

City of Superior, Wisconsin

Superior, Wisconsin

Financial Statements and Supplementary Information

Year Ended December 31, 2014

City of Superior, Wisconsin

Financial Statements and Supplementary Information

Year Ended December 31, 2014

Table of Contents

Independent Auditor's Report	1
Management's Discussion and Analysis	4
Basic Financial Statements	
Government-Wide Financial Statements	
Statement of Net Position	18
Statement of Activities	19
Fund Financial Statements	
Balance Sheet – Governmental Funds	20
Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds	22
Statement of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual – General Fund	26
Statement of Net Position – Proprietary Funds	31
Statement of Revenues, Expenses, and Changes in Net Position – Proprietary Funds	32
Statement of Cash Flows – Proprietary Funds	33
Statement of Assets and Liabilities – Fiduciary Fund	36
Notes to Basic Financial Statements	37
Required Supplementary Information	
Schedule of Funding Progress	91
Supplementary Financial Information	
Schedule of Expenditures of Federal and State Awards	92
Notes to the Schedule of Expenditures of Federal and State Awards	100
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters	101
A-133 Information	
Independent Auditor's Report on Compliance For Each Major Federal and State Program and on Internal Control Over Compliance	103
Schedule of Findings and Questioned Costs	106
Summary Schedule of Prior Audit Findings	112



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, 2014, 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, 2014, and the respective changes in financial position and, where applicable, cash flows thereof, and the respective budgetary comparison for the general fund for the year then ended in accordance with accounting principles generally accepted in the United States.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States require that the management's discussion and analysis and schedule of funding progress on pages 4 through 17 and page 91 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 accompanying schedule of expenditures of federal and state awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* and the *State of Wisconsin Single Audit Guidelines* issued by the Wisconsin Department of Administration, and is also not a required part of the 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 information 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 June 30, 2015, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

Wipfli LLP

Wipfli LLP

June 30, 2015
Eau Claire, Wisconsin

Management's Discussion and Analysis

City of Superior, Wisconsin

Management's Discussion and Analysis Year Ended December 31, 2014

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, 2014. 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 \$101,249 (net position). Of this amount, \$12,662 (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 \$2,157.
- As of the close of the current fiscal year, the City's governmental activities reported combined ending net position of \$61,410, an increase of \$1,197 in comparison with the prior year. Approximately 12% of this total amount, \$7,396, is available for spending at the government's discretion (unrestricted net position).
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$8,348, or 37% of total general fund expenditures.
- The City's total long-term obligations increased by \$564 (1%) 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 62 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 and the capital improvement program fund, which are considered to be a major fund*. Data from the other 60 governmental funds are combined into a single, aggregated presentation.

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

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

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

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

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

Fiduciary 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 statements can be found on page 36 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 37–90 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 \$101,249 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, 2014

	Governmental Activities	Business-Type Activities	Total
Current and other assets	\$ 50,145	\$ 15,242	\$ 65,387
Capital assets	63,575	50,380	113,955
Total assets	\$ 113,720	\$ 65,622	\$ 179,342
Total deferred outflows of resources	\$ 114	\$ 62	\$ 176
Long-term liabilities	\$ 32,588	\$ 23,889	\$ 56,477
Other liabilities	6,120	1,956	8,076
Total liabilities	\$ 38,708	\$ 25,845	\$ 64,553
Total deferred inflows of resources	\$ 13,716	\$ -	\$ 13,716
Net position:			
Net investment in capital assets	\$ 40,073	\$ 33,719	\$ 73,792
Restricted	13,941	854	14,795
Unrestricted	7,396	5,266	12,662
Total net position	\$ 61,410	\$ 39,839	\$ 101,249

CITY OF SUPERIOR NET POSITION

December 31, 2013

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

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, 2014

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Revenues:			
Program revenues:			
Charges for services	\$ 4,350	\$ 14,140	\$ 18,490
Operating grants and contributions	6,088	118	6,206
Capital grants and contributions	2,275	121	2,396
General revenues:			
Property taxes	13,461	-	13,461
Other taxes	663	-	663
Intergovernmental revenues not restricted to specific programs	11,797	-	11,797
Investment income	886	459	1,345
Other	873	200	1,073
Total revenues	<u>40,393</u>	<u>15,038</u>	<u>55,431</u>
Expenses:			
General government	4,089	-	4,089
Public safety	13,389	-	13,389
Public works	13,578	-	13,578
Health & human services	325	-	325
Culture, recreation, & education	3,129	-	3,129
Economic development	2,777	-	2,777
Interest and fiscal charges	859	-	859
Sewerage system	-	5,797	5,797
Landfill utility	-	7,552	7,552
Stormwater utility	-	1,615	1,615
Golf course	-	164	164
Total expenses	<u>38,146</u>	<u>15,128</u>	<u>53,274</u>
Increase (decrease) in net position before transfers	2,247	(90)	2,157
Transfers	<u>(1,050)</u>	<u>1,050</u>	<u>-</u>
Increase in net position	1,197	960	2,157
Net position - January 1, 2014	<u>60,213</u>	<u>38,879</u>	<u>99,092</u>
Net position - December 31, 2014	<u>\$ 61,410</u>	<u>\$ 39,839</u>	<u>\$ 101,249</u>

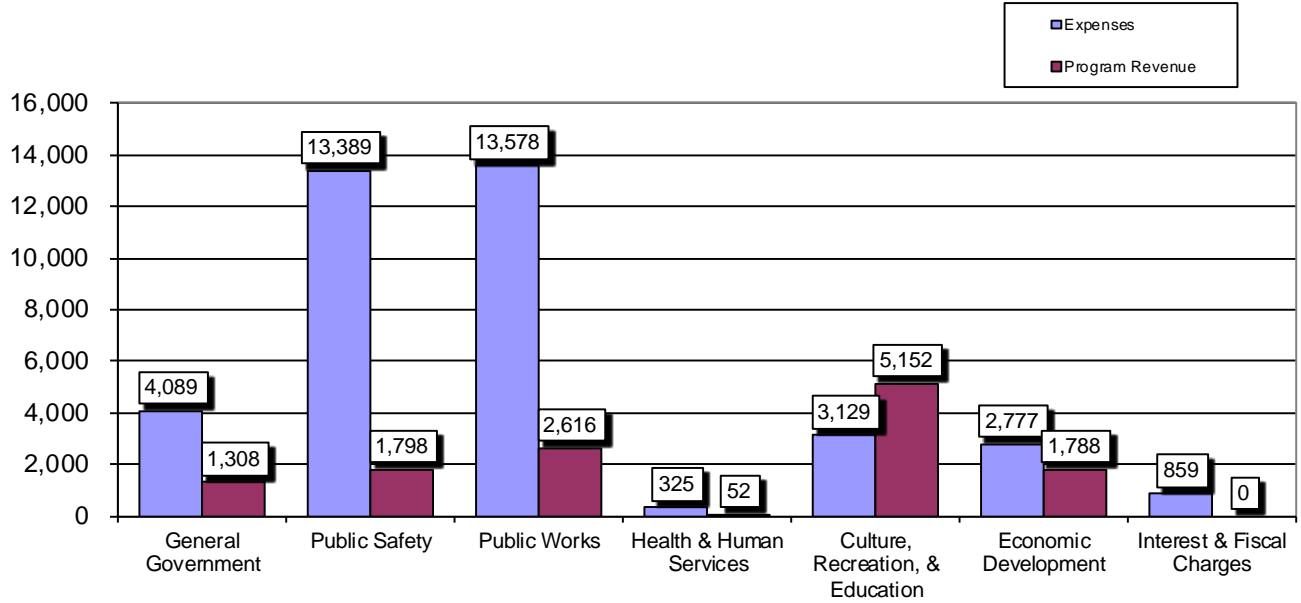
CITY OF SUPERIOR'S CHANGES IN NET POSITION

For the year ended December 31, 2013

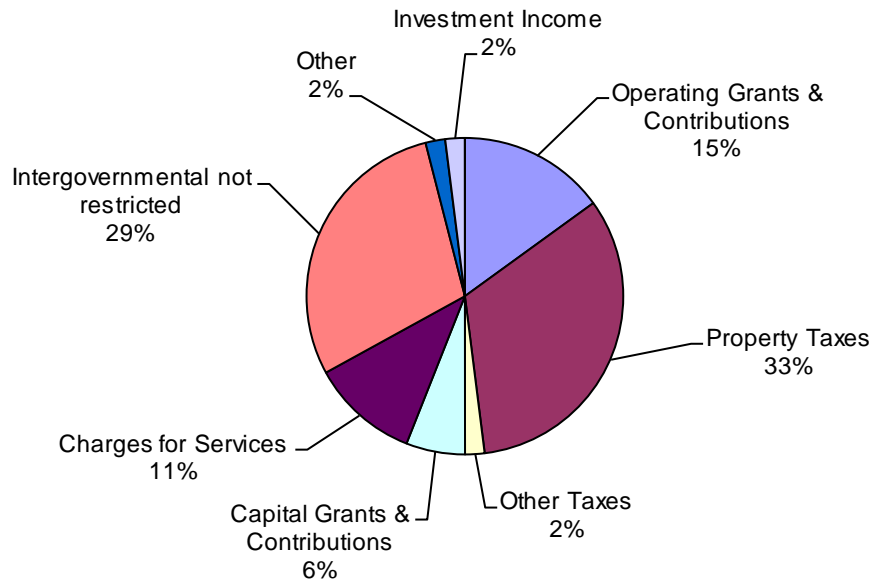
	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Revenues:			
Program revenues:			
Charges for services	\$ 3,799	\$ 14,818	\$ 18,617
Operating grants and contributions	10,508	133	10,641
Capital grants and contributions	2,157	-	2,157
General revenues:			
Property taxes	13,123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

Governmental activities. Governmental activities increased the City's net position by \$1,197.

Expenses and Program Revenues - Governmental Activities 2014

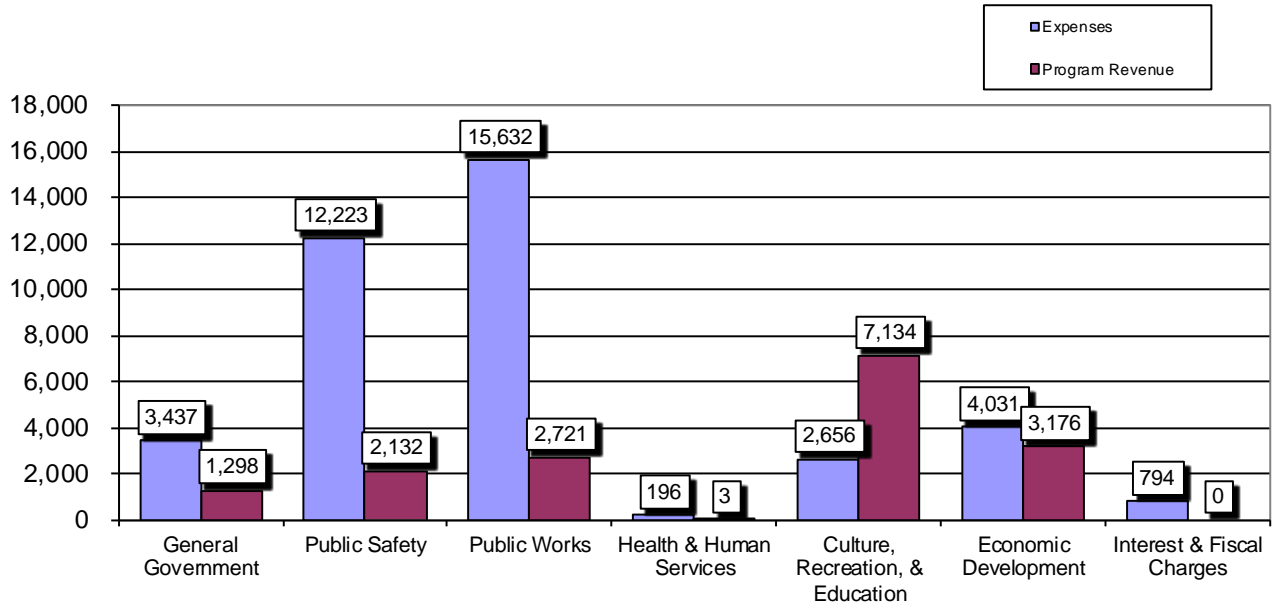


Program and General Revenues by Source - Governmental Activities - 2014

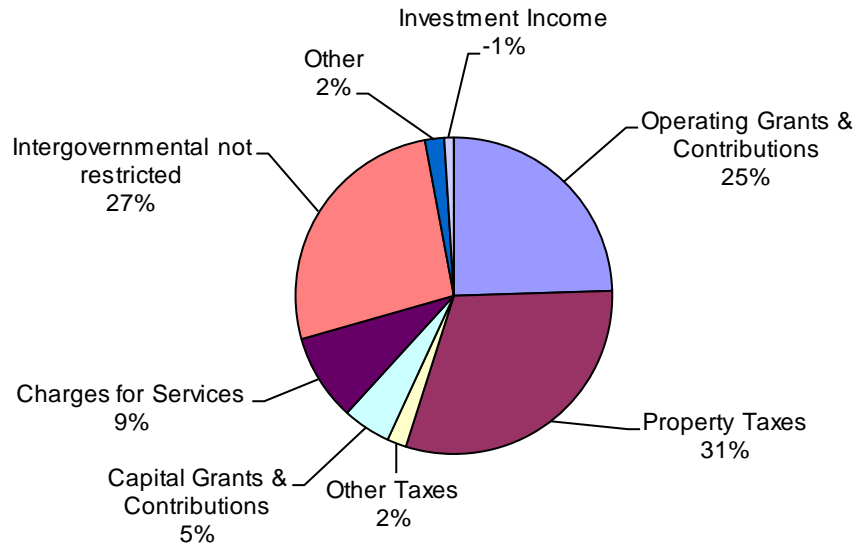


Governmental activities. Governmental activities increased the City's net position by \$2,170.

