14,496,804

Unrestricted 19,462,483

Total net position \$ 70,592,315





# City of Superior, Wisconsin

## Notes to Basic Financial Statements

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### Note 13 Governmental Fund Balances

Governmental fund balances on the fund financial statements at December 31, 2016, include the following:

#### **Nonspendable**

Major Funds:

General Fund:

Inventories \$ 36,990

Nonmajor Funds:

Economic Development Fund:

Notes receivable 100,000

\$ 136,990

#### **Restricted**

Major Funds:

Capital Improvement Program Fund:

Capital Projects \$ 8,374,263

Tax Increment District No. 8 61,849

Nonmajor Funds:

Debt Service Funds:

Debt service 1,455,643

Capital Projects Funds:

Capital Projects 3,686,650

Special Revenue Funds:

Crime prevention 17,786

Library expenditures 314,086

Narcotics task force 41,655

Community improvement and development projects 102,144

Hazardous materials grant 17,732

Housing loans 1,491,425

\$ 15,563,233

#### **Committed**

Nonmajor Funds:

Special Revenue Funds:

Maintenance and development of boat launching facilities \$ 121,617

# City of Superior, Wisconsin

## Notes to Basic Financial Statements

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### Note 13 Governmental Fund Balances (Continued)

Unreserved fund balance as of December 31, 2016, includes the following items:

#### Assigned

Nonmajor Funds:

Special Revenue Funds:

Urban Tree Fund	\$ 38,751
Municipal Forest Fund	14,118
Special Assessment Fund	40,877
Economic Development Fund	1,979,010
Business Improvement Fund	53,012
Neighborhood Improvement Fund	49,730
State and Federal Grant Allocation and Allotment Fund	173,415
Superior Business Center	154,374
Fire Department PPP Fund	<u>4,329</u>

\$ 2,507,616

#### Unassigned

Major Funds:

General Fund	\$ 9,915,675
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Nonmajor Funds:

Capital Projects Funds	(259,535)
Special Revenue Funds	<u>(600)</u>

\$ 9,655,540

### Note 14 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 2016 were \$461,717.

# City of Superior, Wisconsin

## Notes to Basic Financial Statements

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### Note 15      **Employee Retirement Plans – Wisconsin Retirement System**

#### **Plan Description**

The Wisconsin Retirement System (WRS) is a cost-sharing multiple-employer defined benefit pension plan. WRS benefits and other plan provisions are established by Chapter 40 of the Wisconsin Statutes. Benefit terms may only be modified by the legislature. The retirement system is administered by the Wisconsin Department of Employee Trust Funds (ETF). The system provides coverage to all eligible State of Wisconsin, local government, and other public employees. 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 (880 hours for teachers and school district educational support employees) and expected to be employed for at least one year from employee's date of hire are eligible to participate in the WRS.

#### **Vesting**

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.

#### **Benefits Provided**

Employees who retire at or after age 65 (54 for protective occupation employees, 62 for elected officials and State executive participants) are entitled to receive an unreduced retirement benefit. The factors influencing the benefit are: (1) final average earnings, (2) years of creditable service, and (3) a formula factor.

Final average earnings is the average of the participant's three highest years' earnings. Creditable service is the creditable current and prior service expressed in years or decimal equivalents of partial years for which a participant receives earnings and makes contributions as required. The formula factor is a standard percentage based on employment category.

Employees may retire at age 55 (50 for protective occupation employees) and receive reduced benefits. Employees terminating covered employment before becoming eligible for a retirement benefit may withdraw their contributions and forfeit all rights to any subsequent benefits.

The WRS also provides death and disability benefits for employees.

