

# **City of Superior, Wisconsin**

Superior, Wisconsin

## **Financial Statements and Supplementary Information**

Year Ended December 31, 2015

# City of Superior, Wisconsin

## Financial Statements and Supplementary Information

Year Ended December 31, 2015

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## Independent Auditor's Report

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

### Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Superior, Wisconsin (the "City"), as of and for the year ended December 31, 2015, 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, 2015, and the respective changes in financial position and, where applicable, cash flows thereof, and the respective budgetary comparison for the general fund for the year then ended in accordance with accounting principles generally accepted in the United States.

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

As discussed in Note 1 to the financial statements, the City adopted new accounting guidance GASB Statement No. 68, *Accounting and Financial Reporting for Pensions – an Amendment of GASB Statement No. 27 and GASB Statement No. 71, Pension Transition for Contributions Made Subsequent to the Measurement Date – an Amendment of GASB Statement No. 68*. Our opinions are not modified with respect to this matter.

## **Other Matters**

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

Accounting principles generally accepted in the United States require that the management's discussion and analysis, schedules of the employer's proportionate share of the net pension liability (asset) and employer contributions – WRS, and schedule of funding progress on pages 4 through 17 and page 96 and 97 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information, because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### ***Supplementary Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The schedule of expenditures of federal and state awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* and the *State of Wisconsin Single Audit Guidelines* issued by the Wisconsin Department of Administration, and is not a required part of the basic financial statements. The schedule of expenditures of federal and state awards is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States. In our opinion, the schedule of expenditures of federal and state awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated July 8, 2016, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.



Wipfli LLP

July 8, 2016  
Eau Claire, Wisconsin

## Management's Discussion and Analysis

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## City of Superior, Wisconsin

### Management's Discussion and Analysis Year Ended December 31, 2015

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, 2015. 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 \$111,949 (net position). Of this amount, \$16,603 (unrestricted net position) may be used to meet the government's ongoing obligations to citizens and creditors.
- The government's total net position increased by \$3,724.
- As of the close of the current fiscal year, the City's governmental activities reported combined ending net position of \$69,325, an increase of \$1,832 in comparison with the prior year. Approximately 15% of this total amount, \$10,633, is available for spending at the government's discretion (unrestricted net position).
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$9,121, or 40% of total general fund expenditures.
- The City's total long-term obligations decreased by \$148 (.3%) 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 59 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 57 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 statement 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 37–95 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 \$111,949 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, 2015

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

**CITY OF SUPERIOR NET POSITION**

December 31, 2014

	<b>Governmental Activities</b>	<b>Business-Type Activities</b>	<b>Total</b>
Current and other assets	\$ 50,145	\$ 15,242	\$ 65,387
Capital assets	63,575	50,380	113,955
<b>Total assets</b>	<b>\$ 113,720</b>	<b>\$ 65,622</b>	<b>\$ 179,342</b>
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
<b>Total liabilities</b>	<b>\$ 38,708</b>	<b>\$ 25,845</b>	<b>\$ 64,553</b>
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
<b>Total net position</b>	<b>\$ 61,410</b>	<b>\$ 39,839</b>	<b>\$ 101,249</b>

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

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

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

For the year ended December 31, 2015

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

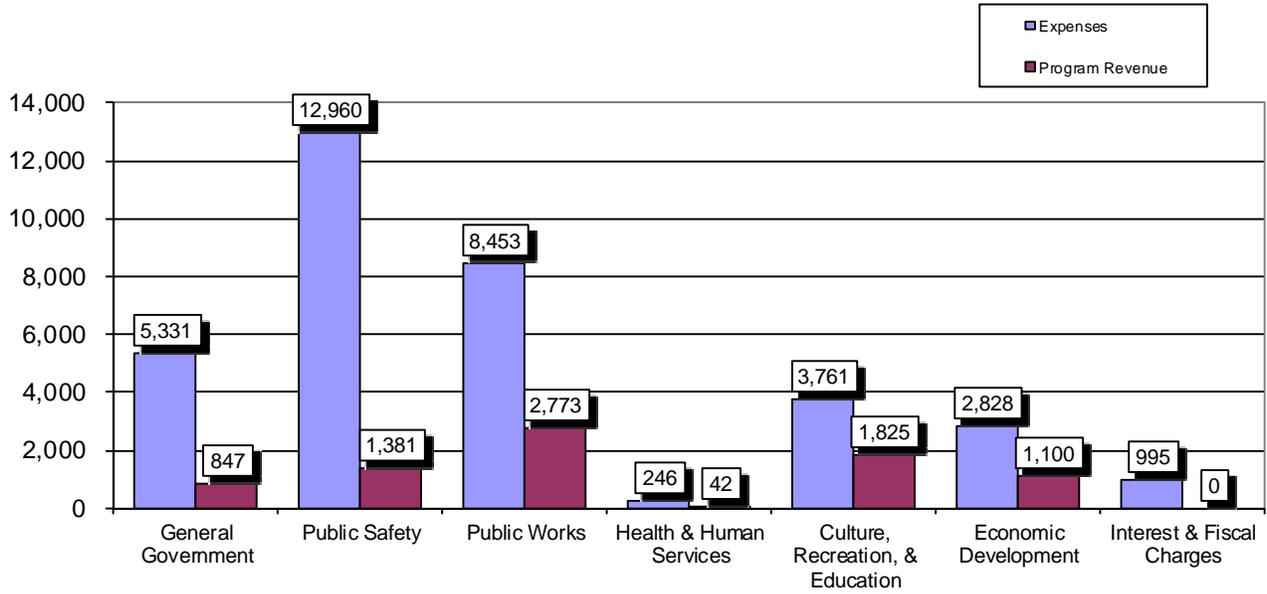
**CITY OF SUPERIOR'S CHANGES IN NET POSITION**