Expenses and Program Revenues - Governmental Activities 2013

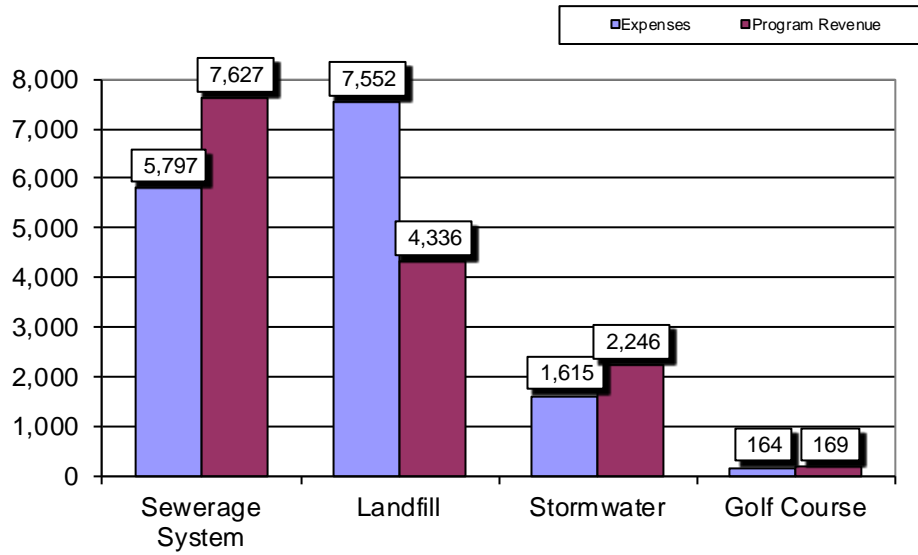


Program and General Revenues by Source - Governmental Activities - 2013

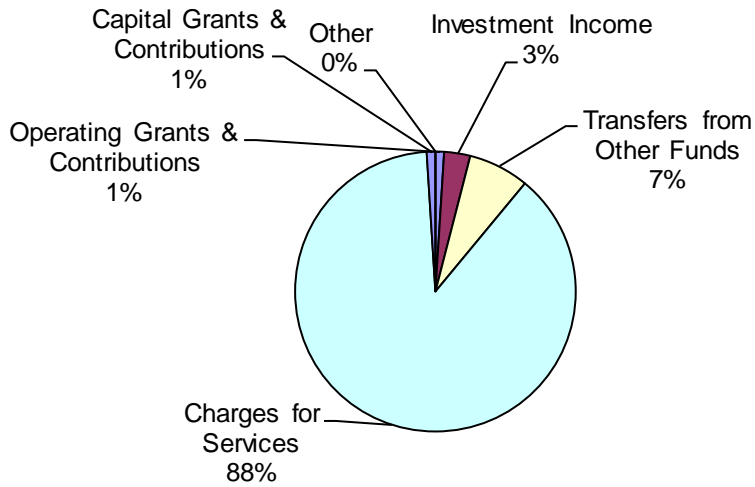


Business-type activities. Business-type activities increased the City's net position by \$960.

Expenses and Program Revenues - Business-Type Activities - 2014

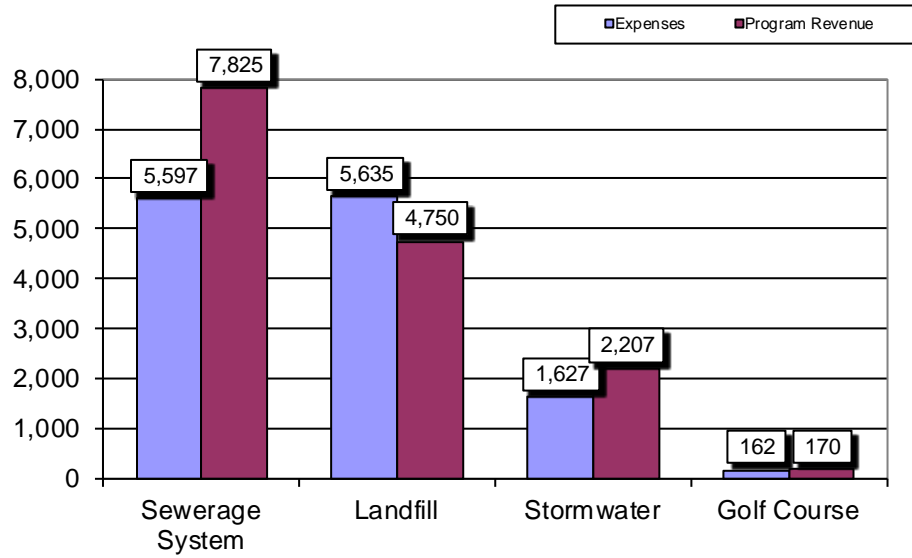


Revenues by Source - Business-Type Activities 2014

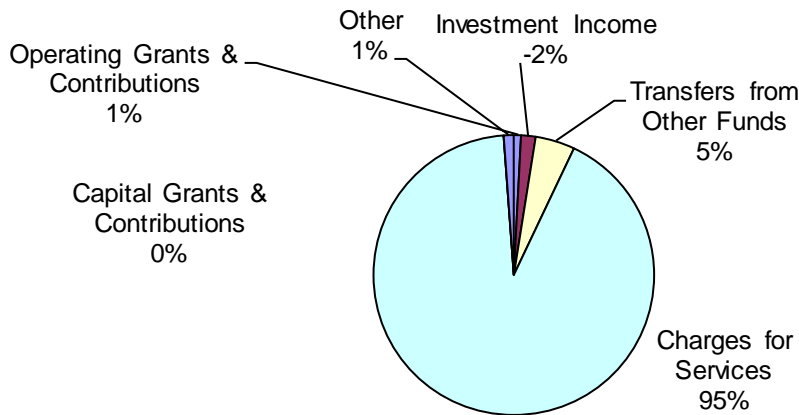


Business-type activities. Business-type activities increased the City's net position by \$2,582.

Expenses and Program Revenues - Business-Type Activities - 2013



Revenues by Source - Business-Type Activities 2013



Financial Analysis of the Government's Funds

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

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

The general fund is the chief operation fund of the City. At the end of the current fiscal year, unassigned fund balance of the general fund was \$8,348, while total fund balance reached \$8,477. As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Total unassigned fund balance represents 37 percent of total general fund expenditures, while total fund balance also represents 37 percent of that same amount.

The fund balance of the City's general fund increased by \$152.

Expenditures in the general fund were \$599 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 \$5,977 for the Landfill Utility Fund \$(3,837), the Stormwater Utility Fund \$3,884, and the Golf Course Fund \$(849). The total increase (decrease) in net position for the funds was \$2,019, \$(2,048), \$1,011, and \$5, 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, 2014, amounts to \$113,955 (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 2014

(net of accumulated depreciation)

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Land and improvements	\$ 20,648	\$ 23,119	\$ 43,767
Buildings and improvements	6,739	5,436	12,175
Machinery and equipment	5,051	1,655	6,706
Transportation equipment	-	1,250	1,250
Infrastructure	-	16,201	16,201
Construction in progress	1,772	2,719	4,491
Roads	23,765	-	23,765
Sidewalks/Bikepaths	5,600	-	5,600
	<u>\$ 63,575</u>	<u>\$ 50,380</u>	<u>\$ 113,955</u>
Total	<u>\$ 63,575</u>	<u>\$ 50,380</u>	<u>\$ 113,955</u>

CITY OF SUPERIOR'S CAPITAL ASSETS 2013

(net of accumulated depreciation)

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

Additional information on the City's capital assets can be found in Note 7 on pages 65–68 of this report.

Long-term debt. At the end of the current fiscal year, the City had total bonds and notes outstanding of \$47,511. Of this amount, \$41,494 comprises debt backed by the full faith and credit of the government. The remainder, \$6,017, 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			
	2014	2013	2014	2013	2014	2013
G.O. bonds and notes	\$ 30,455	\$ 29,833	\$ 11,039	\$ 11,284	\$ 41,494	\$ 41,117
Revenue bonds	-	-	6,017	7,906	6,017	7,906
Total	<u>\$ 30,455</u>	<u>\$ 29,833</u>	<u>\$ 17,056</u>	<u>\$ 19,190</u>	<u>\$ 47,511</u>	<u>\$ 49,023</u>

The City's total bond and note payable debt decreased by \$1,512 (3 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 \$82,660, which is significantly in excess of the City's actual outstanding general obligation debt.

Additional information on the City's long-term debt can be found in Note 8 on pages 68–72 of this report.

Economic Factors

- The unemployment rate for Douglas County is currently 5.0 percent. This compares to the state's average unemployment rate of 5.2 percent and the national average rate of 5.6 percent.
- The equalized value has decreased an average of .32 percent per year over the last five years. Equalized value decreased 1.2 percent between 2013 and 2014.

Requests for Information

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

Basic Financial Statements

City of Superior, Wisconsin

Statement of Net Position

December 31, 2014

<i>Assets and Deferred Outflows of Resources</i>	Primary Government		
	Governmental Activities	Business-Type Activities	Total
Current assets:			
Cash and investments	\$ 22,870,414	\$ 7,557,371	\$ 30,427,785
Receivables:			
Property taxes	13,028,126	-	13,028,126
Accounts	190,346	3,769,376	3,959,722
Special assessments	487,904	198,777	686,681
Due from other governments	5,449,120	-	5,449,120
Loans	573,249	-	573,249
Other	488,448	13,241	501,689
Internal balances	(279,284)	279,284	-
Inventories	84,910	-	84,910
Prepays	100,931	-	100,931
Total current assets	42,994,164	11,818,049	54,812,213
Noncurrent assets:			
Restricted cash and investments	147,993	3,413,419	3,561,412
Net OPEB asset	70,029	10,498	80,527
Loans receivable	6,933,103	-	6,933,103
Capital assets:			
Land	16,445,572	1,381,640	17,827,212
Construction in progress	1,771,700	2,718,508	4,490,208
Land improvements	7,922,412	28,795,090	36,717,502
Buildings and improvements	12,112,573	16,771,238	28,883,811
Machinery and equipment	18,561,341	12,414,897	30,976,238
Infrastructure	65,030,678	20,858,384	85,889,062
Accumulated depreciation	(58,269,524)	(32,559,874)	(90,829,398)
Total noncurrent assets	70,725,877	53,803,800	124,529,677
Total assets	113,720,041	65,621,849	179,341,890
Deferred outflows of resources:			
Deferred amount on refunding	114,246	62,479	176,725
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	\$ 113,834,287	\$ 65,684,328	\$ 179,518,615

<i>Liabilities, Deferred Inflows of Resources, and Net Position</i>	Primary Government		
	Governmental Activities	Business-Type Activities	Total
Liabilities:			
Current liabilities:			
Accounts payable	\$ 3,592,959	\$ 1,698,799	\$ 5,291,758
Claims payable	717,741	-	717,741
Accrued payroll	712,199	145,036	857,235
Accrued interest	267,631	79,267	346,898
Deposits	382,555	14,682	397,237
Due to other governments	98	12,621	12,719
Refundable grant advances	305,273	6,000	311,273
Unearned revenue	141,705	-	141,705
Current portion of long-term obligations:			
Accrued compensated absences	313,679	33,158	346,837
Bonds and notes payable	2,679,326	1,927,319	4,606,645
Total current liabilities	9,113,166	3,916,882	13,030,048
Noncurrent liabilities:			
Compensated absences	1,531,211	161,886	1,693,097
Bonds and notes payable	28,063,347	15,275,252	43,338,599
Landfill closure and postclosure	-	6,491,557	6,491,557
Total noncurrent liabilities	29,594,558	21,928,695	51,523,253
Total liabilities	38,707,724	25,845,577	64,553,301
Deferred inflows of resources:			
Property taxes for subsequent year	13,716,539	-	13,716,539
Net position:			
Net investment in capital assets	40,072,970	33,719,095	73,792,065
Restricted	13,940,534	853,431	14,793,965
Unrestricted	7,396,520	5,266,225	12,662,745
Total net position	61,410,024	39,838,751	101,248,775
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION	\$ 113,834,287	\$ 65,684,328	\$ 179,518,615

City of Superior, Wisconsin

Statement of Activities

Year Ended December 31, 2014

Functions/Programs	Expenses
Primary government:	
Governmental activities:	
General government	\$ 4,089,364
Public safety	13,388,746
Public works	13,578,270
Health and human services	324,766
Culture, recreation, and education	3,128,619
Economic development	2,777,415
Interest and fiscal charges	858,969
Total governmental activities	38,146,149
Business-type activities:	
Sewerage system	5,796,552
Landfill utility	7,552,117
Stormwater utility	1,615,486
Golf course	163,615
Total business-type activities	15,127,770
Total primary government	\$ 53,273,919
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
\$ 1,005,237	\$ 268,216	\$ 34,322	\$ (2,781,589)	\$ -	\$ (2,781,589)
819,355	733,185	245,165	(11,591,041)	-	(11,591,041)
55,882	653,712	1,906,132	(10,962,544)	-	(10,962,544)
2,484	-	50,000	(272,282)	-	(272,282)
2,130,305	3,021,922	-	2,023,608	-	2,023,608
337,158	1,410,899	39,900	(989,458)	-	(989,458)
-	-	-	(858,969)	-	(858,969)
4,350,421	6,087,934	2,275,519	(25,432,275)	-	(25,432,275)
7,506,283	-	121,204	-	1,830,935	1,830,935
4,218,353	118,057	-	-	(3,215,707)	(3,215,707)
2,245,950	-	-	-	630,464	630,464
168,620	-	-	-	5,005	5,005
14,139,206	118,057	121,204	-	(749,303)	(749,303)
\$ 18,489,627	\$ 6,205,991	\$ 2,396,723	(25,432,275)	(749,303)	(26,181,578)
			10,750,918	-	10,750,918
			2,710,896	-	2,710,896
			662,642	-	662,642
			11,796,553	-	11,796,553
			886,269	458,981	1,345,250
			824,300	197,802	1,022,102
			48,500	1,675	50,175
			(1,050,279)	1,050,279	-
			26,629,799	1,708,737	28,338,536
			1,197,524	959,434	2,156,958
			60,212,500	38,879,317	99,091,817
\$	\$	\$	61,410,024	39,838,751	\$ 101,248,775

See accompanying notes to basic financial statements.