# City of Superior, Wisconsin

## Notes to Basic Financial Statements

### Note 15 Employee Retirement Plans – Wisconsin Retirement System (Continued)

#### Post-Retirement Adjustments

The Employee Trust Funds Board may periodically adjust annuity payments from the retirement system based on annual investment performance in accordance with s. 40.27, Wis. Stat. An increase (or decrease) in annuity payments may result when investment gains (losses), together with other actuarial experience factors, create a surplus (shortfall) in the reserves, as determined by the system’s consulting actuary. Annuity increases are not based on cost of living or other similar factors. For Core annuities, decreases may be applied only to previously granted increases. By law, Core annuities cannot be reduced to an amount below the original, guaranteed amount (the “floor”) set at retirement. The Core and Variable annuity adjustments granted during recent years are as follows:

Year	Core Fund Adjustment	Variable Fund Adjustment
2006	0.8%	3%
2007	3.0%	10%
2008	6.6%	0%
2009	(2.1%)	(42%)
2010	(1.3%)	22%
2011	(1.2%)	11%
2012	(7.0%)	(7%)
2013	(9.6%)	9%
2014	4.7%	25%
2015	2.9%	2%

# City of Superior, Wisconsin

## Notes to Basic Financial Statements

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### Note 15 Employee Retirement Plans – Wisconsin Retirement System (Continued)

#### Contributions

Required contributions are determined by an annual actuarial valuation in accordance with Chapter 40 of the Wisconsin Statutes. The employee required contribution is one-half of the actuarially determined contribution rate for general category employees, including teachers, and executives and elected officials. Required contributions for protective employees are the same rate as general employees. Employers are required to contribute the remainder of the actuarially determined contribution rate. The employer may not pay the employee required contribution unless provided for by an existing collective bargaining agreement.

During the reporting period, the WRS recognized \$1,345,222 in contributions from the employer.

<u>Employee Category</u>	<u>Employee</u>	<u>Employer</u>
General (including teachers)	6.6%	6.6%
Executives and elected officials	6.6%	6.6%
Protective with social security	6.6%	9.4%
Protective without social security	6.6%	13.2%

#### Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At December 31, 2016, the City reported a liability of \$2,198,797 for its proportionate share of the net pension liability. The net pension liability was measured as of December 31, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2014, rolled forward to December 31, 2015. No material changes in assumptions or benefit terms occurred between the actuarial valuation date and the measurement date. The City's proportion of the net pension liability was based on the City's share of contributions to the pension plan relative to the contributions of all participating employers. At December 31, 2015, the City's proportion was 0.13531225%, which was an increase of 0.00216294% from its proportion measured as of December 31, 2014.

For the year ended December 31, 2016, the City recognized pension expense of \$2,851,319.

# City of Superior, Wisconsin

## Notes to Basic Financial Statements

### Note 15 Employee Retirement Plans – Wisconsin Retirement System (Continued)

#### Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Continued)

At December 31, 2016, the City reported deferred outflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 371,974	\$ (4,627,333)
Changes in assumptions	1,538,375	-
Net differences between projected and actual earnings on pension plan investments	9,002,508	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	34,828	(40,897)
Employer contributions subsequent to the measurement date	1,349,137	-
<b>Total</b>	<b>\$ 12,296,822</b>	<b>\$ (4,668,230)</b>

\$1,349,137 reported as deferred outflows related to pension resulting from the City's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability (asset) in the year ended December 31, 2016. Other amounts reported as deferred outflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ended December 31:</u>	<u>Net Deferred Outflows (Inflows) of Resources</u>
2017	\$ 1,713,969
2018	1,713,969
2019	1,713,969
2020	1,237,680
2021	(100,132)

# City of Superior, Wisconsin

## Notes to Basic Financial Statements

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### Note 15 Employee Retirement Plans – Wisconsin Retirement System (Continued)

#### Actuarial Assumptions

The total pension liability in the December 31, 2015, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Actuarial valuation date	December 31, 2014
Measurement date of net pension liability (asset)	December 31, 2015
Actuarial cost method	Entry Age
Asset valuation method	Fair market value
Long-term expected rate of return	7.2%
Discount rate	7.2%
Salary increases:	
Inflation	3.2%
Seniority/Merit	0.2% - 5.6%
Mortality	Wisconsin 2012 Mortality Table
Post-retirement adjustments*	2.1%

*\* No post-retirement adjustment is guaranteed. Actual adjustments are based on recognized investment return, actuarial experience, and other factors. 2.1% is the assumed annual adjustment based on the investment return assumption and the post-retirement discount rate.*

Actuarial assumptions are based upon an experience study conducted in 2012 using experience from 2009 – 2011. The total pension liability for December 31, 2015, is based upon a roll-forward of the liability calculated from the December 31, 2014, actuarial valuation.