For the year ended December 31, 2014

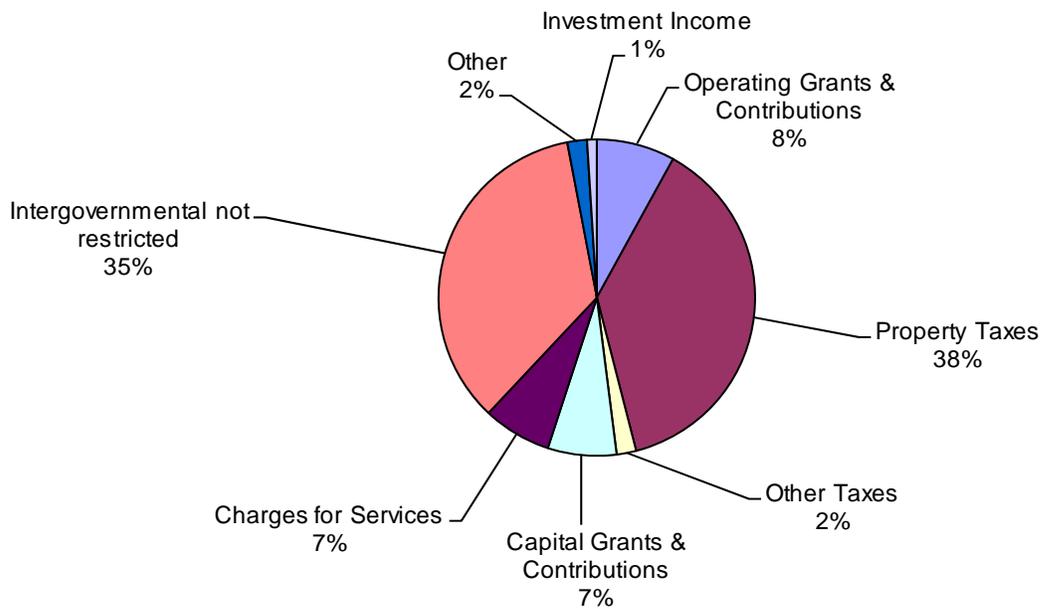
	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Revenues:			
Program revenues:			
Charges for services	\$ 4,350	\$ 14,140	\$ 18,490
Operating grants and contributions	6,088	118	6,206
Capital grants and contributions	2,275	121	2,396
General revenues:			
Property taxes	13,461	-	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
<b>Total revenues</b>	<b>40,393</b>	<b>15,038</b>	<b>55,431</b>
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
<b>Total expenses</b>	<b>38,146</b>	<b>15,128</b>	<b>53,274</b>
Increase (decrease) in net position before transfers	2,247	(90)	2,157
Transfers	(1,050)	1,050	-
Increase in net position	1,197	960	2,157
Net position - January 1, 2014	60,213	38,879	99,092
Net position - December 31, 2014	\$ 61,410	\$ 39,839	\$ 101,249