Fund Financial Statements

City of Superior, Wisconsin

Balance Sheet – Governmental Funds

December 31, 2014

<i>Assets</i>	General Fund	Capital Improvement Program Fund	Other Governmental Funds	Total Governmental Funds
Cash and investments	\$ 11,158,239	\$ 2,393,319	\$ 4,008,806	\$ 17,560,364
Receivables:				
Property taxes	13,028,126	-	-	13,028,126
Accounts	-	-	190,346	190,346
Special assessments	476,897	-	11,007	487,904
Loans	-	-	7,506,352	7,506,352
Other	163,834	14,946	252,004	430,784
Due from other funds	246,588	-	3,107,138	3,353,726
Due from other governments	282,722	437,938	4,722,657	5,443,317
Inventories	84,910	-	-	84,910
Prepays	43,915	-	-	43,915
Restricted assets, cash and investments	-	-	147,993	147,993
Long-term interfund receivable	511,305	-	-	511,305
TOTAL ASSETS	\$ 25,996,536	\$ 2,846,203	\$ 19,946,303	\$ 48,789,042
<i>Liabilities, Deferred Inflows of Resources, and Fund Balances (Deficits)</i>				
Liabilities:				
Accounts payable	\$ 856,711	\$ 1,122,891	\$ 1,453,861	\$ 3,433,463
Accrued compensation	612,006	-	86,655	698,661
Due to other funds	4,053,099	-	-	4,053,099
Due to other governments	98	-	-	98
Custodial deposits	367,646	-	14,909	382,555
Refundable grant advances	-	128,141	177,132	305,273
Unearned revenue	-	-	141,705	141,705
Total liabilities	5,889,560	1,251,032	1,874,262	9,014,854
Deferred inflows of resources:				
Property taxes for subsequent year	10,623,151	-	3,093,390	13,716,541
Unavailable revenue - Special assessments	495,883	-	24,755	520,638
Unavailable revenue - Loans	-	-	3,848,283	3,848,283
Unavailable revenue - Advances to other funds	511,305	-	-	511,305
Total deferred inflows of resources	11,630,339	-	6,966,428	18,596,767
Fund balances (deficits):				
Nonspendable	128,825	-	100,000	228,825
Restricted	-	1,595,171	9,538,650	11,133,821
Committed	-	-	109,800	109,800
Assigned	-	-	1,772,178	1,772,178
Unassigned	8,347,812	-	(415,015)	7,932,797
Total fund balances	8,476,637	1,595,171	11,105,613	21,177,421
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	\$ 25,996,536	\$ 2,846,203	\$ 19,946,303	\$ 48,789,042

City of Superior, Wisconsin

Balance Sheet – Governmental Funds (Continued)

December 31, 2014

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

Total fund balances - Governmental funds (previous page)	\$	21,177,421
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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	\$	120,658,766	
Governmental accumulated depreciation		(57,084,014)	63,574,752

Internal service funds are used by management to charge the costs of general liability insurance, health insurance, and management information systems. The assets and liabilities of the internal service fund are included in the governmental activities in the statement of net position.	4,388,143
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Receivables not currently available are reported as unavailable revenue in the fund financial statements but are recognized as revenue when earned in the government-wide financial statements.	4,880,227
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Contributions made for Other Postemployment Benefits (OPEB) exceeding the Annual Required Contribution (ARC) are reported as a Net OPEB Asset in the statement of net position.	68,261
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Unpaid compensated absences are a liability of the governmental funds only if the employee has resigned or retired.	(1,782,722)
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Long-term liabilities, including bonds and notes payable, are not due in the current year and, therefore, are not reported in the fund statements. Interest on long-term debt is not accrued in the governmental funds, but rather is recognized as an expenditure when due. All liabilities, both current and long-term, are reported in the statement of net position. Balances reported in the statement of net position that are not reported in the funds balance sheet are:

Bonds and notes payable	30,742,673	
Deferred amount of refunding	(114,246)	
Accrued interest on long-term debt	267,631	(30,896,058)

Total net position - Governmental activities	\$	61,410,024
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City of Superior, Wisconsin

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

Year Ended December 31, 2014

	General Fund	Capital Improvement Program Fund	Other Governmental Funds	Total Governmental Funds
Revenues:				
Taxes	\$ 10,608,695	\$ -	\$ 3,504,630	\$ 14,113,325
Special assessments	-	-	34,760	34,760
Intergovernmental revenues	12,501,895	2,175,858	5,665,355	20,343,108
Licenses and permits	710,034	92,554	-	802,588
Fines, forfeitures, and penalties	293,785	-	19,801	313,586
Public charges for services	127,710	11,588	466,694	605,992
Intergovernmental charges	259,775	30,128	219,765	509,668
Investment income (loss)	382,955	64,636	167,202	614,793
Miscellaneous	809,027	174,513	1,459,499	2,443,039
Total revenues	25,693,876	2,549,277	11,537,706	39,780,859
Expenditures:				
Current:				
General government	2,970,094	3,426	-	2,973,520
Public safety	11,464,021	192,732	923,271	12,580,024
Public works	6,518,374	1,628	614,714	7,134,716
Health and human services	159,660	101,223	-	260,883
Culture and recreation	1,407,438	-	1,453,929	2,861,367
Economic development	176,421	8,369	2,454,386	2,639,176
Capital outlay	54,551	7,014,440	4,010,448	11,079,439
Debt service:				
Principal retirement	-	-	2,219,059	2,219,059
Interest expense	-	-	804,188	804,188
Debt issuance costs	-	41,518	-	41,518
Total expenditures	22,750,559	7,363,336	12,479,995	42,593,890
Excess of revenues over (under) expenditures	2,943,317	(4,814,059)	(942,289)	(2,813,031)

City of Superior, Wisconsin

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

Year Ended December 31, 2014

	General Fund	Capital Improvement Program Fund	Other Governmental Funds	Total Governmental Funds
Other financing sources (uses):				
Issuance of long-term debt	\$ -	\$ 2,845,000	\$ -	\$ 2,845,000
Transfers in	310,641	796,678	2,723,490	3,830,809
Transfers out	(3,102,075)	(273,000)	(1,635,013)	(5,010,088)
Premium on debt issuance	-	129,496	-	129,496
Net other financing sources (uses)	(2,791,434)	3,498,174	1,088,477	1,795,217
Change in fund balances	151,883	(1,315,885)	146,188	(1,017,814)
Fund balances at beginning	8,324,754	2,911,056	10,959,425	22,195,235
Fund balances at end	\$ 8,476,637	\$ 1,595,171	\$ 11,105,613	\$ 21,177,421

City of Superior, Wisconsin

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

Year Ended December 31, 2014

Total net change in fund balances - Governmental funds	\$ (1,017,814)
Amounts reported for governmental activities in the statement of activities are different because:	
The acquisition of capital assets is reported in the governmental funds as expenditures. However, for governmental activities, those costs are shown in the statement of net position and allocated over their estimated useful lives as annual depreciation expense in the statement of activities.	
Capital outlays reported in governmental fund statements	\$ 6,815,062
Depreciation expense reported in the statement of activities	(3,393,345)
<hr/>	
Amount by which capital outlays are more than depreciation in the current year	3,421,717
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.	
	345,590
The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins, and donations) is to decrease net position.	
	(66,002)
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.	
	(199,513)
Unpaid vacation and sick pay is a liability of the governmental funds only if the employee has resigned or retired.	
Amount by which the liability for sick pay changed in the current year	(134,134)
Other postemployment benefits are reported in the governmental funds when amounts are paid. The statement of activities reports the value of the benefits earned during the year.	
Decrease in net OPEB asset	(385,125)
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	2,223,265

City of Superior, Wisconsin

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

Year Ended December 31, 2014

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

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

The amount of long-term debt proceeds in the current year \$ (2,845,000)

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 (118,016)

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 (27,444)

Change in net position - Governmental activities \$ 1,197,524

City of Superior, Wisconsin

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

Year Ended December 31, 2014

	Original Budget	Final Budget	Actual	Variance With Final Budget Positive (Negative)
Revenues:				
Taxes:				
Current and delinquent general real estate and personal property	\$ 9,909,220	\$ 9,909,220	\$ 9,860,763	\$ (48,457)
Occupational	607,472	607,472	584,136	(23,336)
Mobile home fees	59,000	59,000	58,846	(154)
Other	108,000	108,000	104,950	(3,050)
	10,683,692	10,683,692	10,608,695	(74,997)
Special assessments - Current, deferred, and delinquent	25,000	25,000	-	(25,000)
Intergovernmental revenues:				
Federal grants	410,000	410,000	672,206	262,206
State shared revenues	7,885,545	7,885,545	7,908,783	23,238
Fire insurance	60,642	60,642	65,158	4,516
Terminal taxes	1,682,000	1,682,000	1,722,731	40,731
State grants, mass transit	354,000	354,000	362,891	8,891
State grants, other	-	-	11,143	11,143
Local street and road state aid	1,149,562	1,149,562	1,154,439	4,877
Connecting streets	307,461	307,461	308,088	627
Payment for municipal services	215,000	215,000	260,693	45,693
Computer exemption credit	30,300	30,300	35,763	5,463
	12,094,510	12,094,510	12,501,895	407,385

City of Superior, Wisconsin

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

Year Ended December 31, 2014

	Original Budget	Final Budget	Actual	Variance With Final Budget Positive (Negative)
Revenues: (Continued)				
Licenses and permits:				
Licenses:				
Amusement devices	\$ 6,500	\$ 6,500	\$ 5,164	\$ (1,336)
Cigarette	4,800	4,800	4,000	(800)
Dog	2,000	2,000	2,484	484
Liquor and beer	72,000	72,000	69,405	(2,595)
Public carrier	5,200	5,200	2,600	(2,600)
Hotel/motel rooming	1,000	1,000	1,196	196
Tavern operator	13,000	13,000	20,237	7,237
Other	24,200	24,200	36,280	12,080
Permits:				
Building	250,000	250,000	194,785	(55,215)
Plumbing	25,000	25,000	38,458	13,458
Heating	20,000	20,000	27,930	7,930
Electrical	15,000	15,000	33,423	18,423
Razing/moving	1,000	1,000	1,290	290
Curb cut/erector	2,000	2,000	1,051	(949)
Other inspection fees	3,000	3,000	3,515	515
Franchise fees	248,230	248,230	268,216	19,986
	692,930	692,930	710,034	17,104
Fines, forfeitures, and penalties:				
Parking violations	90,000	90,000	109,178	19,178
Other law and ordinance violations	175,600	175,600	184,607	9,007
	265,600	265,600	293,785	28,185

City of Superior, Wisconsin

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

Year Ended December 31, 2014

	Original Budget	Final Budget	Actual	Variance With Final Budget Positive (Negative)
Revenues: (Continued)				
Public charges for services:				
Airport	\$ 45,000	\$ 45,000	\$ 51,127	\$ 6,127
City clerk	193	193	310	117
Police department	5,500	5,500	6,062	562
Fire department	63,581	63,581	65,532	1,951
Culture, recreation, and education	5,000	5,000	4,679	(321)
	119,274	119,274	127,710	8,436
Intergovernmental charges:				
Equipment depot	150,000	150,000	180,563	30,563
Revenue from local governments	84,000	84,000	79,212	(4,788)
	234,000	234,000	259,775	25,775
Investment income	300,000	300,000	382,955	82,955
Miscellaneous revenue:				
Rent	521,180	521,180	484,763	(36,417)
Property sales	-	-	16,391	16,391
Insurance recoveries	5,150	5,150	64,025	58,875
Other	440,230	440,230	243,848	(196,382)
	966,560	966,560	809,027	(157,533)
Total revenues	25,381,566	25,381,566	25,693,876	312,310

City of Superior, Wisconsin

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

Year Ended December 31, 2014

	Original Budget	Final Budget	Actual	Variance With Final Budget Positive (Negative)
Expenditures:				
General government:				
City council	\$ 163,936	\$ 163,936	\$ 139,042	\$ 24,894
Mayor	200,910	207,060	206,432	628
City attorney	303,074	309,827	271,213	38,614
City clerk	267,199	272,117	266,625	5,492
Finance	664,354	634,257	571,042	63,215
Assessor	319,292	326,225	316,942	9,283
Buildings and grounds	670,326	676,079	778,501	(102,422)
Human resources	233,541	245,381	242,341	3,040
Elections	48,773	48,773	32,819	15,954
Judgments, losses, and unallocated	131,000	131,000	145,137	(14,137)
	3,002,405	3,014,655	2,970,094	44,561
Public safety:				
Police department	6,925,586	6,925,586	6,933,270	(7,684)
Fire department	4,099,525	4,102,317	3,976,782	125,535
Building inspection	578,113	580,017	553,969	26,048
	11,603,224	11,607,920	11,464,021	143,899
Public works:				
Mass transit	1,290,000	1,290,000	1,324,478	(34,478)
Administration and engineering	425,411	435,784	377,960	57,824
Street division	2,678,464	2,735,577	2,655,353	80,224
Airport	89,638	89,638	87,353	2,285
Traffic signals and signs	271,852	274,926	335,857	(60,931)
Equipment depot	1,800,111	1,832,556	1,737,373	95,183
	6,555,476	6,658,481	6,518,374	140,107

City of Superior, Wisconsin

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

Year Ended December 31, 2014

	Original Budget	Final Budget	Actual	Variance With Final Budget Positive (Negative)
Expenditures: (Continued)				
Health and human services:				
Animal shelter	\$ 184,000	\$ 184,000	\$ 132,460	\$ 51,540
Other	48,700	48,700	27,200	21,500
	232,700	232,700	159,660	73,040
Culture and recreation:				
Recreation programs and events	506,195	526,284	434,825	91,459
Parks, trees, and boulevards	851,876	868,643	807,613	61,030
Superior public museums	165,000	165,000	165,000	-
	1,523,071	1,559,927	1,407,438	152,489
Economic development:				
Planning and development	236,117	208,948	176,421	32,527
Capital outlay	67,000	67,000	54,551	12,449
Total expenditures	23,219,993	23,349,631	22,750,559	599,072
Excess of revenues over expenditures	2,161,573	2,031,935	2,943,317	911,382
Other financing sources (uses):				
Transfers in	244,290	244,290	310,641	66,351
Transfers out	(2,405,863)	(2,276,225)	(3,102,075)	(825,850)
Net other financing sources (uses)	(2,161,573)	(2,031,935)	(2,791,434)	(759,499)
Excess of revenues and other financing sources over expenditures and other financing uses	\$ -	\$ -	\$ 151,883	\$ 151,883