# City of Superior, Wisconsin

## Notes to Basic Financial Statements

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### Note 15 Employee Retirement Plans – Wisconsin Retirement System (Continued)

#### Actuarial Assumptions (Continued)

Long-Term Expected Return on Plan Assets: The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Long-Term Real Rate of Return</u>	<u>Target Allocation</u>
Core fund:		
US equities	4.7%	23%
International equities	5.6%	22%
Fixed income	1.6%	37%
Inflation sensitive assets	1.4%	20%
Real estate	3.6%	7%
Private equity/debt	6.5%	7%
Multi-asset	3.8%	4%
Variable fund:		
US equities	4.7%	70%
International equities	5.6%	30%

# City of Superior, Wisconsin

## Notes to Basic Financial Statements

### Note 15 Employee Retirement Plans – Wisconsin Retirement System (Continued)

#### Actuarial Assumptions (Continued)

Single Discount Rate: A single discount rate of 7.20% was used to measure the total pension liability. This single discount rate was based on the expected rate of return on pension plan investments of 7.20% and a long-term bond rate of 3.56%. Because of the unique structure of WRS, the 7.20% expected rate of return implies that a dividend of approximately 2.1% will always be paid. For purposes of the single discount rate, it was assumed that the dividend would always be paid. The projection of cash flows used to determine this single discount rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments (including expected dividends) of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the City's Proportionate Share of the Net Pension Liability (Asset) to Changes in the Discount Rate: The following presents the City's proportionate share of the net pension liability (asset) calculated using the discount rate of 7.20 percent, as well as what the City's proportionate share of the net pension liability (asset) would be if it were calculated using a discount rate that is 1-percentage-point lower (6.20 percent) or 1-percentage-point higher (8.20 percent) than the current rate:

	1% Decrease to Discount Rate (6.20%)	Current Discount Rate (7.20%)	1% Increase to Discount Rate (8.20%)
WRS Employer's proportionate share of the net pension liability (asset)	\$15,422,410	\$2,198,797	(\$8,129,079)

# City of Superior, Wisconsin

## Notes to Basic Financial Statements

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### Note 15      **Employee Retirement Plans – Wisconsin Retirement System** (Continued)

#### **Pension Plan Fiduciary Net Position**

Detailed information about the pension plan's fiduciary net position is available in separately issued financial statements available at <http://etf.wi.gov/publications/cafr.htm>.

#### **Payables to the Pension Plan**

At December 31, 2016, the City reported a payable of \$295,079 for the outstanding amount of contributions to the pension plan required for the year ended December 31, 2016.

# City of Superior, Wisconsin

## Notes to Basic Financial Statements

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### Note 16      **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 16 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	\$ 637,935
Interest on net OPEB obligations	15,182
Adjustment to annual required contribution	<u>(18,812)</u>
Annual OPEB cost	634,305
Contributions made	<u>381,393</u>
Increase in net OPEB obligation	252,912
Net OPEB obligation - Beginning of year	<u>303,645</u>
Net OPEB obligation - End of year	<u>\$ 556,557</u>

The City's annual OPEB costs, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation (asset) for 2014 to 2016 were as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation (Asset)
12/31/14	\$ 665,389	32%	\$ (80,527)
12/31/15	659,959	42%	303,645
12/31/16	634,305	60%	556,557

# City of Superior, Wisconsin

## Notes to Basic Financial Statements

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### Note 16 Postemployment Benefits Other Than Pension Benefits (Continued)

The funded status as of January 1, 2016, the most recent actuarial valuation date, was zero percent funded. The actuarial accrued liability for benefits was \$5,970,108, and the actuarial value of assets was \$0, resulting in an unfunded actuarial accrued liability (UAAL) of \$5,970,108. The covered payroll (annual payroll of active employees covered by the plan) was \$14,246,197, and the ratio of the UAAL to the covered payroll was 41.9 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, 2016, 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 6 percent initially and reduced by decrements to a rate of 5 percent after nine years. Both rates include a 3 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, 2016, was 30 years.