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

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

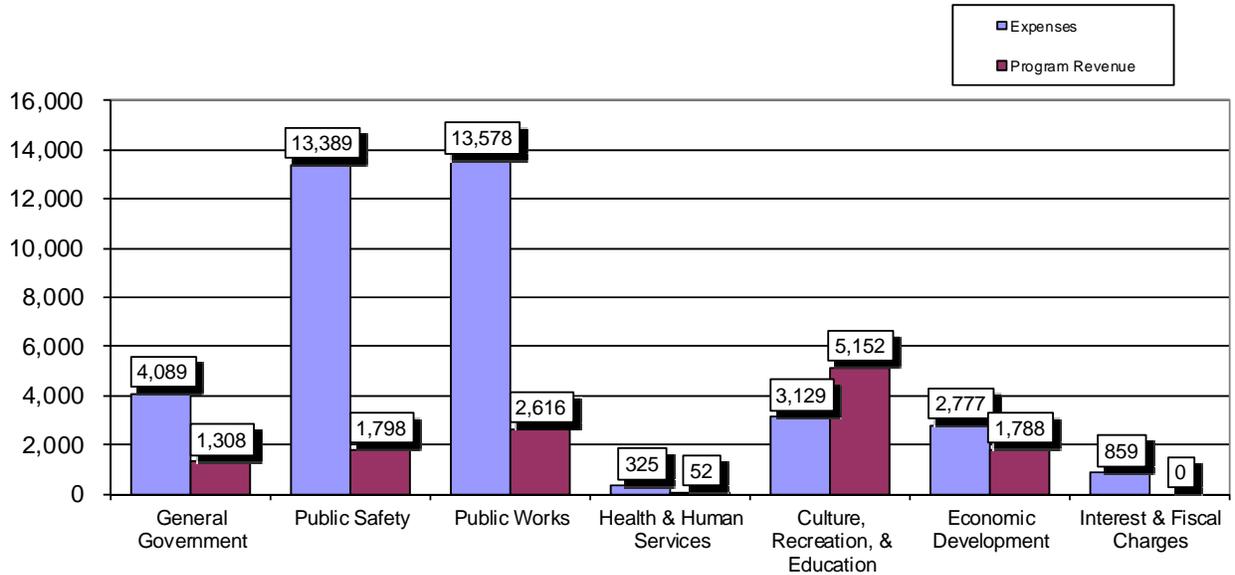


**Program and General Revenues by Source - Governmental Activities - 2015**

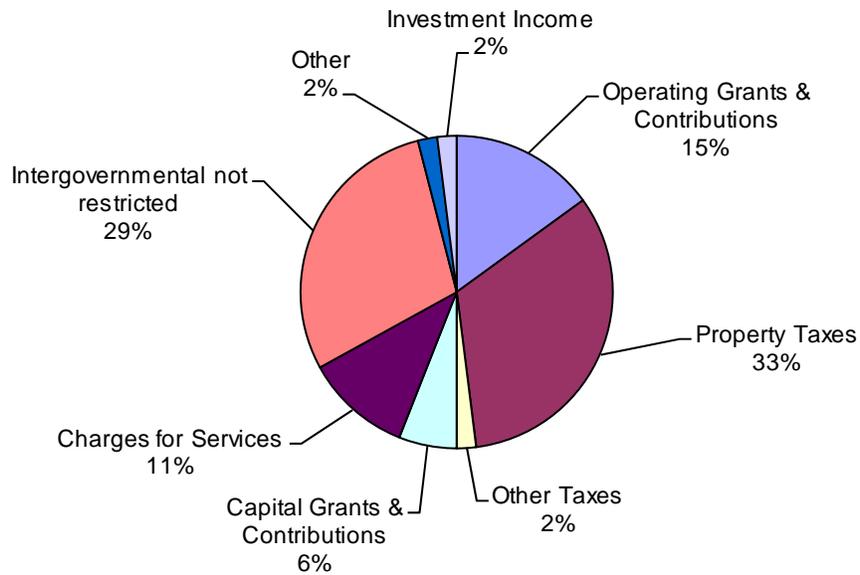


**Governmental activities.** Governmental activities increased the City's net position by \$1,197.

**Expenses and Program Revenues - Governmental Activities 2014**

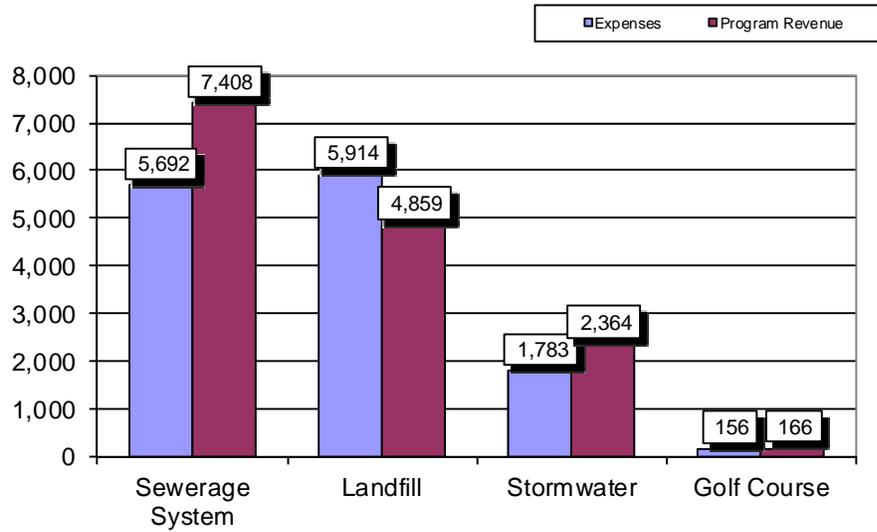


**Program and General Revenues by Source - Governmental Activities - 2014**

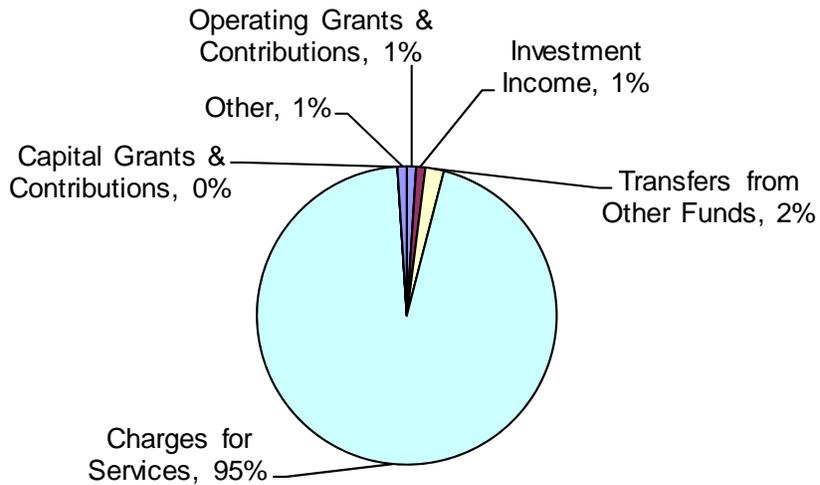


**Business-type activities.** Business-type activities increased the City's net position by \$1,892.

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

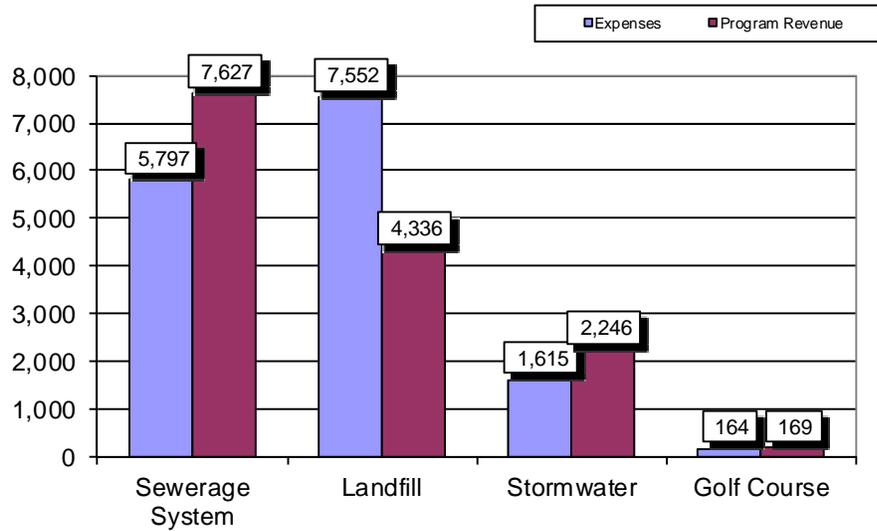


**Revenues by Source - Business-Type Activities 2015**

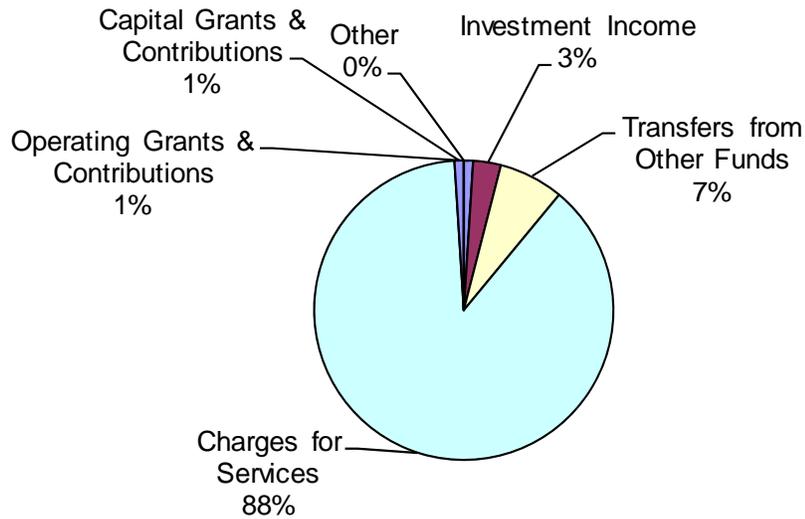


**Business-type activities.** Business-type activities increased the City's net position by \$960.

**Expenses and Program Revenues - Business-Type Activities - 2014**



**Revenues by Source - Business-Type Activities 2014**



## Financial Analysis of the Government's Funds

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

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

The general fund is the chief operation fund of the City. At the end of the current fiscal year, unassigned fund balance of the general fund was \$9,121, while total fund balance reached \$9,165. 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 40 percent of total general fund expenditures, while total fund balance also represents 40 percent of that same amount.

The fund balance of the City's general fund increased by \$689.

Expenditures in the general fund were \$1,313 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 \$6,474 for the Landfill Utility Fund (\$3,859), the Stormwater Utility Fund \$3,985, and the Golf Course Fund (\$750). The total increase (decrease) in net position for the funds was \$1,726, (\$569), \$696, and \$10, 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, 2015, amounts to \$115,351 (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 2015**  
(net of accumulated depreciation)

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

**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>

Additional information on the City's capital assets can be found in Note 7 on pages 64–67 of this report.