City of Superior, Wisconsin

Statement of Net Position—Proprietary Funds

December 31, 2014

<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	\$ 3,733,902	\$ 1,192,952	\$ 2,630,518	\$ -	\$ 7,557,372	\$ 5,310,050
Receivables:						
Accounts	2,229,917	434,489	1,104,970	-	3,769,376	-
Special assessments	128,542	743	69,492	-	198,777	-
Due from other governments	-	-	-	-	-	5,803
Other	6,566	-	150	6,525	13,241	57,664
Due from other funds	731,051	-	214,910	-	945,961	-
Prepays	-	-	-	-	-	57,016
Total current assets	6,829,978	1,628,184	4,020,040	6,525	12,484,727	5,430,533
Noncurrent assets:						
Restricted deposits	853,431	2,559,988	-	-	3,413,419	-
Net OPEB asset	9,524	974	-	-	10,498	1,768
Capital assets:						
Land	-	61,240	26,400	1,294,000	1,381,640	-
Construction in progress	1,157,156	1,365,730	195,622	-	2,718,508	-
Land improvements	-	16,006,013	11,132,076	1,657,001	28,795,090	-
Buildings and improvements	15,842,006	178,714	-	750,518	16,771,238	-
Machinery and equipment	7,554,836	4,200,755	304,961	354,345	12,414,897	1,185,510
Infrastructure	20,858,384	-	-	-	20,858,384	-
Accumulated depreciation	(22,104,809)	(7,542,329)	(935,076)	(1,977,660)	(32,559,874)	(1,185,510)
Total noncurrent assets	24,170,528	16,831,085	10,723,983	2,078,204	53,803,800	1,768
Deferred outflows of resources:						
Deferred amount on refunding	62,479	-	-	-	62,479	-
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	\$ 31,062,985	\$ 18,459,269	\$ 14,744,023	\$ 2,084,729	\$ 66,351,006	\$ 5,432,301

<i>Liabilities and Net Position</i>	Business-Type Activities - Enterprise Funds					Governmental
	Sewerage	Landfill	Stormwater	Golf	Total	Activities
	System	Utility	Utility	Course		Internal
	Fund	Fund	Fund	Fund		Service Fund
Current liabilities:						
Accounts payable	\$ 380,259	\$ 1,263,825	\$ 46,838	\$ 7,877	\$ 1,698,799	\$ 159,496
Claims payable	-	-	-	-	-	717,741
Accrued payroll	78,694	39,185	27,157	-	145,036	13,538
Accrued interest	28,687	31,624	18,195	761	79,267	-
Deposits	256	-	-	14,426	14,682	-
Due to other governments	-	12,621	-	-	12,621	-
Refundable grant advances	6,000	-	-	-	6,000	-
Due to other funds	-	-	-	246,588	246,588	-
Current portion of interfund payable	-	-	-	66,645	66,645	-
Current portion of long-term obligations:						
Accrued compensated absences	11,509	14,231	7,418	-	33,158	10,616
Bonds and notes payable	890,885	709,184	320,670	6,580	1,927,319	-
Total current liabilities	1,396,290	2,070,670	420,278	342,877	4,230,115	901,391
Long-term liabilities:						
Long-term interfund payable	-	-	-	444,660	444,660	-
Accrued compensated absences	56,191	69,480	36,215	-	161,886	51,552
Bonds and notes payable	4,565,806	6,306,734	4,334,797	67,915	15,275,252	-
Landfill closure and postclosure liability	-	6,491,557	-	-	6,491,557	-
Total long-term liabilities	4,621,997	12,867,771	4,371,012	512,575	22,373,355	51,552
Net position:						
Net investment in capital assets	18,214,194	7,358,181	6,068,516	2,078,204	33,719,095	-
Restricted	853,431	-	-	-	853,431	-
Unrestricted	5,977,073	(3,837,353)	3,884,217	(848,927)	5,175,010	4,479,358
Total net position	25,044,698	3,520,828	9,952,733	1,229,277	39,747,536	4,479,358
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds					91,215	
Net position business-type activities					39,838,751	
TOTAL LIABILITIES AND NET POSITION	\$ 31,062,985	\$ 18,459,269	\$ 14,744,023	\$ 2,084,729	\$ 66,351,006	\$ 5,432,301

City of Superior, Wisconsin

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

Year Ended December 31, 2014

	Business-Type Activities - Enterprise Funds				Total	Governmental Activities Internal Service Fund
	Sewerage System Fund	Landfill Utility Fund	Stormwater Utility Fund	Golf Course Fund		
Operating revenues:						
Charges for services	\$ 6,591,506	\$ 4,204,034	\$ 2,023,655	\$ -	\$ 12,819,195	\$ 5,940,724
Rental fees	-	-	-	160,000	160,000	-
Other	914,777	14,319	222,295	8,620	1,160,011	846,533
Total operating revenues	7,506,283	4,218,353	2,245,950	168,620	14,139,206	6,787,257
Operating expenses:						
Personal services	2,054,354	1,014,370	725,521	-	3,794,245	710,872
Services and operations	2,461,880	4,841,206	519,565	46,488	7,869,139	1,185,540
Insurance claims and premiums	-	-	-	-	-	4,909,002
Total operating expenses	4,516,234	5,855,576	1,245,086	46,488	11,663,384	6,805,414
Operating income (loss) before depreciation	2,990,049	(1,637,223)	1,000,864	122,132	2,475,822	(18,157)
Depreciation	1,061,063	1,503,669	253,712	96,669	2,915,113	-
Operating income (loss)	1,928,986	(3,140,892)	747,152	25,463	(439,291)	(18,157)
Nonoperating revenues (expenses):						
Intergovernmental revenue	-	118,057	-	-	118,057	-
Other nonoperating revenues	2,575	116,505	76,465	-	195,545	-
Interest and amortization expense	(191,066)	(190,112)	(120,193)	(20,458)	(521,829)	(1,505)
Interest income	185,003	175,906	98,068	4	458,981	208,808
Gain on sale of fixed assets	272	2,256	1,404	-	3,932	-
Total nonoperating revenues (expenses)	(3,216)	222,612	55,744	(20,454)	254,686	207,303
Income (loss) before contributions and transfers	1,925,770	(2,918,280)	802,896	5,009	(184,605)	189,146
Capital contributions	121,204	-	-	-	121,204	-
Transfers in	-	1,000,000	208,295	-	1,208,295	129,000
Transfers out	(28,140)	(129,876)	-	-	(158,016)	-
Change in net position	2,018,834	(2,048,156)	1,011,191	5,009	986,878	318,146
Net position at beginning	23,025,864	5,568,984	8,941,542	1,224,268		4,161,212
Net position at end	\$ 25,044,698	\$ 3,520,828	\$ 9,952,733	\$ 1,229,277		\$ 4,479,358
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds					(27,444)	
Change in net position of business-type activities					\$ 959,434	

See accompanying notes to basic financial statements.

City of Superior, Wisconsin

Statement of Cash Flows — Proprietary Funds

Year Ended December 31, 2014

	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	\$ 6,509,521	\$ 4,614,653	\$ 2,269,773	\$ 162,096	\$ 13,556,043	\$ 6,781,998
Cash paid to suppliers for goods and services	(2,721,455)	(3,162,421)	(605,312)	(30,925)	(6,520,113)	(5,857,817)
Cash paid to employees for services	(2,031,252)	(1,019,463)	(716,673)	-	(3,767,388)	(708,104)
Net cash provided by operating activities	1,756,814	432,769	947,788	131,171	3,268,542	216,077
Cash flows from noncapital financing activities:						
Intergovernmental revenue	-	118,057	7,313	-	125,370	-
Other miscellaneous revenue	2,575	116,505	76,465	-	195,545	-
Increase in due from other funds	(255,077)	-	(50,512)	-	(305,589)	-
Decrease in due to other funds	-	-	-	(39,551)	(39,551)	-
Principal paid on long-term debt	(25,148)	(8,692)	-	(6,228)	(40,068)	-
Interest paid on long-term debt	(8,996)	(3,109)	-	(4,324)	(16,429)	-
Transfers in from other funds	-	1,000,000	208,295	-	1,208,295	129,000
Transfers out to other funds	(28,140)	(129,876)	-	-	(158,016)	-
Net cash provided by (used in) noncapital financing activities	(314,786)	1,092,885	241,561	(50,103)	969,557	129,000
Cash flows from capital and related financing activities:						
Acquisition and construction of capital assets	(2,243,541)	(1,861,672)	(512,497)	-	(4,617,710)	-
Proceeds from sale of capital assets	272	2,256	1,404	-	3,932	-
Capital contributions	121,204	-	-	-	121,204	-
Principal paid on long-term interfund payable	-	-	-	(64,677)	(64,677)	-
Interest paid on long-term interfund payable	-	-	-	(16,395)	(16,395)	-
Proceeds from long-term debt	1,790,711	1,795,000	-	-	3,585,711	-
Principal paid on long-term debt	(2,598,037)	(2,765,000)	(315,912)	-	(5,678,949)	-
Interest paid on long-term debt	(100,124)	(126,338)	(131,974)	-	(358,436)	(1,505)
Net cash used in capital and related financing activities	(3,029,515)	(2,955,754)	(958,979)	(81,072)	(7,025,320)	(1,505)

City of Superior, Wisconsin

Statement of Cash Flows — Proprietary Funds (Continued)

Year Ended December 31, 2014

	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 (paid)	185,003	175,906	98,068	4	458,981	208,808
Increase in restricted deposits	-	(82,157)	-	-	(82,157)	-
Net cash provided by investing activities	185,003	93,749	98,068	4	376,824	208,808
Net increase (decrease) in cash and cash equivalents	(1,402,484)	(1,336,351)	328,438	-	(2,410,397)	552,380
Cash and cash equivalents at beginning of the year	5,989,817	2,529,303	2,302,080	-	10,821,200	4,757,670
Cash and cash equivalents at end of the year	\$ 4,587,333	\$ 1,192,952	\$ 2,630,518	\$ -	\$ 8,410,803	\$ 5,310,050
Reconciliation:						
Cash and investments	\$ 3,733,902	\$ 1,192,952	\$ 2,630,518	\$ -	\$ 7,557,372	\$ 5,310,050
Restricted deposits	853,431	-	-	-	853,431	-
Cash and cash equivalents	\$ 4,587,333	\$ 1,192,952	\$ 2,630,518	\$ -	\$ 8,410,803	\$ 5,310,050

City of Superior, Wisconsin

Statement of Cash Flows — Proprietary Funds (Continued)

Year Ended December 31, 2014

	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)	\$ 1,928,986	\$ (3,140,892)	\$ 747,152	\$ 25,463	\$ (439,291)	\$ (18,157)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:						
Provision for depreciation and amortization	1,061,063	1,503,669	253,712	96,669	2,915,113	-
Changes in operating assets and liabilities:						
Decrease (increase) in accounts receivable	(996,762)	396,300	23,823	(6,524)	(583,163)	(7,188)
Decrease in due from other governments	-	-	-	-	-	1,929
Increase in prepayments	-	-	-	-	-	(8,204)
Decrease in net OPEB asset	53,737	5,495	-	-	59,232	9,975
Increase (decrease) in accounts payable	(313,312)	(69,629)	(85,747)	1,137	(467,551)	107,913
Increase (decrease) in accrued expenses	23,102	(5,093)	8,848	-	26,857	2,768
Increase in custodial deposits	-	-	-	14,426	14,426	-
Increase in claims payable	-	-	-	-	-	127,041
Increase in landfill closure and postclosure liability	-	1,742,919	-	-	1,742,919	-
Total adjustments	(172,172)	3,573,661	200,636	105,708	3,707,833	234,234
Net cash provided by operating activities	\$ 1,756,814	\$ 432,769	\$ 947,788	\$ 131,171	\$ 3,268,542	\$ 216,077

City of Superior, Wisconsin

Statement of Assets and Liabilities — Fiduciary Fund

December 31, 2014

	<u>Agency Fund Tax Collection</u>
<hr/> <i>Assets</i> <hr/>	
Cash and investments	\$ 3,019,610
Taxes receivable	21,883,023
TOTAL ASSETS	\$ 24,902,633
<hr/> <i>Liabilities</i> <hr/>	
Due to other governments	\$ 24,902,633

City of Superior, Wisconsin

Notes to Basic Financial Statements

Note 1 **Summary of Significant Accounting Policies**

Introduction

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

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

The Financial Reporting Entity

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

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

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, 2014, and for the year then ended, the Authority had no financial position or results of operations to report.

New Accounting Pronouncements

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

City of Superior, Wisconsin

Notes to Basic Financial Statements

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

Basis of Presentation

Government-Wide Financial Statements

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

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

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

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

City of Superior, Wisconsin

Notes to Basic Financial Statements

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

Basis of Presentation (Continued)

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

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

Fund Financial Statements

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

City of Superior, Wisconsin

Notes to Basic Financial Statements

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

Fund Financial Statements (Continued)

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

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

City of Superior, Wisconsin

Notes to Basic Financial Statements

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

Basis of Presentation (Continued)

Governmental Funds

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

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

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

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

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

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

City of Superior, Wisconsin

Notes to Basic Financial Statements

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

Basis of Presentation (Continued)

Proprietary Funds

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

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

In addition, the City reports the following fund types:

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

Major Funds

The City reports the following major governmental funds:

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

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

The City reports the following major proprietary funds:

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

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

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

City of Superior, Wisconsin

Notes to Basic Financial Statements

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

Basis of Presentation (Continued)

Nonmajor Funds

The City reports the following nonmajor funds:

Special Revenue Funds

State and Federal Grant Allocation and Allotment Fund

Special Assessment Fund

Hotel/Motel Tax Fund

Communications Center Fund

Library Fund

Crime Prevention Fund

Urban Tree Fund

Parks and Recreation Boat Ramp Fee Fund

Municipal Forest Fund

Narcotics Fund

Brown Field Grant Fund

UDAG CD Loan Fund

CDBG Revolving Loan Fund

Home SF Grant 2006-2008 Fund

CHS Dock Corrosion Project Fund

Economic Development Fund

Business Improvement District Fund

Superior Business Center Fund

Fire Department PPP Fund

City of Superior, Wisconsin

Notes to Basic Financial Statements

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

Basis of Presentation (Continued)

Capital Projects Funds

Tax Increment District No. 7 Fund
Tax Increment District No. 8 Fund
Tax Increment District No. 9 Fund
Tax Increment District No. 10 Fund
Tax Increment District No. 11 Fund
CHS Dock Rehabilitation Fund
Fraser Dock Rehabilitation Project Fund
The Hallet Dock Capital Project Fund
Gavilon Grain Dock Project Fund
Barkers Island Marina Improvement Fund
Kestrel Project Fund
Magnetation LLC Project Fund
Tax Increment District No. 12 Fund
June 2012 Rain Event Fund
Tax Increment District No. 13 Fund

Debt Service Funds

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

City of Superior, Wisconsin

Notes to Basic Financial Statements

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

Basis of Presentation (Continued)

Debt Service Funds (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

Nonmajor Proprietary Fund

Golf Course Fund

City of Superior, Wisconsin

Notes to Basic Financial Statements

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

Basis of Accounting

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

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

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

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

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

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

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.