# City of Superior, Wisconsin

## Notes to Basic Financial Statements

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### Note 17      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, 2016, 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

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### Note 17 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, 2016, follows:

	<b>Amount</b>
<u>Assets</u>	<u>\$ 49,487,962</u>
Reserves and liabilities	\$ 21,079,394
Policyholders' surplus:	
Restricted	25,000,000
Unassigned surplus	3,408,568
<u>Total liabilities and policyholders' surplus</u>	<u>\$ 49,487,962</u>



# City of Superior, Wisconsin

## Notes to Basic Financial Statements

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### Note 17 Risk Management (Continued)

On December 31, 2016, the City's General Liability Fund had a net position of (\$134,812). The claims liability reported in the fund at December 31, 2016, 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
2016	\$ 99,835	\$ 311,323	\$ 346,158	\$ 65,000
2015	363,875	398,076	662,116	99,835
2014	152,658	521,342	310,125	363,875

# City of Superior, Wisconsin

## Notes to Basic Financial Statements

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### Note 17 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 \$4,957,900 in the aggregate for 2016. Fund expenses consist of payments for medical and dental claims, stop-loss insurance premiums, and administrative fees. On December 31, 2016, the Health Insurance Fund had a net position of \$5,181,944, of which \$2,564,863 is set aside for future other post-employment benefits and \$2,617,081 is set aside for future health insurance liabilities. The claims liability reported in the fund at December 31, 2016, 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	Claims and	Claim	Liability
	January 1	Changes in	Payments	December 31
		Estimates		
2016	\$ 148,078	\$ 4,096,347	\$ 3,938,293	\$ 306,132
2015	353,866	3,669,604	3,875,392	148,078
2014	438,042	4,387,660	4,471,836	353,866

#### 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

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### Note 18      **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 19      **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 \$6,947,309 as of December 31, 2016, which is based on 100% usage (filled) of the landfill. The estimated total current cost of the landfill closure and postclosure care (\$6,947,309) 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, 2016. 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, 2016, investments of \$2,970,334 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

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### Note 20      **Joint Operations**

The City and Douglas County, Wisconsin, jointly own property known as the Superior Business Center. Activity and fund balance for the Superior Business Center is included in other governmental funds.

### Note 21      **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, 2016, 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

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### Note 22      Revenues Pledged

#### Sewerage System Fund

The City has 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, 2016, the City has only received \$3,348,738. 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 \$3,333,204. Principal and interest paid for the current year and total customer net revenues were \$222,610 and \$2,478,300.

#### 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. 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 is \$3,182,692. Principal and interest paid for the current year and total customer net revenues were \$245,458 and \$1,318,284.

# City of Superior, Wisconsin

## Notes to Basic Financial Statements

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### Note 23 Outstanding Contractual Commitments

The City entered into various contracts with construction contractors during the year. The following amount remains unspent as of December 31, 2016:

Construction Contractors	Amount Remaining
CPMI	\$ 260,170
Donohue & Associates	167,922
Lakehead Construction	506,948
LHB, Inc	203,232
McCabe Construction	43,540
Short Elliott Hendrickson, Inc.	61,027
Stack Brothers	129,352
Wisconsin Department of Transportation	37,260
<b>Total</b>	<b>\$ 1,409,451</b>

### Note 24 Subsequent Events

On February 22, 2017, the City issued \$1,640,000 sewerage system revenue bonds. The bonds are due in varying annual installments of starting in May 2017 to May 2036. The bonds pay interest at 2.38 percent on May 1 and November 1 starting in November 2017.

On April 11, 2017, the City issued \$5,380,000 general obligation street improvement bonds. The bonds are due in varying annual installments of \$180,000 to \$405,000 starting in October 2020 to April 2037. The bonds pay interest at 3.0 percent to 4.0 percent on April 1 and October 1 starting in April 2018.