**Long-term debt.** At the end of the current fiscal year, the City had total bonds and notes outstanding of \$46,788. Of this amount, \$41,062 comprises debt backed by the full faith and credit of the government. The remainder, \$5,726, represents the City's bonds secured solely by specified revenue sources (i.e., revenue bonds).

**CITY OF SUPERIOR'S OUTSTANDING DEBT**

	Governmental Activities		Business-Type Activities		Total	
	2015	2014	2015	2014	2015	2014
G.O. bonds and notes	\$ 31,645	\$ 30,455	\$ 9,417	\$ 11,039	\$ 41,062	\$ 41,494
Revenue bonds	-	-	5,726	6,017	5,726	6,017
<b>Total</b>	<u>\$ 31,645</u>	<u>\$ 30,455</u>	<u>\$ 15,143</u>	<u>\$ 17,056</u>	<u>\$ 46,788</u>	<u>\$ 47,511</u>

The City's total bond and note payable debt decreased by \$723 (2 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 \$81,529, 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 67–71 of this report.

**Economic Factors**

- The unemployment rate for Douglas County is currently 5.3 percent. This compares to the state's average unemployment rate of 4.2 percent and the national average rate of 5.0 percent.
- The equalized value has decreased an average of .24 percent per year over the last five years. Equalized value decreased 1.4 percent between 2014 and 2015.

**Requests for Information**

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

# Basic Financial Statements

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# City of Superior, Wisconsin

## Statement of Net Position

December 31, 2015

<i>Assets and Deferred Outflows of Resources</i>	Primary Government		
	Governmental Activities	Business-Type Activities	Total
Current assets:			
Cash and investments	\$ 27,508,577	\$ 7,830,376	\$ 35,338,953
Receivables:			
Property taxes	12,512,969	-	12,512,969
Accounts	101,605	3,467,519	3,569,124
Special assessments	16,545	248,708	265,253
Due from other governments	3,155,909	54,357	3,210,266
Loans	320,630	-	320,630
Other	417,724	21,028	438,752
Internal balances	(466,851)	466,851	-
Inventories	44,672	-	44,672
Prepays	72,643	-	72,643
<b>Total current assets</b>	<b>43,684,423</b>	<b>12,088,839</b>	<b>55,773,262</b>
Noncurrent assets:			
Restricted:			
Cash and investments	142,127	4,470,856	4,612,983
Net pension asset	2,842,917	427,595	3,270,512
Loans receivable	6,680,400	-	6,680,400
Capital assets:			
Land	16,445,572	1,381,640	17,827,212
Construction in progress	-	1,658,555	1,658,555
Land improvements	9,334,533	30,609,308	39,943,841
Buildings and improvements	14,926,610	16,986,771	31,913,381
Machinery and equipment	17,462,846	11,011,005	28,473,851
Infrastructure	68,145,521	21,668,912	89,814,433
Accumulated depreciation	(60,447,319)	(33,833,262)	(94,280,581)
<b>Total noncurrent assets</b>	<b>75,533,207</b>	<b>54,381,380</b>	<b>129,914,587</b>
<b>Total assets</b>	<b>119,217,630</b>	<b>66,470,219</b>	<b>185,687,849</b>
Deferred outflows of resources:			
Deferred outflows related to pensions	3,205,976	455,489	3,661,465
Deferred amount on refunding	94,377	44,950	139,327
<b>Total deferred outflows of resources</b>	<b>3,300,353</b>	<b>500,439</b>	<b>3,800,792</b>
<b>TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>	<b>\$ 122,517,983</b>	<b>\$ 66,970,658</b>	<b>\$ 189,488,641</b>

<i>Liabilities, Deferred Inflows of Resources, and Net Position</i>	Primary Government		
	Governmental Activities	Business-Type Activities	Total
Liabilities:			
Current liabilities:			
Accounts payable	\$ 2,994,076	\$ 2,029,977	\$ 5,024,053
Claims payable	247,914	-	247,914
Accrued payroll	222,446	53,322	275,768
Accrued interest	325,202	52,819	378,021
Deposits	387,742	17,555	405,297
Due to other governments	105	12,638	12,743
Refundable grant advances	150,852	-	150,852
Unearned revenue	550,033	-	550,033
Current portion of long-term obligations:			
Accrued compensated absences	311,895	26,463	338,358
Bonds and notes payable	2,874,087	2,134,516	5,008,603
Total current liabilities	8,064,352	4,327,290	12,391,642
Noncurrent liabilities:			
Compensated absences	1,522,500	129,199	1,651,699
Bonds and notes payable	29,175,900	13,114,933	42,290,833
Net OPEB obligation	264,058	39,587	303,645
Landfill closure and postclosure	-	6,736,091	6,736,091
Total noncurrent liabilities	30,962,458	20,019,810	50,982,268
Total liabilities	39,026,810	24,347,100	63,373,910
Deferred inflows of resources:			
Property taxes for subsequent year	14,166,595	-	14,166,595
Net position:			
Net investment in capital assets	41,427,531	34,715,398	76,142,929
Restricted	17,264,025	1,938,562	19,202,587
Unrestricted	10,633,022	5,969,598	16,602,620
Total net position	69,324,578	42,623,558	111,948,136
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION</b>	<b>\$ 122,517,983</b>	<b>\$ 66,970,658</b>	<b>\$ 189,488,641</b>

See accompanying notes to basic financial statements.

# City of Superior, Wisconsin

## Statement of Activities

Year Ended December 31, 2015

Functions/Programs	Expenses
Primary government:	
Governmental activities:	
General government	\$ 5,330,917
Public safety	12,959,510
Public works	8,452,703
Health and human services	246,086
Culture, recreation, and education	3,760,772
Economic development	2,827,700
Interest and fiscal charges	994,559
Total governmental activities	34,572,247
Business-type activities:	
Sewerage system	5,691,899
Landfill utility	5,914,678
Stormwater utility	1,782,995
Golf course	156,337
Total business-type activities	13,545,909
Total primary government	\$ 48,118,156
General revenues:	
Property taxes:	
Property taxes levied for general purposes	
Property taxes levied for debt service	
Other taxes	
Intergovernmental revenues not restricted to specific programs	
Unrestricted investment earnings	
Miscellaneous unallocated revenue	
Gain on sale of assets	
Transfers	
Total general revenues and transfers	
Change in net position	
Net position - Beginning of year, as restated	
Net position - End of year	