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 2013 tax levy is budgeted as property tax revenue for the year 2014 and is recognized as revenue in 2014 to the extent available. Real property tax assessments for the 2013 tax levy were based on assessed valuations as of January 1, 2013. The City levied property taxes pursuant to law in December 2013, at which time an enforceable legal claim is attached to properties. Douglas County obtains liens on property for which taxes are delinquent on the third Tuesday in October each year. The County pays the City in full for real estate taxes by August 31 each year.

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

City of Superior, Wisconsin

Notes to Basic Financial Statements

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

Receivables and Revenue Recognition (Continued)

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

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

Income from investments is recognized when earned.

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

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

Prepays

Payments made to vendors for services that will benefit periods beyond December 31, 2014, are recorded as prepayments. The costs of these governmental fund type services are recorded as expenditures when consumed rather than when purchased.

City of Superior, Wisconsin

Notes to Basic Financial Statements

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

Inventories

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

Capital Assets

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

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

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

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

Restricted Cash and Investments

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

City of Superior, Wisconsin

Notes to Basic Financial Statements

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

Interfund Transactions

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

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

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

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

City of Superior, Wisconsin

Notes to Basic Financial Statements

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

Deferred Outflows/Inflows of Resources

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

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

Compensated Absences

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

City of Superior, Wisconsin

Notes to Basic Financial Statements

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

Long-Term Obligations

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

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

Net Position

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

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

City of Superior, Wisconsin

Notes to Basic Financial Statements

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

Fund Balances

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

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

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

Committed fund balance: These amounts can only be used for specific purposes pursuant to constraints imposed by formal 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

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 _____, 2015, 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 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 June 30, 2015, 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:			
Buildings and grounds	\$ 676,079	\$ 778,501	\$ 102,422
Judgments, losses, and unallocated	131,000	145,137	14,137
Police department	6,925,586	6,933,270	7,684
Mass transit	1,290,000	1,324,478	34,478
Traffic signals and signs	274,926	335,857	60,931

Deficit Fund Equity

The following deficits will be eliminated by future operations:

	Deficit Fund Equity
Communications Center Fund	\$ 2,400
Superior Business Center Fund	9,050
State and Federal Grant Allocation and Allotment Fund	3,422
Hallet Dock Capital Project Fund	51
Tax Incremental District No. 8 Fund	37,972
Tax Increment District No. 11 Fund	8,320
CHS Dock Rehabilitation Fund	4,369
Fraser Dock Rehabilitation Project Fund	1,710
Tax Increment District No. 12 Fund	18,888
Tax Increment District No. 13 Fund	1,300
2012C TID No. 8 Fund	1,862
2012 GO Notes Kestrel Fund	700
STFL Food Fund	324,271
CIP No. 1 Fund	700
Total	\$ 415,015

City of Superior, Wisconsin

Notes to Basic Financial Statements

Note 3 Cash and Investments

Deposits

Custodial Credit Risk: Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The City's policy for custodial credit risk requires that funds on deposit in excess of Federal Deposit Insurance or Federal Savings and Loan Insurance limits be secured by some form of collateral. At year-end, the carrying amount of the City's deposits was \$10,467,726 and the bank balance was \$10,919,572. Of the bank balance, \$1,700,800 was covered by Federal Depository Insurance or by the State of Wisconsin Public Depository Guarantee Fund and \$9,218,771 was uninsured and uncollateralized.

Investments

Interest Rate Risk: The City does have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. The City's portfolio will contain both short-term (up to five years) and long-term (beyond five years) maturities; however, extended maturities must take advantage of higher yields and cannot be more than 50 percent of the total investments. Unless matched to a specific cash flow, or approved by the City Council, the City will not directly invest in securities maturing more than 10 years from the date of purchase. State Statute limits the maturity of commercial paper and corporate bonds to not more than seven years. The City's distribution of investments by maturity as of December 31, 2014, is as follows:

	Fair Value	Remaining Maturity (in years)			
		0-1	1-5	5-10	More Than 10
State LGIP	\$ 265,316	\$ 265,316	\$ -	\$ -	\$ -
Money Market Accounts	272,015	272,015	-	-	-
Negotiable CDs	5,279,194	650,378	4,628,816	-	-
U.S. Treasury Notes	1,213,871	625,350	272,552	315,969	-
FFCB	669,686	-	400,195	269,491	-
FHLB	13,268,950	-	1,678,069	11,590,881	-
FHLMC	372,469	97,933	274,536	-	-
FNMA	5,199,580	-	2,724,049	2,475,531	-
Totals	\$ 26,541,081	\$ 1,910,992	\$ 9,978,217	\$ 14,651,872	\$ -

City of Superior, Wisconsin

Notes to Basic Financial Statements

Note 3 Cash and Investments (Continued)

Investments (Continued)

Credit Risk: Statutes authorize the City to invest in time deposits that mature in not more than three years, bonds or securities issued or guaranteed by the federal government, bonds or securities of any other municipality or district within the state of Wisconsin, the Wisconsin Investment Trust, securities of open-end management investment companies or investment trusts (mutual funds) if the portfolio is limited to (a) bonds and securities issued by the federal government or a commission, board, or other instrumentality of the federal government, (b) bonds that are guaranteed as to principal and interest by the federal government or a commission, board, or other instrumentality of the federal government, and (c) repurchase agreements that are fully collateralized by these bonds or securities, repurchase agreements with public depositories, if the agreement is secured by federal bonds or securities, and any security with a maturity in seven years or less and having the highest or second highest rating category of a nationally recognized rating agency. At December 31, 2014, 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 \$2,559,988 are as follows:

<u>Issuer</u>	<u>Reported Amount</u>
FFCB	\$ 306,072
FHLB	667,862
FNMA	495,117

City of Superior, Wisconsin

Notes to Basic Financial Statements

Note 3 Cash and Investments (Continued)

Investments (Continued)

Custodial Credit Risk: For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) to the transaction, the City will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The City does not have an investment policy for custodial credit risk. At December 31, 2014, the City's investments subject to custodial credit risk are \$26,041,081.

The City's cash and investment balances at December 31, 2014, were as follows:

	Fair Value
Cash deposits	\$ 10,467,726
Investments:	
Money Market Accounts	272,015
State of Wisconsin Local Government Investment Pool	265,316
Negotiable CDs	5,279,194
U.S. Treasury Notes	1,213,871
FFCB	669,686
FHLB	13,268,950
FHLMC	372,469
FNMA	5,199,580
Total cash and investments	\$ 37,008,807

City of Superior, Wisconsin

Notes to Basic Financial Statements

Note 3 Cash and Investments (Continued)

Investments (Continued)

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

Cash and investments - Governmental activities	\$ 22,870,414
Cash and investments - Business-type activities	7,557,371
Restricted deposits - Governmental activities	147,993
Restricted deposits - Business-type activities	3,413,419
Cash and investments - Tax Collection Agency Fund	3,019,610
	<hr/>
	\$ 37,008,807

The Wisconsin Local Government Investment Pool (LGIP) is part of the State Investment Fund (SIF) and is managed by the State of Wisconsin Investment Board. The SIF is not registered with the Securities and Exchange Commission but operates under the statutory authority of Wisconsin Chapter 25. The SIF reports the fair value of its underlying assets annually. Participants in the LGIP have the right to withdraw their funds in total on one day's notice. At December 31, 2014, the fair value of the city's share of LGIP's assets was substantially equal to the amount reported above.

Investments in the Local Government Investment Pool are covered under a surety bond issued by Financial Security Assurance, Inc. The bond insures against losses arising from principal defaults on substantially all types of securities acquired by the pool except U.S. government and agency securities. The bond provides unlimited coverage on principal losses, reduced by any FDIC and State of Wisconsin Guarantee Fund insurance.

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

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

City of Superior, Wisconsin

Notes to Basic Financial Statements

Note 4 Restricted Deposits

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

The following is a list of restricted deposits at December 31, 2014:

	Sewerage System Fund	Landfill Utility Fund	Library Fund	Total
Redemption and depreciation account	\$853,431	\$ -	\$ -	\$ 853,431
Closure and postclosure care	-	2,559,988	-	2,559,988
Library endowments	-	-	147,993	147,993
	<u>\$853,431</u>	<u>\$2,559,988</u>	<u>\$147,993</u>	<u>\$3,561,412</u>

Note 5 Receivables

Receivables as of year-end for the City's individual major funds and agency fund are shown at gross amounts with no uncollectible amounts recognized. The other Governmental Funds receivables are also shown at gross amounts except for the loans receivable and due from other governments balances, which are shown net the allowances for doubtful accounts of \$500,000 and \$164,418, respectively.

City of Superior, Wisconsin

Notes to Basic Financial Statements

Note 6 Interfund Receivables/Payables

The following is a schedule of interfund receivables and payables at December 31, 2014:

Receivable Fund	Payable Fund	Amount
General Fund	Golf Course Fund	\$ 246,588
Special Revenue Funds	General Fund	158,760
Debt Service Funds	General Fund	2,948,378
Sewerage System Fund	General Fund	731,051
Stormwater Utility Fund	General Fund	214,910
		\$ 4,299,687

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

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

Maturities of the loans are as follows:

Year Ending December 31,	Principal	Interest	Total	
2015	\$ 66,645	\$ 14,427	\$ 81,072	
2016	68,672	12,400	81,072	
2017	70,760	10,312	81,072	
2018	72,912	8,160	81,072	
2019	75,130	5,942	81,072	
Remaining years	157,186	4,959	162,145	
		\$ 511,305	\$ 56,200	\$ 567,505

City of Superior, Wisconsin

Notes to Basic Financial Statements

Note 7 Capital Assets

Capital asset activity for the year ended December 31, 2014, was as follows:

	Beginning Balance	Additions	Disposals	Transfers	Ending Balance
Governmental activities:					
Capital assets not being depreciated:					
Land	\$ 16,445,572	\$ -	\$ -	\$ -	\$ 16,445,572
Construction in progress	5,606,733	3,773,227	64,518	(7,543,742)	1,771,700
Total capital assets not being depreciated	\$ 22,052,305	\$ 3,773,227	\$ 64,518	\$ (7,543,742)	\$ 18,217,272
Capital assets being depreciated:					
Land improvements	\$ 7,284,092	\$ -	\$ -	\$ 638,320	\$ 7,922,412
Buildings and improvements	12,015,133	97,440	-	-	12,112,573
Machinery and equipment	17,929,350	1,241,374	609,383	-	18,561,341
Roads	43,912,801	1,582,006	-	6,905,422	52,400,229
Sidewalks/Bikepaths	12,509,434	121,015	-	-	12,630,449
Total capital assets being depreciated	93,650,810	3,041,835	609,383	7,543,742	103,627,004
Less accumulated depreciation for:					
Land improvements	3,400,530	319,078	-	-	3,719,608
Buildings and improvements	5,114,832	259,180	-	-	5,374,012
Machinery and equipment	13,173,515	944,544	607,899	-	13,510,160
Roads	27,196,929	1,437,930	-	-	28,634,859
Sidewalks/Bikepaths	6,598,272	432,613	-	-	7,030,885
Total accumulated depreciation	55,484,078	3,393,345	607,899	-	58,269,524
Governmental activities capital assets being depreciated - Net	\$ 38,166,732	\$ (351,510)	\$ 1,484	\$ 7,543,742	\$ 45,357,480

City of Superior, Wisconsin

Notes to Basic Financial Statements

Note 7 **Capital Assets** (Continued)

Depreciation expense was charged to governmental activities as follows:

Governmental activities:

General government	\$ 87,992
Public safety	445,171
Public works	2,392,154
Culture, recreation, and education	423,970
Economic development	44,058

\$ 3,393,345

Construction in progress for governmental activities consisted of constructing and improving city streets of \$1,065,424, animal shelter of \$567,214, and other projects.

City of Superior, Wisconsin

Notes to Basic Financial Statements

Note 7 Capital Assets (Continued)

	Beginning Balance	Additions	Disposals	Ending Balance
Business-type activities:				
Capital assets not being depreciated:				
Land	\$ 1,381,640	\$ -	\$ -	\$ 1,381,640
Construction in progress	18,467	2,700,041	-	2,718,508
Total capital assets not being depreciated	<u>\$ 1,400,107</u>	<u>\$ 2,700,041</u>	<u>\$ -</u>	<u>\$ 4,100,148</u>
Capital assets being depreciated:				
Land improvements	\$ 28,671,386	\$ 123,704	\$ -	\$ 28,795,090
Buildings and improvements	16,771,238	-	-	16,771,238
Machinery and equipment	9,193,208	619,538	154,452	9,658,294
Transportation equipment	2,881,996	737,642	863,035	2,756,603
Infrastructure	20,421,598	436,786	-	20,858,384
Total capital assets being depreciated	<u>77,939,426</u>	<u>1,917,670</u>	<u>1,017,487</u>	<u>78,839,609</u>
Less accumulated depreciation for:				
Land improvements	5,483,329	1,574,758	-	7,058,087
Buildings and improvements	10,916,148	418,845	-	11,334,993
Machinery and equipment	7,904,486	252,906	154,452	8,002,940
Transportation equipment	2,207,730	161,898	863,035	1,506,593
Infrastructure	4,150,555	506,706	-	4,657,261
Total accumulated depreciation	<u>30,662,248</u>	<u>2,915,113</u>	<u>1,017,487</u>	<u>32,559,874</u>
depreciated	<u>\$ 47,277,178</u>	<u>\$ (997,443)</u>	<u>\$ -</u>	<u>\$ 46,279,735</u>

City of Superior, Wisconsin

Notes to Basic Financial Statements

Note 7 **Capital Assets** (Continued)

Depreciation expense was charged to business-type activities.

Business-type activities:

Sewer utility	\$ 1,061,063
Landfill utility	1,503,669
Stormwater utility	253,712
Golf course	96,669
	<hr/>
	\$ 2,915,113

Construction in progress for the business-type activities consisted of constructing improvements and extensions to the stormwater system for \$195,622, improvements and extensions to the Sewerage System Fund for \$1,157,156, and a landfill cell for \$1,365,730.

Note 8 **Long-Term Obligations**

Governmental Activities General Obligation Bonds and Notes: Various issues of unmatured general obligation bonds and notes totaling \$30,454,772 are outstanding at December 31, 2014. 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, 2034.