## Required Supplementary Information

# City of Superior, Wisconsin

## Schedules of the Employer's Proportionate Share of the Net Pension Liability (Asset) and Employer Contributions – Wisconsin Retirement System

Year Ended December 31, 2016 (And Prior Fiscal Year)

### SCHEDULE OF THE EMPLOYER'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY (ASSET) WISCONSIN RETIREMENT SYSTEM (WRS)

	2016	2015
Measurement date	12/31/2015	12/31/2014
City's proportion of the net pension liability (asset)	0.13531225%	0.13314931%
City's proportionate share of the net pension liability (asset)	\$ 2,198,797	\$ (3,270,512)
City's covered-employee payroll during the measurement period	\$ 15,623,103	\$ 14,543,573
City's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	14.07%	(22.49%)
Plan fiduciary net position as a percentage of the total pension liability (asset)	98.20%	102.74%

### SCHEDULE OF EMPLOYER CONTRIBUTIONS WISCONSIN RETIREMENT SYSTEM (WRS)

	2016	2015
Contractually required contribution for the fiscal period	\$ 1,349,137	\$ 1,345,223
Contributions in relation to the contractually required contribution	(1,349,137)	(1,345,223)
Contribution deficiency (excess)	\$ -	\$ -
City's covered-employee payroll for the fiscal period	\$ 15,905,280	\$ 15,623,103
Contributions as a percentage of covered-employee payroll	8.48%	8.61%

Notes to the Schedules:

*Changes of benefit terms:* There were no changes of benefit terms for any participating employer in WRS.

*Changes of assumptions:* There were no changes in the assumptions.



# City of Superior, Wisconsin

## Schedule of Funding Progress

December 31, 2016

### SCHEDULE OF FUNDING PROGRESS

As of December 31, 2016

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
1/1/2012	\$ -	\$ 6,093,709	\$ 6,093,709	0.0%	\$ 13,135,714	46.4%
1/1/2014	-	6,460,630	6,460,630	0.0%	14,543,573	44.4%
1/1/2016	-	5,970,108	5,970,108	0.0%	14,246,197	41.9%

## Supplementary Financial Information

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# City of Superior, Wisconsin

## Schedule of Expenditures of Federal and State Awards

Year Ended December 31, 2016

Grantor Agency / Pass-Through Agency / Program Title	CFDA or State ID Number	Pass-Through Entity Identifying Number	Passed Through to Subrecipients	Federal/State Expenditures
<b>FEDERAL AWARDS</b>				
<i>Environmental Management</i>				
U.S. Department of Commerce - NOAA Passed Through - WI Dept. of Administration Coastal Zone Management Administration Awards Wisconsin Point Dunes Project	11.419	AD159982-016.35	\$ -	\$ 60,627
U.S. Environmental Protection Agency Direct Program: Great Lakes Program Poplar Avenue Wetland basing for Stormwater Treatment April 1, 2015 - July 31, 2017	66.469		-	210,133
<i>Public Safety</i>				
U.S. Department of Homeland Security Direct Program: Assistance to Firefighters Grant Operations & Safety - Extrication Equipment May 27, 2016 - May 26, 2017	97.044		-	56,700
Staffing for Adequate Fire and Emergency Response January 7, 2016 - January 6, 2018	97.083		-	258,106
Direct Program: Port Security Grant Program September 1, 2014 - August 31, 2016	97.056		-	13,594

# City of Superior, Wisconsin

## Schedule of Expenditures of Federal and State Awards (Continued)

Year Ended December 31, 2016

Grantor Agency / Pass-Through Agency / Program Title	CFDA or State ID Number	Pass-Through Entity Identifying Number	Passed Through to Subrecipients	Federal/State Expenditures
<b>FEDERAL AWARDS (Continued)</b>				
<i>Public Safety (Continued)</i>				
U.S. Department of Homeland Security (Continued)				
Passed through the Wisconsin Department of Military Affairs				
State Homeland Security Grant Program				
Homeland Security/Water Operations Training	97.067			
July 1, 2016 - September 30, 2016		2015-HSW-02B-10755	\$ -	\$ 42,012
Homeland Security/Water Operations Equipment	97.067			
July 11, 2016 - October 4, 2016		2015-HSW-02A-10767	-	17,788
Homeland Security/Night Vision Equipment	97.067			
July 5, 2016 - October 31, 2016		2015-HSW-02A-10763	-	9,000
Homeland Security/HS ALERT Water Operations	97.067			
November 4, 2015 - December 31, 2015		2014-HSW-02B-10645	-	435
Total CFDA # 97.067			-	69,235