Program Revenues			Net (Expense) Revenues and Changes in Net Position Primary Government		
Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
\$ 552,530	\$ 272,218	\$ 21,917	\$ (4,484,252)	\$ -	\$ (4,484,252)
758,918	449,841	172,389	(11,578,362)	-	(11,578,362)
59,133	634,555	2,079,222	(5,679,793)	-	(5,679,793)
1,998	-	40,000	(204,088)	-	(204,088)
1,047,856	777,291	-	(1,935,625)	-	(1,935,625)
269,386	811,903	18,375	(1,728,036)	-	(1,728,036)
-	-	-	(994,559)	-	(994,559)
2,689,821	2,945,808	2,331,903	(26,604,715)	-	(26,604,715)
7,407,971	-	-	-	1,716,072	1,716,072
4,757,914	100,931	-	-	(1,055,833)	(1,055,833)
2,303,771	60,000	-	-	580,776	580,776
166,039	-	-	-	9,702	9,702
14,635,695	160,931	-	-	1,250,717	1,250,717
\$ 17,325,516	\$ 3,106,739	\$ 2,331,903	(26,604,715)	1,250,717	(25,353,998)
			10,949,197	-	10,949,197
			2,948,377	-	2,948,377
			678,615	-	678,615
			12,957,864	-	12,957,864
			455,514	206,341	661,855
			708,183	104,356	812,539
			68,000	136	68,136
			(329,780)	329,780	-
			28,435,970	640,613	29,076,583
			1,831,255	1,891,330	3,722,585
			67,493,323	40,732,228	108,225,551
			\$ 69,324,578	\$ 42,623,558	\$ 111,948,136

See accompanying notes to basic financial statements.

# Fund Financial Statements

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# City of Superior, Wisconsin

## Balance Sheet – Governmental Funds

December 31, 2015

<i>Assets</i>	General Fund	Capital Improvement Program Fund	Other Governmental Funds	Total Governmental Funds
Cash and investments	\$ 12,555,819	\$ 4,401,771	\$ 5,397,574	\$ 22,355,164
Receivables:				
Property taxes	12,512,969	-	-	12,512,969
Accounts	-	-	101,605	101,605
Special assessments	5,705	-	10,840	16,545
Loans	-	-	7,001,030	7,001,030
Other	158,004	6,692	253,029	417,725
Due from other funds	195,900	-	3,598,200	3,794,100
Due from other governments	536,337	95,925	2,436,054	3,068,316
Inventories	44,672	-	-	44,672
Restricted assets, cash and investments	-	-	142,126	142,126
Long-term interfund receivable	444,661	-	-	444,661
<b>TOTAL ASSETS</b>	<b>\$ 26,454,067</b>	<b>\$ 4,504,388</b>	<b>\$ 18,940,458</b>	<b>\$ 49,898,913</b>
<i>Liabilities, Deferred Inflows of Resources, and Fund Balances (Deficits)</i>				
Liabilities:				
Accounts payable	\$ 1,110,436	\$ 468,292	\$ 1,242,696	\$ 2,821,424
Accrued compensation	194,443	-	23,861	218,304
Due to other funds	4,355,457	-	229,999	4,585,456
Due to other governments	104	-	-	104
Custodial deposits	354,087	-	33,655	387,742
Refundable grant advances	-	-	150,852	150,852
Unearned revenue	-	-	550,033	550,033
Total liabilities	6,014,527	468,292	2,231,096	8,713,915
Deferred inflows of resources:				
Property taxes for subsequent year	10,812,227	-	3,354,368	14,166,595
Unavailable revenue - Special assessments	17,378	-	24,672	42,050
Unavailable revenue - Loans	-	-	3,740,059	3,740,059
Unavailable revenue - Advances to other funds	444,661	-	-	444,661
Total deferred inflows of resources	11,274,266	-	7,119,099	18,393,365
Fund balances (deficits):				
Nonspendable	44,672	-	100,000	144,672
Restricted	-	4,036,096	7,960,379	11,996,475
Committed	-	-	117,424	117,424
Assigned	-	-	1,594,695	1,594,695
Unassigned	9,120,602	-	(182,235)	8,938,367
Total fund balances (deficits)	9,165,274	4,036,096	9,590,263	22,791,633
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES (DEFICITS)</b>	<b>\$ 26,454,067</b>	<b>\$ 4,504,388</b>	<b>\$ 18,940,458</b>	<b>\$ 49,898,913</b>

# City of Superior, Wisconsin

## Balance Sheet – Governmental Funds (Continued)

December 31, 2015

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

Total fund balances - Governmental funds (previous page)	\$	22,791,633
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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	\$ 126,315,082	
Governmental accumulated depreciation	(60,447,319)	65,867,763

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

Net pension asset	2,803,625	
Deferred outflows of resources related to pensions	3,164,560	5,968,185

Internal service funds are used by management to charge the costs of general liability insurance, health insurance, and management information systems. The assets and liabilities of the internal service funds are included in the governmental activities in the statement of net position.

4,775,226

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.

4,226,770

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

(257,392)

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

(1,766,795)

Long-term liabilities, including bonds and notes payable, are not due in the current year and, therefore, are not reported in the fund statements. Interest on long-term debt is not accrued in the governmental funds, but rather is recognized as an expenditure when due. All liabilities, both current and long-term, are reported in the statement of net position. Balances reported in the statement of net position that are not reported in the funds balance sheet are:

Bonds and notes payable	32,049,987	
Deferred amount of refunding	(94,377)	
Accrued interest on long-term debt	325,202	(32,280,812)

<b>Total net position - Governmental activities</b>	<b>\$</b>	<b>69,324,578</b>
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# City of Superior, Wisconsin

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

Year Ended December 31, 2015

	General Fund	Capital Improvement Program Fund	Other Governmental Funds	Total Governmental Funds
Revenues:				
Taxes	\$ 10,804,185	\$ -	\$ 3,760,866	\$ 14,565,051
Special assessments	25,262	-	38,501	63,763
Intergovernmental revenues	12,503,763	3,502,820	1,630,666	17,637,249
Licenses and permits	705,443	155,912	-	861,355
Fines, forfeitures, and penalties	261,985	-	20,230	282,215
Public charges for services	136,377	10,513	624,991	771,881
Intergovernmental charges	250,883	4,439	209,636	464,958
Investment income	135,194	49,571	129,667	314,432
Miscellaneous	813,053	333,999	632,564	1,779,616
<b>Total revenues</b>	<b>25,636,145</b>	<b>4,057,254</b>	<b>7,047,121</b>	<b>36,740,520</b>
Expenditures:				
Current:				
General government	2,982,391	3,415	-	2,985,806
Public safety	11,587,642	-	689,825	12,277,467
Public works	6,147,114	23,793	4,398	6,175,305
Health and human services	192,069	-	-	192,069
Culture and recreation	1,451,422	-	1,464,304	2,915,726
Economic development	190,881	21,866	2,297,726	2,510,473
Capital outlay	51,893	6,980,334	969,078	8,001,305
Debt service:				
Principal retirement	-	-	2,674,952	2,674,952
Interest expense	-	-	879,628	879,628
Debt issuance costs	-	43,377	35,523	78,900
<b>Total expenditures</b>	<b>22,603,412</b>	<b>7,072,785</b>	<b>9,015,434</b>	<b>38,691,631</b>
<b>Excess of revenues over (under) expenditures</b>	<b>3,032,733</b>	<b>(3,015,531)</b>	<b>(1,968,313)</b>	<b>(1,951,111)</b>