Business-Type Activities Revenue Bonds: Various issues of unmatured revenue bonds totaling \$6,017,386 are outstanding at December 31, 2014. 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 \$11,039,304 are outstanding at December 31, 2014. 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, 2014, the accumulated compensated absences benefits based on accumulated vacation and sick leave is \$2,039,934.

City of Superior, Wisconsin

Notes to Basic Financial Statements

Note 8 Long-Term Obligations (Continued)

Summary of Long-Term Obligation Transactions

Type	Fund Liquidating	January 1, 2014	Issued/ Additions	Retired	December 31, 2014	Current Maturities December 31, 2014
Governmental Activities:						
General Obligation Bonds and Notes:						
State Trust Fund Loan, 2006A	Debt Service	\$ 351,779	\$ -	\$ 22,754	\$ 329,025	\$ 23,778
State Trust Fund Loan, 2006B	Debt Service	157,825	-	9,200	148,625	9,615
State Trust Fund Loan, 2006 TIF No. 8	Debt Service	37,805	-	18,532	19,273	19,273
Corporate Purpose, 2008A TIF No. 9	Debt Service	2,295,000	-	140,000	2,155,000	145,000
Corporate Purpose, 2008A CIP	Debt Service	2,365,000	-	115,000	2,250,000	120,000
Refunding Note, 2009A TIF No. 7	Debt Service	238,285	-	58,500	179,785	58,630
Refunding Note, 2009A TIF No. 8	Debt Service	281,715	-	71,500	210,215	71,370
Refunding Bonds, 2011A UAAL	Debt Service	2,915,628	-	224,932	2,690,696	237,664
Refunding Bonds, 2011A TID No. 9	Debt Service	460,000	-	35,000	425,000	35,000
Refunding Bonds, 2011A TID No. 11	Debt Service	1,775,000	-	95,000	1,680,000	95,000
Refunding Bonds, 2011A TID No. 8	Debt Service	275,000	-	55,000	220,000	55,000
Corporate Purpose, 2011B CIP	Debt Service	3,640,000	-	-	3,640,000	-
Corporate Purpose, 2011B TID No. 7	Debt Service	215,900	-	23,800	192,100	25,500
Corporate Purpose, 2011B TID No. 9	Debt Service	419,100	-	46,200	372,900	49,500
Promissory Note, 2011C	Debt Service	1,390,000	-	160,000	1,230,000	165,000
Promissory Note, 2011D	Debt Service	2,160,000	-	215,000	1,945,000	230,000
Promissory Note, 2012A	Debt Service	2,660,000	-	-	2,660,000	315,000
Corporate Purpose, 2012C	Debt Service	3,130,900	-	473,220	2,657,680	458,880
Corporate Purpose, 2012C	Debt Service	144,100	-	21,780	122,320	21,120
Promissory Note, 2012D TID 8	Debt Service	1,170,000	-	55,000	1,115,000	70,000

City of Superior, Wisconsin

Notes to Basic Financial Statements

Note 8 Long-Term Obligations (Continued)

Type	Fund Liquidating	January 1, 2014	Issued/ Additions	Retired	December 31, 2014	Current Maturities December 31, 2014
Governmental Activities: (continued)						
General Obligation Bonds and Notes: (continued)						
State Trust Fund Loan, 2013 Flood	Debt Service	\$ 3,000,000	\$ -	\$ 293,797	\$ 2,706,203	\$ 307,074
State Trust Fund Loan, 2013 TIF No. 8	Debt Service	750,000	-	89,050	660,950	86,922
Corporate Purpose, 2014A	Debt Service	-	2,845,000	-	2,845,000	80,000
Plus deferred amounts:						
Premium on bonds		189,754	129,495	31,348	287,901	-
Total governmental activities		30,022,791	2,974,495	2,254,613	30,742,673	2,679,326
Business-Type Activities:						
Revenue Bonds:						
2005C	Sewerage System	1,875,000	-	1,875,000	-	-
2010	Stormwater Utility	3,078,899	-	150,912	2,927,987	155,670
Clean Water Fund, 2012B	Sewerage System	2,951,725	270,711	133,037	3,089,399	149,313
Less deferred amounts:						
Discount on bonds		(10,119)	-	(10,119)	-	-
Total revenue bonds		7,895,505	270,711	2,148,830	6,017,386	304,983
General Obligation Notes:						
2011A Refunding	Golf Course Fund	80,722	-	6,228	74,494	6,580
2011A Refunding	Sewerage System	325,982	-	25,148	300,834	26,572
2009A	Landfill Utility	1,285,000	-	200,000	1,085,000	205,000
2011A Refunding	Landfill Utility	112,668	-	8,692	103,976	9,184
2011B GO Bonds	Landfill Utility	1,800,000	-	100,000	1,700,000	100,000

City of Superior, Wisconsin

Notes to Basic Financial Statements

Note 8 Long-Term Obligations (Continued)

Type	Fund Liquidating	January 1, 2014	Issued/ Additions	Retired	December 31, 2014	Current Maturities December 31, 2014
Business-Type Activities: (Continued)						
Build America Bonds	Landfill Utility	\$ 2,235,000	\$ -	\$ 2,235,000	\$ -	\$ -
Corporate Purpose, 2012C	Sewerage System	1,095,000	-	590,000	505,000	140,000
Corporate Purpose, 2012C	Landfill Utility	2,500,000	-	230,000	2,270,000	235,000
Corporate Purpose, 2012C	Stormwater Utility	1,850,000	-	165,000	1,685,000	165,000
Corporate Purpose, 2014A	Landfill Utility	-	1,795,000	-	1,795,000	160,000
Corporate Purpose, 2014A	Sewerage System	-	1,520,000	-	1,520,000	575,000
Plus deferred amounts:						
Premium on bonds		60,833	110,574	25,526	145,881	-
Total general obligation notes		11,345,205	3,425,574	3,585,594	11,185,185	1,622,336
Total business-type activities		19,240,710	3,696,285	5,734,424	17,202,571	1,927,319
Total bonds and notes		49,263,501	6,670,780	7,989,037	47,945,244	\$ 4,606,645
Compensated absences		1,901,396	461,822	323,284	2,039,934	\$ 346,837
		\$ 51,164,897	\$ 7,132,602	\$ 8,312,321	\$ 49,985,178	

City of Superior, Wisconsin

Notes to Basic Financial Statements

Note 8 Long-Term Obligations (Continued)

Debt service requirements to maturity are as follows:

Years	Governmental-Type Long-Term Debt		Business-Type Long-Term Debt		Totals
	Principal	Interest	Principal	Interest	
2015	\$ 2,679,326	\$ 872,968	\$ 1,927,319	\$ 426,391	\$ 5,906,004
2016	2,774,088	788,260	2,133,836	361,545	6,057,729
2017	2,825,549	725,669	1,904,080	313,030	5,768,328
2018	2,859,849	658,427	1,561,840	268,723	5,348,839
2019	2,866,803	591,603	1,477,587	226,476	5,162,469
2020-2024	10,881,708	1,812,116	5,497,011	658,091	18,848,926
2025-2029	3,842,449	637,205	2,123,689	203,810	6,807,153
2030-2034	1,725,000	140,800	431,328	10,415	2,307,543
Totals	\$ 30,454,772	\$ 6,227,048	\$ 17,056,690	\$ 2,468,481	\$ 56,206,991

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, 2014	\$ 1,653,196,900
Legal debt margin percentage	5%
	82,659,845
Outstanding general obligation debt	\$ 41,494,076
Less amount available in Debt Service Fund	676,365
Indebtedness applicable to debt limit	40,817,711
Legal debt margin	\$ 41,842,134

City of Superior, Wisconsin

Notes to Basic Financial Statements

Note 9 Line of Credit

The City of Superior has an arrangement with a bank, in the form of a Taxable Note Anticipation Note of 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 10 Interfund Transfers

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

Fund transferred to	Fund transferred from	Amount
General Fund		
General Fund	Other Capital Projects Funds	\$ 155,443
General Fund	Sewerage System Fund	28,140
General Fund	Landfill Utility Fund	127,058
Special Revenue Funds		
Special Revenue Funds	General Fund	1,549,400
Special Revenue Funds	Special Revenue Funds	71,750
Capital Projects Fund		
Capital Improvement Projects Fund	General Fund	498,675
Capital Improvement Projects Fund	Special Revenue Funds	298,003
Other Capital Projects Funds		
Other Capital Projects Funds	Debt Service Funds	957,943
Debt Service Funds		
Debt Service Funds	Debt Service Funds	144,397
Enterprise Funds		
Landfill Utility Fund	General Fund	1,000,000
Stormwater Utility Fund	Special Revenue Funds	7,477
Stormwater Utility Fund	Capital Improvement Projects Fund	198,000
Stormwater Utility Fund	Landfill Utility Fund	2,818
Internal Service Fund	General Fund	54,000
Internal Service Fund	Capital Improvement Projects Fund	75,000
		\$ 5,168,104

City of Superior, Wisconsin

Notes to Basic Financial Statements

Note 10 **Interfund Transfers** (Continued)

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

Note 11 **Net Position**

Net position reported on the government-wide statement of net position at December 31, 2014, include the following:

Governmental Activities

Net investment in capital assets:

Land	\$ 16,445,572
Other capital assets - Net of accumulated depreciation	47,129,180
Less: Related long-term debt outstanding (net of unspent proceeds to debt)	<u>23,501,782</u>
 Total net investment in capital assets	 40,072,970

Restricted net position:

Capital projects	10,532,130
Crime prevention	30,734
Library expenses	354,363
Narcotics task force	29,857
Community improvement and development projects	128,602
Hazardous materials grant	17,729
Housing loans	<u>2,847,119</u>
 Total restricted net position	 <u>13,940,534</u>

Unrestricted

	<u>7,396,520</u>
 Total net position	 <u><u>\$ 61,410,024</u></u>

City of Superior, Wisconsin

Notes to Basic Financial Statements

Note 12 Governmental Fund Balances

Governmental fund balances on the fund financial statements at December 31, 2014, include the following:

Nonspendable

Major Funds:

General Fund:

Inventories	\$ 84,910
Prepays	43,915

Nonmajor Funds:

Economic Development Fund:

Notes receivable	100,000
	<u>100,000</u>
	<u>\$ 228,825</u>

Restricted

Major Funds:

Capital Improvement Program Fund:

Capital Projects	\$ 1,595,171
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Nonmajor Funds:

Debt Service Funds:

Debt service	1,041,570
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Capital Projects Funds:

Capital Projects	6,321,959
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Special Revenue Funds:

Crime prevention	30,734
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Library expenditures	354,363
----------------------	---------

Narcotics task force	29,857
----------------------	--------

Community improvement and development projects	128,602
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Hazardous materials grant	17,729
---------------------------	--------

Housing loans	1,613,836
	<u>1,613,836</u>

\$ 11,133,821

Committed

Nonmajor Funds:

Special Revenue Funds:

Maintenance and development of boat launching facilities	\$ 109,800
	<u>109,800</u>

City of Superior, Wisconsin

Notes to Basic Financial Statements

Note 12 Governmental Fund Balances (Continued)

Unreserved fund balance as of December 31, 2014, includes the following items:

Assigned

Nonmajor Funds:

Special Revenue Funds:

Urban Tree Fund	\$ 26,618
Municipal Forest Fund	14,861
Special Assessment Fund	5,899
CHS Dock Corrosion Project Fund	244
Economic Development Fund	1,571,776
Business Improvement Fund	46,884
State and Federal Grant Allocation and Allotment Fund	30,923
Fire Department PPP Fund	6,692
Brown Field Grant Fund	413

Capital Projects Funds:

Capital Projects Fund	<u>67,868</u>
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\$ 1,772,178

Unassigned

Major Funds:

General Fund	\$ 8,347,812
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Nonmajor Funds:

Debt Service Funds	(327,533)
Capital Projects Funds	(72,610)
Special Revenue Funds	<u>(14,872)</u>

\$ 7,932,797

City of Superior, Wisconsin

Notes to Basic Financial Statements

Note 13 **Operating Lease**

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

Actual minimum and contingent rentals received during 2014 were \$428,689.

Note 14 **Employees' Retirement System**

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

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

Contribution rates for 2014 were:

	Employee	Employer
General	7.00%	7.00%
Executives and elected officials	7.75%	7.75%
Protective with Social Security	7.00%	10.10%
Protective without Social Security	7.00%	13.70%

City of Superior, Wisconsin

Notes to Basic Financial Statements

Note 14 Employees' Retirement System (Continued)

The payroll for City of Superior employees covered by the WRS for the year ended December 31, 2014, was \$14,543,573; the employer's total payroll was \$15,162,677. The total required contribution for the year ended December 31, 2014, was \$2,331,107, which consisted of \$1,313,057, or 9.0% of payroll from the employer and \$1,018,050, or 7.0% of payroll from employees. Total contributions for the years ending December 31, 2013 and 2012, were \$2,135,092 and \$1,858,530, respectively, equal to the required contributions for each year.

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

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

City of Superior, Wisconsin

Notes to Basic Financial Statements

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

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

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

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

City of Superior, Wisconsin

Notes to Basic Financial Statements

Note 15 Postemployment Benefits Other Than Pension Benefits (Continued)

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

Annual required contribution	\$ 658,996
Interest on net OPEB obligations	(26,743)
Adjustment to annual required contribution	<u>33,136</u>
Annual OPEB cost (expense)	665,389
Contributions made	<u>211,057</u>
Decrease in net OPEB asset	454,332
Net OPEB obligation (asset) - Beginning of year	<u>(534,859)</u>
Net OPEB obligation (asset) - End of year	<u><u>\$ (80,527)</u></u>

The City's annual OPEB costs, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation (asset) for 2012 to 2014 were as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation (Asset)
12/31/12	\$ 549,290	104%	\$ (674,259)
12/31/13	549,540	75%	(534,859)
12/31/14	665,389	32%	(80,527)

City of Superior, Wisconsin

Notes to Basic Financial Statements

Note 15 Postemployment Benefits Other Than Pension Benefits (Continued)

The funded status as of January 1, 2014, the most recent actuarial valuation date, was zero percent funded. The actuarial accrued liability for benefits was \$6,460,630, and the actuarial value of assets was \$0, resulting in an unfunded actuarial accrued liability (UAAL) of \$6,460,630. The covered payroll (annual payroll of active employees covered by the plan) was \$14,543,573, and the ratio of the UAAL to the covered payroll was 44.4 percent.