# City of Superior, Wisconsin

## Schedule of Expenditures of Federal and State Awards (Continued)

Year Ended December 31, 2016

Grantor Agency / Pass-Through Agency / Program Title	CFDA or State ID Number	Pass-Through Entity Identifying Number	Passed Through to Subrecipients	Federal/State Expenditures
<b>FEDERAL AWARDS (Continued)</b>				
<i>Public Safety (Continued)</i>				
U.S. Department of Homeland Security (Continued)				
Passed through the Wisconsin Department of Military Affairs				
Disaster Grants - Public Assistance				
Debris Removal				
Completion Date: February 9, 2017	97.036	PA-05-WI-4276-PW-00128(0)	\$ -	\$ 16,206
Billings Park Trail & Barker's Island	97.036	PA-05-WI-4276-PW-00156(0)	-	15,310
Completion Date: February 2, 2014				
Wisconsin Point Road	97.036	PA-05-WI-4276-PW-00163(0)	-	7,364
Completion Date: February 2, 2014				
E 18th, Billings Drive, Woodlawn, 39th Ave E	97.036	PA-05-WI-4076-PW-001085(0)	-	11,487
Completion Date: February 2, 2014				
Total CFDA # 97.036			-	50,367
Total U.S. Department of Homeland Security:			-	448,002
U.S. Department of Justice				
Direct:				
Bulletproof Vest Partnership Program-FY2015	16.607		-	6,180

# City of Superior, Wisconsin

## Schedule of Expenditures of Federal and State Awards (Continued)

Year Ended December 31, 2016

Grantor Agency / Pass-Through Agency / Program Title	CFDA or State ID Number	Pass-Through Entity Identifying Number	Passed Through to Subrecipients	Federal/State Expenditures
<b>FEDERAL AWARDS (Continued)</b>				
<i>Public Safety (Continued)</i>				
U.S. Department of Transportation				
Direct Programs:				
Federal Transit Cluster				
Federal Transit - Formula Grants				
2016	20.507		\$ -	\$ 458,085
<i>Community Development</i>				
U.S. Department of Housing and Urban Development				
Direct Programs:				
CDBG - Entitlement Grants Cluster				
Community Development Block Grants/Entitlement Grants				
2015 - CDBG			-	503,476
2016 - CDBG	14.218		-	169,494
Total CFDA # 14.218			-	672,970
<i>Culture, Recreation, and Education</i>				
National Endowment for the Arts				
Passed through the WI Arts Board				
Promotion of the Arts Partnership Agreements				
2015	45.025	N/A	-	4,340
Total Federal Awards			\$ -	\$ 1,860,337

# City of Superior, Wisconsin

## Schedule of Expenditures of Federal and State Awards (Continued)

Year Ended December 31, 2016

Grantor Agency / Pass-Through Agency / Program Title	CFDA or State ID Number	Pass-Through Entity Identifying Number	Passed Through to Subrecipients	Federal/State Expenditures
<b>STATE AWARDS</b>				
<i>Public Safety</i>				
Wisconsin Department of Military Affairs				
State Match - Federal Disaster Assistance				
Debris Removal	465.305			
Completion Date: February 2, 2014		PA-05-WI-4276-PW-00128(0)	\$ -	\$ 2,701
Billings Park Trail & Barker's Island	465.305			
Completion Date: February 2, 2014		PA-05-WI-4276-PW-00156(0)	-	2,552
Wisconsin Point Road	465.305			
Completion Date: February 2, 2014		PA-05-WI-4276-PW-00163(0)	-	1,227
E 18th, Billings Drive, Woodlawn, 39th Ave E	465.305			
Completion Date: February 2, 2014		PA-05-WI-4276-PW-00185(0)	-	1,915
Total State ID #465.305			-	8,395
Regional Emergency Response Teams - HazMat				
July 1, 2015 - June 30, 2016	13HZMT	465.306	-	66,411
July 1, 2014 - June 30, 2015	13HZMT	465.306	-	51,869
Total State ID #465.306			-	118,280
Total Department of Military Affairs			-	126,675