# City of Superior, Wisconsin

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

Year Ended December 31, 2015

	General Fund	Capital Improvement Program Fund	Other Governmental Funds	Total Governmental Funds
Other financing sources (uses):				
Issuance of long-term debt	\$ -	\$ 3,870,000	\$ -	\$ 3,870,000
Transfers in	177,425	1,661,456	2,549,229	4,388,110
Transfers out	(2,521,521)	(75,000)	(2,251,370)	(4,847,891)
Premium on debt issuance	-	-	155,104	155,104
Net other financing sources (uses)	(2,344,096)	5,456,456	452,963	3,565,323
Change in fund balances	688,637	2,440,925	(1,515,350)	1,614,212
Fund balances at beginning	8,476,637	1,595,171	11,105,613	21,177,421
Fund balances (deficits) at end	\$ 9,165,274	\$ 4,036,096	\$ 9,590,263	\$ 22,791,633

# City of Superior, Wisconsin

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

Year Ended December 31, 2015

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Total net change in fund balances - Governmental funds		\$ 1,614,212
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	\$ 6,163,654	
Depreciation expense reported in the statement of activities	(3,800,977)	
Amount by which capital outlays are more than depreciation in the current year		2,362,677
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.		306,260
The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins, and donations) is to decrease net position.		(69,666)
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.		(653,459)
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		15,930
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		(325,653)
Vested employee benefits are reported in the governmental funds when amounts are paid. The statement of activities reports the value of the benefits earned during the year.		
Change in net pension asset - WRS	(1,700,663)	
Change in deferred outflows of resources related to pensions	1,666,371	
Amounts paid are less than amounts earned		(34,292)

# City of Superior, Wisconsin

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

Year Ended December 31, 2015

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

Repayment of principal on long-term debt is reported in the governmental funds as an expenditure but is reported as a reduction in long-term debt in the statement of net position and does not affect the statement of activities.

The amount of long-term debt principal payments in the current year \$ 2,679,326

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

The amount of long-term debt proceeds in the current year (3,870,000)

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 (136,509)

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 (57,571)

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**Change in net position - Governmental activities** \$ 1,831,255

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# City of Superior, Wisconsin

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

Year Ended December 31, 2015

	Original Budget	Final Budget	Actual	Variance With Final Budget Positive (Negative)
Revenues:				
Taxes:				
Current and delinquent general real estate and personal property	\$ 10,070,147	\$ 10,070,147	\$ 10,045,540	\$ (24,607)
Occupational	581,694	581,694	580,978	(716)
Mobile home fees	59,000	59,000	53,278	(5,722)
Other	120,000	120,000	124,389	4,389
	10,830,841	10,830,841	10,804,185	(26,656)
Special assessments - Current, deferred, and delinquent	10,000	10,000	25,262	15,262
Intergovernmental revenues:				
Federal grants	430,000	430,000	592,677	162,677
State shared revenues	7,878,022	7,878,022	7,903,399	25,377
Fire insurance	65,000	65,000	64,652	(348)
Terminal taxes	1,760,000	1,760,000	1,643,463	(116,537)
State grants, mass transit	351,000	351,000	374,444	23,444
State grants, other	-	-	11,181	11,181
Local street and road state aid	1,175,000	1,175,000	1,316,244	141,244
Connecting streets	308,000	308,000	310,166	2,166
Payment for municipal services	264,000	264,000	255,672	(8,328)
Computer exemption credit	32,000	32,000	31,865	(135)
	12,263,022	12,263,022	12,503,763	240,741

# City of Superior, Wisconsin

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

Year Ended December 31, 2015

	Original Budget	Final Budget	Actual	Variance With Final Budget Positive (Negative)
Revenues: (Continued)				
Licenses and permits:				
Licenses:				
Amusement devices	\$ 6,300	\$ 6,300	\$ 5,399	\$ (901)
Cigarette	4,200	4,200	3,500	(700)
Dog	2,400	2,400	1,998	(402)
Liquor and beer	68,000	68,000	67,988	(12)
Public carrier	3,600	3,600	4,775	1,175
Hotel/motel rooming	1,050	1,050	1,032	(18)
Tavern operator	13,000	13,000	14,039	1,039
Other	30,400	30,400	32,875	2,475
Permits:				
Building	225,000	225,000	209,353	(15,647)
Plumbing	40,000	40,000	24,153	(15,847)
Other permits	25,000	25,000	32,022	7,022
Electrical	25,000	25,000	27,537	2,537
Razing/moving	500	500	870	370
Curb cut/erector	1,000	1,000	3,049	2,049
Other inspection fees	3,590	3,590	4,635	1,045
Franchise fees	263,000	263,000	272,218	9,218
	712,040	712,040	705,443	(6,597)
Fines, forfeitures, and penalties:				
Parking violations	100,000	100,000	75,690	(24,310)
Other law and ordinance violations	178,000	178,000	186,295	8,295
	278,000	278,000	261,985	(16,015)

# City of Superior, Wisconsin

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

Year Ended December 31, 2015

	Original Budget	Final Budget	Actual	Variance With Final Budget Positive (Negative)
Revenues: (Continued)				
Public charges for services:				
Airport	\$ 46,350	\$ 46,350	\$ 54,336	\$ 7,986
City clerk	200	200	55	(145)
Police department	5,600	5,600	5,387	(213)
Fire department	65,488	65,488	65,509	21
Culture, recreation, and education	4,000	4,000	11,090	7,090
	121,638	121,638	136,377	14,739
Intergovernmental charges:				
Equipment depot	186,000	186,000	162,343	(23,657)
Revenue from local governments	90,000	90,000	88,540	(1,460)
	276,000	276,000	250,883	(25,117)
Investment income	300,000	300,000	135,194	(164,806)
Miscellaneous revenue:				
Rent	540,019	540,019	547,983	7,964
Property sales	-	-	19,309	19,309
Insurance recoveries	30,000	30,000	23,929	(6,071)
Other	280,000	280,000	221,832	(58,168)
	850,019	850,019	813,053	(36,966)
Total revenues	25,641,560	25,641,560	25,636,145	(5,415)