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

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

In the January 1, 2014, 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 3 percent initially and increased to 6% in the second year, and reduced by decrements to a rate of 5 percent after nine years. Both rates include a 5 percent inflation assumption. The actuarial value of the plan assets was not determined because there were no plan assets as of the date of the actuarial valuation. The plan's unfunded actuarial liability is being amortized using the level dollar amortization method on an open basis. The remaining amortization period at January 1, 2014, was 30 years.

City of Superior, Wisconsin

Notes to Basic Financial Statements

Note 16 Risk Management

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

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

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

The provision for current year claims includes paid and unpaid claims and expenses associated with settling claims, including legal fees. The claims liability at December 31, 2014, is based on CVMIC's evaluation of individual claims, management's evaluation, and an actuarial review of experience with respect to the probable number and nature of claims arising from losses that have been incurred but have not yet been reported. The liability represents the estimated ultimate cost of settling the claims. Any adjustments resulting from the settlement of losses will be reflected in earnings at the time the adjustments are determined.

City of Superior, Wisconsin

Notes to Basic Financial Statements

Note 16 Risk Management (Continued)

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

Condensed financial information (statutory basis) of Cities and Villages Mutual Insurance Company as of December 31, 2014, follows:

	Amount
<u>Assets</u>	<u>\$ 50,607,089</u>
Reserves and liabilities	\$ 20,578,868
Policyholders' surplus:	
Restricted	25,000,000
Unassigned surplus	5,028,221
<u>Total Liabilities and Policyholders' Surplus</u>	<u>\$ 50,607,089</u>

City of Superior, Wisconsin

Notes to Basic Financial Statements

Note 16 Risk Management (Continued)

On December 31, 2014, the City's General Liability Fund had a net position of \$(79,998). The claims liability reported in the fund at December 31, 2014, 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
2014	\$ 152,658	\$ 521,342	\$ 310,125	\$ 363,875
2013	174,660	253,685	275,687	152,658
2012	159,002	296,237	280,579	174,660

City of Superior, Wisconsin

Notes to Basic Financial Statements

Note 16 Risk Management (Continued)

Health Insurance Fund - City employees, retirees, and employee dependents are eligible for medical and dental benefits from a health insurance fund. Funding is provided by charges to City departments, employees, and retirees. Retirees use accumulated unpaid sick leave at retirement or are billed monthly premiums for health benefits based on actual costs of providing such benefits. The program is supplemented by stop-loss protection, which limits the City's annual liability. The limits are \$125,000 per specific claim and approximately \$6,131,485 in the aggregate for 2014. Fund expenses consist of payments for medical and dental claims, stop-loss insurance premiums, and administrative fees. On December 31, 2014, the Health Insurance Fund had a net position of \$4,710,147, which is set aside for future health insurance liabilities. The claims liability reported in the fund at December 31, 2014, includes a liability for claims if information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated. Changes in the fund's claims liability amount for the last three years are as follows:

	Liability January 1	Claims and Changes in Estimates	Claim Payments	Liability December 31
2014	\$ 438,042	\$ 4,387,660	\$ 4,471,836	\$ 353,866
2013	656,570	4,604,338	4,822,866	438,042
2012	385,598	5,314,885	5,043,913	656,570

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

City of Superior, Wisconsin

Notes to Basic Financial Statements

Note 17 **Contingent Liabilities**

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

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

State and federal laws and regulations require that the City of Superior place a final cover on its landfill when closed and perform certain maintenance and monitoring functions at the landfill site for 40 years after closure. In addition to operating expenses related to current activities of the landfill, an expense provision and related liability are being recognized based on the future closure and postclosure care costs that will be incurred near or after the date the landfill no longer accepts waste. The recognition of these landfill closure and postclosure care costs is based on the amount of the landfill used during the year. The estimated liability for landfill closure and postclosure care costs has a balance of \$6,491,557 as of December 31, 2014, which is based on 100% usage (filled) of the landfill. The estimated total current cost of the landfill closure and postclosure care \$(6,491,557) 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, 2014. 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, 2014, investments of \$2,559,988 are held for these purposes. These are reported as restricted assets on the balance sheet. The City expects that future inflation costs will be paid from interest earnings on these annual contributions. However, if interest earnings are inadequate or additional postclosure care requirements are determined (due to changes in technology or applicable laws or regulations, for example), these costs may need to be covered by charges to future landfill users or from future tax revenues.

City of Superior, Wisconsin

Notes to Basic Financial Statements

Note 19 **Joint Operations**

The City and Douglas County, Wisconsin, operate an industrial park with undivided net position/liabilities shared evenly. The joint operation is administered by the City's management. At December 31, 2014, the City's share of fund balance is included in other Governmental Funds.

The City and Douglas County, Wisconsin, jointly own property known as the Superior Business Center. The City and County have leased the property to Superior Business Center, Inc. (SBC), a nonprofit corporation which subleased the property. The lease agreement was terminated effective December 1, 2014.

Note 20 **Conduit Debt Obligations**

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

As of December 31, 2014, there were 15 series of Industrial Revenue Bonds and 2 Collateralized Utility Revenue Bonds outstanding. The aggregate principal amount payable for the series issued after July 1, 1995, was \$29 million. The aggregate principal amount payable for the 13 series issued prior to July 1, 1995, could not be determined; however, their original issue amounts totaled \$64 million.

City of Superior, Wisconsin

Notes to Basic Financial Statements

Note 21 Revenues Pledged

Sewerage System Fund

The City has pledged future sewerage system customer revenues, net of specified operations expenses, to repay \$3,649,077 in sewerage system revenue bonds issued February 22, 2012. As of December 31, 2014, 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 \$3,761,726. Principal and interest paid for the current year and total customer net revenues were \$202,282 and \$3,177,899.

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 \$3,673,686. Principal and interest paid for the current year and total customer net revenues were \$245,884 and \$1,176,801.

City of Superior, Wisconsin

Notes to Basic Financial Statements

Note 22 Outstanding Contractual Commitments

The City entered into various contracts with construction contractors during the year. The following amount remains unspent as of December 31, 2014:

<u>Construction Contractors</u>	<u>Amount Remaining</u>
Four Star Construction	\$ 1,518,575
Marine Tech LLC	583,936
Veit & Company, Inc.	267,581
Independence Heating & Cooling	30,184
RJS Construction	8,865
<hr/>	
Total	\$ 2,409,141

Note 23 Subsequent Events

On February 3, 2015, the City issued \$3,870,000 general obligation street improvement bonds. The bonds are due in varying annual installments of \$100,000 to \$260,000 starting in August 2016 to February 2035. The bonds pay interest at 2.50 percent to 3.25 percent on February 1 and August 1 starting in February 2016.

Required Supplementary Information

City of Superior, Wisconsin

Schedule of Funding Progress

Year Ended December 31, 2014

SCHEDULE OF FUNDING PROGRESS

As of December 31, 2014

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
1/1/2010	\$ -	\$ 5,061,648	\$ 5,061,648	0.0%	\$ 13,260,538	38.2%
1/1/2012	-	6,093,709	6,093,709	0.0%	13,135,714	46.4%
1/1/2014	-	6,460,630	6,460,630	0.0%	14,543,573	44.4%

Supplementary Financial Information

City of Superior, Wisconsin

Schedule of Expenditures of Federal and State Awards Year Ended December 31, 2014

Grantor Agency / Pass-Through Agency / Program Title	CFDA or State ID Number	City Fund Number	Award Amount
FEDERAL AWARDS			
<u>Environmental Management</u>			
U.S. Department of Defense			
Direct Programs:			
State Memorandum of Agreement Program for the Reimbursement of Technical Services	12.113	601	\$ 1,035,000
<u>Public Safety</u>			
U.S. Department of Homeland Security			
Direct Program:			
Assistance to Firefighters Grant	97.044		
Purchase Protective Turnout Gear	13FFGR		
Agreement #EMW-2013-FO02703 May 23, 2014 - May 22, 2015		101/211	22,410
Assistance to Firefighters Grant	97.044		
Staffing for Adequate Fire and Emergency Response	SAFER		
Agreement #EMW-2012-FH-00325 February 23, 2013 - February 22, 2015		101/211	944,962
Total CFDA # 97.044			
Port Security Grant Program: Grant #EMW-2013-PU-00511-S01 September 1, 2013 - August 31, 2015	97.056 PSGP13	210	14,924
Port Security Grant Program: Grant #EMW-2014-PU-00206-S01 September 1, 2014 - August 31, 2016	97.056 14PSGT	210	25,000
Total CFDA # 97.056			

Accrued Receivable (Refundable Grant Advances) 12-31-13	Local Receipts	Federal / State Receipts	Local Expenditures	Federal / State Expenditures	Accrued Receivable (Refundable Grant Advances) 12-31-14
\$ -	\$ -	\$ 121,204	\$ -	\$ 121,204	\$ -
-	8,693	22,410	8,693	22,410	-
91,197	22,370	442,543	22,370	451,357	100,011
91,197	31,063	464,953	31,063	473,767	100,011
-	-	-	-	13,329	13,329
-	-	-	-	11,080	11,080
-	-	-	-	24,409	24,409

City of Superior, Wisconsin

Schedule of Expenditures of Federal and State Awards (Continued)

Year Ended December 31, 2014

Grantor Agency / Pass-Through Agency / Program Title	CFDA or State ID Number	City Fund Number	Award Amount
FEDERAL AWARDS (Continued)			
<u>Public Safety (Continued)</u>			
Passed through the Wisconsin Department of Military Affairs State Homeland Security Grant Program 2013-HSW-02B-10410 August 1, 2014 - November 30, 2014	97.067	210 \$	1,500
State Homeland Security Grant Program 2012-HSW-02A-10324 October 1, 2013 - February 28, 2014	97.067 13ALRT	210	6,000
State Homeland Security Grant Program 2013-HSW-02A-10380 February 17, 2014 - May 31, 2014	97.067 PDRBOT	210	36,816
Total CFDA # 97.067			
Passed through the Wisconsin Department of Military Affairs Disaster Grants - Public Assistance Project #: PA-05-WI-4076-PW-00083 LFB-006 Billings Drive Completion Date: February 2, 2014	97.036 01FEMA	429	47,857
Project #: PA-05-WI-4076-PW-00115 RPH-013 Billings Park Entrance Road Completion Date: February 2, 2014	97.036 02FEMA	429	384,324
Project #: PA-05-WI-4076-PW-00037 RPH-011 Aerated Stabilization Pond at CSTP2 Completion Date: February 2, 2013	97.036 03FEMA	429	1,157,145
Project #: PA-05-WI-4076-PW-00062 TWP-009 Storm Sewer - K Street Completion Date: February 2, 2014	97.036 05FEMA	429	299,850

Accrued Receivable (Refundable Grant Advances) 12-31-13	Local Receipts	Federal / State Receipts	Local Expenditures	Federal / State Expenditures	Accrued Receivable (Refundable Grant Advances) 12-31-14
\$ -	\$ 748	\$ 1,500	\$ 748	\$ 1,500	\$ -
-	119	6,000	119	6,000	-
-	-	36,815	-	36,815	-
-	867	44,315	867	44,315	-
-	958	-	958	-	-
14,726	76,327	-	76,327	457,960	472,686
492,445	76,386	565,714	76,386	458,315	385,046
(21,538)	58,563	-	58,563	351,381	329,843

City of Superior, Wisconsin

Schedule of Expenditures of Federal and State Awards (Continued) Year Ended December 31, 2014

Grantor Agency / Pass-Through Agency / Program Title	CFDA or State ID Number	City Fund Number	Award Amount
<u>Public Safety (Continued)</u>			
U.S. Department of Homeland Security (Continued)			
Passed through the Wisconsin Department of Military Affairs (Continued)			
Project #: PA-05-WI-4076-PW-00108			
TWP-010 Emergency Protective Measures - Landfill	97.036	429	\$ 63,675
Completion Date: February 2, 2013	06FEMA		
Project #: PA-05-WI-4076-PW-00109			
RPH-016 Nemadji Golf Course	97.036	429	17,044
Completion Date: February 2, 2014	07FEMA		
Project #: PA-05-WI-4076-PW-00127			
OAP-017 Roads - Wyoming Ave Culvert	97.036		
Completion Date: February 2, 2014	13FEMA	429	74,700
Total CFDA # 97.036			
Total U.S. Department of Homeland Security:			
U.S. Department of Justice			
Direct:			
Bulletproof Vest Partnership Program-FY2012	16.607	400	6,375
	11VEST		
Bulletproof Vest Partnership Program-FY2014	16.607		
	11VEST	210	21,336
Total CFDA # 16.607			
Public Safety Partnership and Community Policing Grants			
COPS Hiring Program: Grant #2010-UM-WX-0349	16.710	210	262,567
September 1, 2010 - August 31, 2013	COPR10		
Child Sexual Predator Program			
Grant #2011-CS-WX-0020	16.710	210	
August 1, 2011 - July 31, 2013	CSPP		499,852
Total CFDA # 16.710			

Accrued Receivable (Refundable Grant Advances) 12-31-13	Local Receipts	Federal / State Receipts	Local Expenditures	Federal / State Expenditures	Accrued Receivable (Refundable Grant Advances) 12-31-14
\$ 63,676	\$ -	\$ -	\$ -	\$ -	\$ 63,676
2,435	-	2,435	-	-	-
6,212	17,407	-	17,407	104,447	110,659
557,956	229,641	568,149	229,641	1,372,103	1,361,910
649,153	261,571	1,077,417	261,571	1,914,594	1,486,330
3,134	-	3,134	-	-	-
-	4,422	-	4,422	4,422	4,422
3,134	4,422	3,134	4,422	4,422	4,422
18,813	-	69,308	-	50,495	-
21,114	-	57,960	-	36,846	-
39,927	-	127,268	-	87,341	-

City of Superior, Wisconsin

Schedule of Expenditures of Federal and State Awards (Continued) Year Ended December 31, 2014

Grantor Agency / Pass-Through Agency / Program Title	CFDA or State ID Number	City Fund Number	Award Amount
FEDERAL AWARDS (Continued)			
<u>Public Safety (Continued)</u>			
Passed through the Wisconsin Office of Justice Assistance Violence Against Women Formula Grants 2010/2012-VA-02X/02A-10229 July 1, 2013 - June 30, 2014	16.588 VAWA13	210	\$ 54,662
Total U.S. Department of Justice			.
U.S. Department of Transportation			
Passed through WI Department of Transportation Highway Safety Cluster: Alcohol Impaired Driving Countermeasures Incentive Grants I Superior PD Alcohol Grant Highway Safety Project #0954-31-06 October 1, 2013 - September 30, 2014	20.601 PDAL14	210	19,700
Federal Highway Administration			
Passed through Wisconsin Dept. of Transportation - Emergency Relief			
Highway Planning and Construction Marina Drive Repairs - Disaster Code 0112-16-281-01	20.205 01FHWHY	429	471,529
Highway Planning and Construction N 28th Street Culvert Repair - Disaster Code 0112-16-281-02	20.205 02FHWHY	429	116,000
Highway Planning and Construction N 28th Street Culvert Repair - Disaster Code 0112-16-281-02	20.205 03FHWHY	429	120,000
Highway Planning and Construction Woodland Avenue Repair - Disaster Code 0112-16-281-03	20.205 04FHWHY	429	157,000
Highway Planning and Construction 25th Ave E Culvert Repair - Disaster Code 0112-16-281-04	20.205 05FHWHY	429	581,246
Highway Planning and Construction Transportation Enhancement Program - Project ID 8998-00-78 Sidewalk Replacement	20.205 TEOBEY	400	452,183
Safe Routes to School (SRTS) Program - Project ID 8998-00-77 School Zone Sidewalk Replacement	20.205 SRTS09	400	438,046
Total CFDA #20.205			.