# City of Superior, Wisconsin

## Schedule of Expenditures of Federal and State Awards (Continued)

Year Ended December 31, 2016

Grantor Agency / Pass-Through Agency / Program Title	CFDA or State ID Number	Pass-Through Entity Identifying Number	Passed Through to Subrecipients	Federal/State Expenditures
<b>STATE AWARDS (Continued)</b>				
<i>Transportation</i>				
Wisconsin Department of Transportation				
Harbor Assistance Program (Fraser Dock)	395.128			
January 1, 2015 - December 31, 2016		0495-15-02	\$ -	\$ 2,180,526
Urban Mass Transit Operating Assistance				
2016	395.104	N/A	-	349,670
Paratransit Aids Contract				
2016	395.104	N/A	-	16,602
Total State ID #395.104			-	366,272
Total Department of Transportation			-	2,546,798



# City of Superior, Wisconsin

## Schedule of Expenditures of Federal and State Awards (Continued)

Year Ended December 31, 2016

Grantor Agency / Pass-Through Agency / Program Title	CFDA or State ID Number	Pass-Through Entity Identifying Number	Passed Through to Subrecipients	Federal/State Expenditures
<b>STATE AWARDS (Continued)</b>				
<i>Culture, Recreation, and Education</i>				
Wisconsin Department of Natural Resources				
Municipal Flood Control / Home Acquisition				
November 20, 2014 - November 20, 2016	370.TH1	Project #MFC-16281H-14	\$ -	\$ 120,428
Municipal Flood Control / Poplar Ave. Pond				
December 17, 2014 - December 17, 2016	370.TH1	Project #MFC-16281HB-14	-	399,740
Total Culture, Recreation, and Education			-	520,168
Total State Awards			-	3,193,641
Total Federal and State Awards			\$ -	\$ 5,053,978

See Independent Auditor's Report.

See accompanying notes to the Schedule of Expenditures of Federal and State Awards.

# City of Superior, Wisconsin

## Notes to the Schedule of Expenditures of Federal and State Awards

Year Ended December 31, 2016

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### **Note 1**            **Basis of Presentation**

The accompanying schedule of expenditures of federal and state awards (the "Schedule") includes the federal and state award activity of the City of Superior under programs of the federal and state government for the year ended December 31, 2016. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* ("Uniform Guidance") 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, it is not intended to and does not present the financial position, changes in net position, or cash flows of the City of Superior.

### **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 the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years. The City of Superior has not elected to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.



## 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, 2016, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated July 6, 2017.

### 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. (2016-002 and 2016-003.)

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. (2016-001.)

### **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 subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

### **Purpose of This Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of 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

July 6, 2017  
Eau Claire, Wisconsin

## Uniform Guidance Information

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## 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 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, 2016. 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 federal statutes, regulations, and the terms and conditions of its federal and state awards 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; the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* ("Uniform Guidance"), and the *State of Wisconsin Single Audit Guidelines*, issued by the Wisconsin Department of Administration. Those standards and the Uniform Guidance 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 on Each Major Federal and State Program***

In our opinion, the City of Superior, Wisconsin complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal and state programs for the year ended December 31, 2016.

### **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 the Uniform Guidance and the *State of Wisconsin Single Audit Guidelines*, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal or state program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal or state program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal 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 on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance and *State of Wisconsin Single Audit Guidelines*. Accordingly, this report is not suitable for any other purpose.