# City of Superior, Wisconsin

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

Year Ended December 31, 2015

	Original Budget	Final Budget	Actual	Variance With Final Budget Positive (Negative)
Expenditures:				
General government:				
City council	\$ 156,022	\$ 156,022	\$ 144,411	\$ 11,611
Mayor	207,838	212,039	210,701	1,338
City attorney	308,021	290,001	251,329	38,672
City clerk	265,314	251,945	250,431	1,514
Finance	657,265	658,369	657,266	1,103
Assessor	321,406	322,485	310,426	12,059
Buildings and grounds	685,796	687,803	707,232	(19,429)
Human resources	249,075	247,962	238,001	9,961
Elections	27,264	27,264	27,918	(654)
Judgments, losses, and unallocated	473,296	430,725	184,676	246,049
	3,351,297	3,284,615	2,982,391	302,224
Public safety:				
Police department	7,034,399	6,980,709	6,954,792	25,917
Fire department	4,049,344	4,076,488	4,054,157	22,331
Building inspection	616,701	635,362	578,693	56,669
	11,700,444	11,692,559	11,587,642	104,917
Public works:				
Mass transit	1,392,455	1,392,455	1,291,175	101,280
Administration and engineering	414,767	437,049	413,773	23,276
Street division	2,709,385	2,745,801	2,466,895	278,906
Airport	91,430	91,430	87,441	3,989
Traffic signals and signs	297,506	302,258	299,197	3,061
Equipment depot	1,895,260	1,878,589	1,588,633	289,956
	6,800,803	6,847,582	6,147,114	700,468

# City of Superior, Wisconsin

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

Year Ended December 31, 2015

	Original Budget	Final Budget	Actual	Variance With Final Budget Positive (Negative)
Expenditures: (Continued)				
Health and human services:				
Animal shelter	\$ 207,000	\$ 207,000	\$ 144,069	\$ 62,931
Other	48,700	48,700	48,000	700
	255,700	255,700	192,069	63,631
Culture and recreation:				
Recreation programs and events	524,339	539,214	476,889	62,325
Parks, trees, and boulevards	924,294	935,136	809,524	125,612
Superior public museums	165,000	165,000	165,009	(9)
	1,613,633	1,639,350	1,451,422	187,928
Economic development:				
Planning and development	194,283	196,354	190,881	5,473
Capital outlay	-	-	51,893	(51,893)
Total expenditures	23,916,160	23,916,160	22,603,412	1,312,748
Excess of revenues over expenditures	1,725,400	1,725,400	3,032,733	1,307,333
Other financing sources (uses):				
Transfers in	250,000	250,000	177,425	(72,575)
Transfers out	(1,975,400)	(1,975,400)	(2,521,521)	(546,121)
Net other financing uses	(1,725,400)	(1,725,400)	(2,344,096)	(618,696)
Excess of revenues and other financing sources over expenditures and other financing uses	\$ -	\$ -	\$ 688,637	\$ 688,637

# City of Superior, Wisconsin

## Statement of Net Position—Proprietary Funds

December 31, 2015

<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	\$ 4,155,916	\$ 699,040	\$ 2,975,420	\$ -	\$ 7,830,376	\$ 5,153,413
Receivables:						
Accounts	2,056,304	525,900	885,315	-	3,467,519	-
Special assessments	179,888	743	68,077	-	248,708	-
Due from other governments	357	-	54,000	-	54,357	87,593
Other	2,779	-	18,028	222	21,029	-
Due from other funds	825,120	39,010	123,126	-	987,256	-
Prepays	-	-	-	-	-	72,643
<b>Total current assets</b>	<b>7,220,364</b>	<b>1,264,693</b>	<b>4,123,966</b>	<b>222</b>	<b>12,609,245</b>	<b>5,313,649</b>
Noncurrent assets:						
Restricted deposits	1,510,967	2,959,889	-	-	4,470,856	-
Restricted net pension asset	231,835	113,974	81,786	-	427,595	39,292
Capital assets:						
Land	-	61,240	26,400	1,294,000	1,381,640	-
Construction in progress	880,537	-	778,018	-	1,658,555	-
Land improvements	-	17,783,813	11,162,614	1,662,881	30,609,308	-
Buildings and improvements	16,057,539	178,714	-	750,518	16,986,771	-
Machinery and equipment	6,210,950	4,180,265	304,961	314,829	11,011,005	-
Infrastructure	21,668,912	-	-	-	21,668,912	-
Accumulated depreciation	(21,527,209)	(9,071,956)	(1,201,450)	(2,032,647)	(33,833,262)	-
<b>Total noncurrent assets</b>	<b>25,033,531</b>	<b>16,205,939</b>	<b>11,152,329</b>	<b>1,989,581</b>	<b>54,381,380</b>	<b>39,292</b>
<b>Total assets</b>	<b>32,253,895</b>	<b>17,470,632</b>	<b>15,276,295</b>	<b>1,989,803</b>	<b>66,990,625</b>	<b>5,352,941</b>
Deferred outflows of resources:						
Deferred outflows related to pensions	249,026	117,237	89,226	-	455,489	41,416
Deferred amount on refunding	44,950	-	-	-	44,950	-
<b>Total deferred outflows of resources</b>	<b>293,976</b>	<b>117,237</b>	<b>89,226</b>	<b>-</b>	<b>500,439</b>	<b>41,416</b>
<b>TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>	<b>\$ 32,547,871</b>	<b>\$ 17,587,869</b>	<b>\$ 15,365,521</b>	<b>\$ 1,989,803</b>	<b>\$ 67,491,064</b>	<b>\$ 5,394,357</b>