Accrued Receivable (Refundable Grant Advances) 12-31-13	Local Receipts	Federal / State Receipts	Local Expenditures	Federal / State Expenditures	Accrued Receivable (Refundable Grant Advances) 12-31-14
\$ 28,162	\$ -	\$ 54,662	\$ -	\$ 26,500	\$ -
71,223	4,422	185,064	4,422	118,263	4,422
-	-	1,916	-	1,916	-
196,550	5,931	-	5,931	220,979	417,529
84,630	-	-	-	40,251	124,881
-	16,017	-	16,017	65,597	65,597
1,200	29,213	-	29,213	116,221	117,421
512,000	7,949	-	7,949	69,246	581,246
(128,141)	-	-	-	-	(128,141)
438,047	-	-	-	-	438,047
1,104,286	59,110	-	59,110	512,294	1,616,580

City of Superior, Wisconsin

Schedule of Expenditures of Federal and State Awards (Continued)

Year Ended December 31, 2014

Grantor Agency / Pass-Through Agency / Program Title	CFDA or State ID Number	City Fund Number	Award Amount
FEDERAL AWARDS (Continued)			
Federal Highway Administration (Continued)			
Direct Programs:			
Federal Transit - Formula Grants 2014	20.507	101	\$ 443,604 .
Total Department of Transportation			.
<u>Community Development</u>			
U.S. Department of Housing and Urban Development			
Direct Programs:			
CDBG - Entitlement Grants Cluster			
Community Development Block Grants/Entitlement Grants 2012 - CDBG	14.218	259	646,257
2013 - CDBG		259	669,493
2014 - CDBG		259	657,532 .
Total CFDA #14.218			
Passed through Wisconsin Department of Commerce			
Economic Development Initiative - Neighborhood Initiative City of Superior Shipyard Improvements March 1, 2011 - June 29, 2012	14.251 FRASR2	418	2,000,000 .
Total U.S. Department of Housing and Urban Development			.
Total Federal Awards			.

Accrued Receivable (Refundable Grant Advances) 12-31-13	Local Receipts	Federal / State Receipts	Local Expenditures	Federal / State Expenditures	Accrued Receivable (Refundable Grant Advances) 12-31-14
\$ -	\$ -	\$ 443,604	\$ -	\$ 443,604	\$ -
1,104,286	59,110	445,520	59,110	957,814	1,616,580
169,835	-	291,680	-	121,845	-
-	-	669,493	-	669,493	-
-	100,127	7,042	100,127	123,568	116,526
169,835	100,127	968,215	100,127	914,906	116,526
1,392,924	-	1,849,334	-	607,076	150,666
1,562,759	100,127	2,817,549	100,127	1,521,982	267,192
\$ 3,387,421	\$ 425,230	\$ 4,646,754	\$ 425,230	\$ 4,633,857	\$ 3,374,524

City of Superior, Wisconsin

Schedule of Expenditures of Federal and State Awards (Continued)

Year Ended December 31, 2014

Grantor Agency / Pass-Through Agency / Program Title	CFDA or State ID Number	City Fund Number	Award Amount
STATE AWARDS			
<u>Public Safety</u>			
Wisconsin Department of Military Affairs			
State Match - Federal Disaster Assistance			
Project #: PA-05-WI-4076-PW-00115			
RPH-013 Billings Park Entrance Road	465.305	429	\$ 64,054
Completion Date: February 2, 2014	02FEMA		
Project #: PA-05-WI-4076-PW-00037			
RPH-011 Aerated Stabilization Pond at CSTP2	465.305	429	192,858
Completion Date: February 2, 2013	03FEMA		
Project #: PA-05-WI-4076-PW-00062			
TWP-009 Storm Sewer - K Street	465.305	429	49,975
Completion Date: February 2, 2014	05FEMA		
Project #: PA-05-WI-4076-PW-00108			
TWP-010 Emergency Protective Measures - Landfill	465.305	429	10,613
Completion Date: February 2, 2013	06FEMA		
Project #: PA-05-WI-4076-PW-00109			
RPH-016 Nemadji Golf Course	465.305	429	2,841
Completion Date: February 2, 2014	07FEMA		
Wisconsin Department of Military Affairs			
Project #: PA-05-WI-4076-PW-00127			
OAP-017 Roads - Wyoming Ave Culvert	465.305	429	12,450
Completion Date: February 2, 2014	13FEMA		
Total State ID #465.305			
Regional Emergency Response Teams - HazMat			
July 1, 2014 - June 30, 2015	465.306	13HZMT	242 94,096
July 1, 2013 - June 30, 2014		242	92,883
July 1, 2012 - June 30, 2012		242	131,935
January 1, 2012 - June 30, 2012		242	65,968
Total State ID #465.306			
Total Department of Military Affairs			

Accrued Receivable (Refundable Grant Advances) 12-31-13		Local Receipts	Federal / State Receipts	Local Expenditures	Federal / State Expenditures	Accrued Receivable (Refundable Grant Advances) 12-31-14
\$ 2,454	\$ -	\$ -	\$ -	\$ -	76,327	\$ 78,781
82,074	-	94,286	-	76,385	64,173	
(3,590)	-	-	-	58,563	54,973	
10,613	-	-	-	-	10,613	
406	-	406	-	-	-	
1,035	-	-	-	17,408	18,443	
92,992	-	94,692	-	228,683	226,983	
-	-	94,096	-	-	(94,096)	
(3,591)	-	-	-	-	(3,591)	
(131,935)	-	-	-	90,126	(41,809)	
(65,197)	-	-	-	65,197	-	
(200,723)	-	94,096	-	155,323	(139,496)	
(107,731)	-	188,788	-	384,006	87,487	

City of Superior, Wisconsin

Schedule of Expenditures of Federal and State Awards (Continued)

Year Ended December 31, 2014

Grantor Agency / Pass-Through Agency / Program Title	CFDA or State ID Number	City Fund Number	Award Amount
STATE AWARDS (Continued)			
<u>Transportation</u>			
Wisconsin Department of Transportation			
Harbor Assistance Program (Hallet Dock) 0495-12-02	395.128		
April 9, 2012 - December 31, 2013	HLLT#2	410	\$ 3,332,269
Harbor Assistance Program (General Mills) 0495-13-04	395.128		
December 5, 2012 - December 31, 2014	GMDCK2	410	4,744,000
Total State ID #395.128			
Urban Mass Transit Operating Assistance	395.104	101	
2009			276,928
2010			342,272
2011			352,588
2012			341,573
2013			331,036
2014			334,415
Paratransit Aids Contract			
2014	395.104		16,881
Total State ID #395.104			

Accrued Receivable (Refundable Grant Advances) 12-31-13	Local Receipts	Federal / State Receipts	Local Expenditures	Federal / State Expenditures	Accrued Receivable (Refundable Grant Advances) 12-31-14
\$ (1,160)	\$ -	\$ -	\$ -	\$ -	\$ (1,160)
1,361,136	366,415	1,314,836	366,415	1,410,964	1,457,264
1,359,976	366,415	1,314,836	366,415	1,410,964	1,456,104
27,693	-	27,693	-	-	-
(7,163)	-	(7,163)	-	-	-
23,665	-	35,260	-	11,595	-
34,158	-	34,158	-	-	-
33,104	-	-	-	-	33,104
-	-	300,973	-	334,415	33,442
-	-	16,881	-	16,881	-
111,457	-	407,802	-	362,891	66,546
1,471,433	366,415	1,722,638	366,415	1,773,855	1,522,650

City of Superior, Wisconsin

Schedule of Expenditures of Federal and State Awards (Continued)

Year Ended December 31, 2014

Grantor Agency / Pass-Through Agency / Program Title	CFDA or State ID Number	City Fund Number	Award Amount
STATE AWARDS (Continued)			
<u>Culture, Recreation and Education</u>			
Wisconsin Department of Tourism			
WI Arts Board - Creative Communities/Local Arts			
August 1, 2013 - July 31, 2014	Unknown MOCK11	812	\$ 5,650
August 1, 2014 - July 31, 2015	WAB-14	812	5,595
Total Department of Tourism			
Wisconsin Department of Natural Resources			
Corrosion Project / Boating Projects			
January 15, 2009 - June 30, 2010	RBF-ENUM-17 PLCP09	215 / 213	100,000
Riparian Landowners Education Project			
Project #AEPP-271-11 Aquatic Invasive Species	370.678	606	
April 1, 2011 - December 31, 2012	DNRAIS		9,750
Total Wisconsin Department of Natural Resources			
Total Culture, Recreation and Education			
Total State Awards			
Total Federal and State Awards			

Accrued Receivable (Refundable Grant Advances) 12-31-13	Local Receipts	Federal / State Receipts	Local Expenditures	Federal / State Expenditures	Accrued Receivable (Refundable Grant Advances) 12-31-14
\$ (5,650)	\$ -	\$ -	\$ -	\$ 5,650	\$ -
-	-	5,595	-	3,350	(2,245)
(5,650)	-	5,595	-	9,000	(2,245)
(450)	-	-	-	-	(450)
7,313	-	7,313	-	-	-
6,863	-	7,313	-	-	(450)
1,213	-	12,908	-	9,000	(2,695)
\$ 1,364,915	\$ 366,415	\$ 1,924,334	\$ 366,415	\$ 2,166,861	\$ 1,607,442
\$ 4,752,336	\$ 791,645	\$ 6,571,088	\$ 791,645	\$ 6,800,718	\$ 4,981,966

See Independent Auditor's Report.
See accompanying notes to the Schedule of Expenditures of Federal and State Awards.

City of Superior

Notes to the Schedule of Expenditures of Federal and State Awards

Year Ended December 31, 2014

Note 1 Basis of Presentation

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

Note 2 Summary of Significant Accounting Policies

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



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

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

We have audited in accordance with auditing standards generally accepted in the United States and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Superior, Wisconsin (the "City"), as of and for the year ended December 31, 2014, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated June 30, 2015.

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. (2014-002 and 2014-003.)

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. (2014-001.)

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

Purpose of This Report

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



Wipfli LLP

June 30, 2015
Eau Claire, Wisconsin

A-133 Information



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

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

Report on Compliance for Each Major Federal and State Program

We have audited the City of Superior, Wisconsin's (the "City") compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* and the *State of Wisconsin Single Audit Guidelines*, issued by the Wisconsin Department of Administration, that could have a direct and material effect on each of the City's major federal and state programs for the year ended December 31, 2014. The City's major federal and state programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility for Compliance

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

Auditor's Responsibility

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

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

Opinion

In our opinion, the City of Superior, Wisconsin complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal and state programs for the year ended December 31, 2014.

Report on Internal Control Over Compliance

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

Wipfli LLP

Wipfli LLP

June 30, 2015
Eau Claire, Wisconsin

City of Superior

Schedule of Findings and Questioned Costs

Year Ended December 31, 2014

I. Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

Material weakness(es) identified? X Yes No

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

Noncompliance material to the financial statements? Yes X No

Federal Awards

Internal control over major programs:

Material weakness(es) identified? Yes X No

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

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

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

Identification of major federal programs:

CFDA Number	Name of Federal Program or Cluster
97.036	Disaster Grants - Public Assistance
97.044	Assistance to Firefighters Grant
14.218	Community Development Block Grants/Entitlement Grants

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

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

City of Superior

Schedule of Findings and Questioned Costs (Continued)

Year Ended December 31, 2014

I. Summary of Auditor's Results (Continued)

State Financial Assistance

Internal control over major programs:

Material weakness(es) identified? Yes No

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

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

Unmodified

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

Yes No

Identification of major state programs:

State I.D. Number	Name of State Program
395.128	Harbor Assistance Program
465.305	State Match Disaster Assistance

City of Superior

Schedule of Findings and Questioned Costs (Continued)

Year Ended December 31, 2014

II. Financial Statement Findings

2014-001 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.

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

City of Superior

Schedule of Findings and Questioned Costs (Continued)

Year Ended December 31, 2014

II. Financial Statement Findings (Continued)

2014-002 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.

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

City of Superior

Schedule of Findings and Questioned Costs (Continued)

Year Ended December 31, 2014

II. Financial Statement Findings (Continued)

2014-003 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 numerous adjusting journal entries. We deem these adjustments to be material in relation to the financial statements. Since the City’s internal controls did not discover these adjustments prior to the audit, a material weakness exists in the City’s internal controls.

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

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

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

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

III. Federal and State Findings and Questioned Costs

None.

City of Superior

Schedule of Findings and Questioned Costs (Continued)

Year Ended December 31, 2014

Section IV – Other Issues


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

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

Office of Justice Assistance	No
Department of Military Affairs	No
Department of Transportation	No
Department of Commerce	No
Department of Natural Resources	No
Department of Tourism	No

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

Name of Partner



Dan C. Walker, CPA

Date

June 30, 2015

City of Superior, Wisconsin

Summary Schedule of Prior Audit Findings

Year Ended December 31, 2014

Financial Statement Findings:

2013-01 Segregation of Duties—See finding 2014-001.

2013-02 Financial Accounting and Reporting—See finding 2014-002.

2013-03 Material Adjustments—See finding 2014-003.

Federal and State Findings and Questioned Costs

None.