*Wipfli LLP*

Wipfli LLP

July 6, 2017  
Eau Claire, Wisconsin



# City of Superior, Wisconsin

## Schedule of Findings and Questioned Costs

Year Ended December 31, 2016

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### I. Summary of Auditor's Results

#### *Financial Statements*

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

Material weakness(es) identified?  Yes  No

Significant deficiency(ies) identified?  Yes  None reported

Noncompliance material to the financial statements?  Yes  No

#### *Federal Awards*

Internal control over major federal programs:

Material weakness(es) identified?  Yes  No

Significant deficiency(ies) identified?  Yes  None reported

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

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?  Yes  No

Identification of major federal programs:

CFDA Number	Name of Federal Program or Cluster
20.507	Federal Transit - Formula Grants
14.218	Community Development Block Grants/Entitlement Grants

Dollar threshold used to distinguish between Type A and Type B Programs \$750,000

Auditee qualified as a low-risk auditee?  Yes  No

# City of Superior, Wisconsin

## Schedule of Findings and Questioned Costs (Continued)

Year Ended December 31, 2016

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### 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?  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
395.104	Urban Mass Transit
370.TH1	Municipal Flood Control

# City of Superior, Wisconsin

## Schedule of Findings and Questioned Costs (Continued)

Year Ended December 31, 2016

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### II. Financial Statement Findings

#### 2016-001 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 and corrected, 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.

Management's Response – 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, Wisconsin

## Schedule of Findings and Questioned Costs (Continued)

Year Ended December 31, 2016

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### II. Financial Statement Findings (Continued)

#### 2016-002 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.

Management's Response – 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, Wisconsin

## Schedule of Findings and Questioned Costs (Continued)

Year Ended December 31, 2016

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### II. Financial Statement Findings (Continued)

#### 2016-003 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 a few 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.

Management’s Response – 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, Wisconsin

## Schedule of Findings and Questioned Costs (Continued)

Year Ended December 31, 2016

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### Section IV – Other Issues

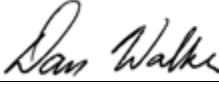
Does the auditor's report or the notes to the financial statements include disclosure with regard to substantial doubt as to the auditee's ability to continue as a going concern? No

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 Natural Resources	No
Department of Administration	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

\_\_\_\_\_  
July 6, 2017

# City of Superior, Wisconsin

## Summary Schedule of Prior Audit Findings

Year Ended December 31, 2016

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### Financial Statement Findings:

2015-001      Segregation of Duties—See finding 2016-001.

2015-002      Financial Accounting and Reporting—See finding 2016-002.

2015-003      Material Adjustments—See finding 2016-003.

### Federal and State Findings and Questioned Costs

None.



SUPERIOR

WISCONSIN

Living up to our name.

Finance Department

Jean Vito, Finance Director | Senior Administrative Officer

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1316 N 14<sup>th</sup> Street, #235

Superior, WI 54880

Website: [www.ci.superior.wi.us](http://www.ci.superior.wi.us)

July 6, 2017

The City of Superior submits the following corrective action plan for the identified findings in the schedule of findings and questioned costs for the audit period ending December 31, 2016.

Finding 2016-001

Corrective Action – 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.

Person Responsible – Jean Vito

Timing for Implementation – immediate and ongoing. The Finance Department will continue to work with the city's contracted Internal Auditor to annually review job duties of each member of the department. The Internal Auditor provides guidance and suggestions on how best to separate all financial duties among the staff so no single employee has complete oversight and control of any transactions from start to finish.

Finding 2016-002

Corrective Action – 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.

Person Responsible – Jean Vito

Timing for Implementation – immediate and ongoing. The city will continue to rely on our external auditors to complete the annual financial statements but will continue to prepare as many of the related documents as possible. In addition, the city annually reviews all financial statement notes and provides updates as needed to the external auditors.



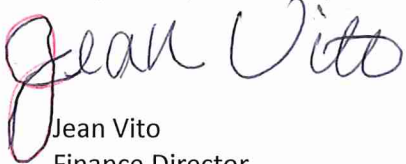
Finding 2016-003

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

Person Responsible – Jean Vito

Timing for Implementation – immediate and ongoing. Significant improvements have been made over the many years in this area. The audit of 2016 had the fewest adjusting journal entries proposed by the auditor in over 20 years. The city's Finance Department continues to improve upon readiness for the annual audit and implement procedures for review that result in fewer audit entries proposed by the external auditors.

Respectfully submitted,

Handwritten signature of Jean Vito in black ink, written in a cursive style.

Jean Vito  
Finance Director