<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	\$ 580,932	\$ 1,265,826	\$ 159,721	\$ 23,498	\$ 2,029,977	\$ 172,653
Claims payable	-	-	-	-	-	247,913
Accrued payroll	28,590	12,305	12,427	-	53,322	4,141
Accrued interest	16,860	18,096	17,102	761	52,819	-
Deposits	-	-	-	17,555	17,555	-
Due to other governments	-	12,638	-	-	12,638	-
Due to other funds	-	-	-	195,900	195,900	-
Current portion of interfund payable	-	-	-	68,672	68,672	-
Current portion of long-term obligations:						
Accrued compensated absences	10,005	9,788	6,670	-	26,463	11,540
Bonds and notes payable	917,047	879,840	330,579	7,050	2,134,516	-
<b>Total current liabilities</b>	<b>1,553,434</b>	<b>2,198,493</b>	<b>526,499</b>	<b>313,436</b>	<b>4,591,862</b>	<b>436,247</b>
Long-term liabilities:						
Long-term interfund payable	-	-	-	375,989	375,989	-
Accrued compensated absences	48,846	47,790	32,563	-	129,199	56,063
Bonds and notes payable	3,645,260	5,415,210	3,993,598	60,865	13,114,933	-
Net OPEB obligation	35,914	3,673	-	-	39,587	6,666
Landfill closure and postclosure liability	-	6,736,091	-	-	6,736,091	-
<b>Total long-term liabilities</b>	<b>3,730,020</b>	<b>12,202,764</b>	<b>4,026,161</b>	<b>436,854</b>	<b>20,395,799</b>	<b>62,729</b>
<b>Total liabilities</b>	<b>5,283,454</b>	<b>14,401,257</b>	<b>4,552,660</b>	<b>750,290</b>	<b>24,987,661</b>	<b>498,976</b>
Net position:						
Net investment in capital assets	19,047,633	6,931,818	6,746,366	1,989,581	34,715,398	-
Restricted	1,742,802	113,974	81,786	-	1,938,562	39,292
Unrestricted	6,473,982	(3,859,180)	3,984,709	(750,068)	5,849,443	4,856,089
<b>Total net position</b>	<b>27,264,417</b>	<b>3,186,612</b>	<b>10,812,861</b>	<b>1,239,513</b>	<b>42,503,403</b>	<b>4,895,381</b>
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds					120,155	
Net position business-type activities					42,623,558	
<b>TOTAL LIABILITIES AND NET POSITION</b>	<b>\$ 32,547,871</b>	<b>\$ 17,587,869</b>	<b>\$ 15,365,521</b>	<b>\$ 1,989,803</b>	<b>\$ 67,491,064</b>	<b>\$ 5,394,357</b>

# City of Superior, Wisconsin

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

Year Ended December 31, 2015

	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	\$ 6,307,932	\$ 4,693,463	\$ 2,185,554	\$ -	\$ 13,186,949	\$ 5,392,166
Rental fees	-	-	-	160,000	160,000	-
Other	1,100,039	64,451	118,216	6,040	1,288,746	1,528,891
<b>Total operating revenues</b>	<b>7,407,971</b>	<b>4,757,914</b>	<b>2,303,770</b>	<b>166,040</b>	<b>14,635,695</b>	<b>6,921,057</b>
Operating expenses:						
Personal services	2,219,707	1,017,073	762,082	-	3,998,862	900,525
Services and operations	2,316,606	3,206,541	645,295	45,348	6,213,790	1,831,846
Insurance claims and premiums	-	-	-	-	-	4,067,680
<b>Total operating expenses</b>	<b>4,536,313</b>	<b>4,223,614</b>	<b>1,407,377</b>	<b>45,348</b>	<b>10,212,652</b>	<b>6,800,051</b>
Operating income (loss) before depreciation	2,871,658	534,300	896,393	120,692	4,423,043	121,006
Depreciation	1,063,339	1,550,117	266,374	94,503	2,974,333	-
<b>Operating income (loss)</b>	<b>1,808,319</b>	<b>(1,015,817)</b>	<b>630,019</b>	<b>26,189</b>	<b>1,448,710</b>	<b>121,006</b>
Nonoperating revenues (expenses):						
Intergovernmental revenue	-	100,931	60,000	-	160,931	-
Other nonoperating revenues	57	61,775	42,524	-	104,356	-
Interest and amortization expense	(114,385)	(145,140)	(111,852)	(16,487)	(387,864)	(1,429)
Interest income	87,842	61,081	56,883	534	206,340	85,623
Gain on sale of fixed assets	93	-	43	-	136	-
<b>Total nonoperating revenues (expenses)</b>	<b>(26,393)</b>	<b>78,647</b>	<b>47,598</b>	<b>(15,953)</b>	<b>83,899</b>	<b>84,194</b>
Income (loss) before contributions and transfers	1,781,926	(937,170)	677,617	10,236	1,532,609	205,200
Transfers in	-	500,000	18,028	-	518,028	130,000
Transfers out	(56,156)	(132,091)	-	-	(188,247)	-
<b>Change in net position</b>	<b>1,725,770</b>	<b>(569,261)</b>	<b>695,645</b>	<b>10,236</b>	<b>1,862,390</b>	<b>335,200</b>
Net position at beginning, as restated	25,538,647	3,755,873	10,117,216	1,229,277		4,560,181
<b>Net position at end</b>	<b>\$ 27,264,417</b>	<b>\$ 3,186,612</b>	<b>\$ 10,812,861</b>	<b>\$ 1,239,513</b>		<b>\$ 4,895,381</b>
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds					28,940	
Change in net position of business-type activities					<u>\$ 1,891,330</u>	

See accompanying notes to basic financial statements.

# City of Superior, Wisconsin

## Statement of Cash Flows — Proprietary Funds

Year Ended December 31, 2015

	Business-Type Activities - Enterprise Funds				Total	Governmental Activities Internal Service Fund
	Sewerage System Fund	Landfill Utility Fund	Stormwater Utility Fund	Golf Course Fund		
Cash flows from operating activities:						
Cash received from customers	\$ 7,527,668	\$ 4,666,503	\$ 2,506,962	\$ 172,343	\$ 14,873,476	\$ 6,896,931
Cash paid to suppliers for goods and services	(2,018,448)	(2,951,508)	(538,940)	(26,598)	(5,535,494)	(6,363,275)
Cash paid to employees for services	(2,278,660)	(1,070,086)	(781,212)	-	(4,129,958)	(904,487)
<b>Net cash provided by operating activities</b>	<b>3,230,560</b>	<b>644,909</b>	<b>1,186,810</b>	<b>145,745</b>	<b>5,208,024</b>	<b>(370,831)</b>
Cash flows from noncapital financing activities:						
Intergovernmental revenue	-	100,931	6,000	-	106,931	-
Other miscellaneous revenue	57	61,775	42,524	-	104,356	-
Increase in due from other funds	(94,069)	(39,010)	91,784	-	(41,295)	-
Decrease in due to other funds	-	-	-	(50,688)	(50,688)	-
Principal paid on long-term debt	(26,572)	(9,184)	-	(6,580)	(42,336)	-
Interest paid on long-term debt	(8,684)	(3,002)	-	(2,151)	(13,837)	-
Transfers in from other funds	-	500,000	18,028	-	518,028	130,000
Transfers out to other funds	(56,156)	(132,091)	-	-	(188,247)	-
<b>Net cash provided by (used in) noncapital financing activities</b>	<b>(185,424)</b>	<b>479,419</b>	<b>158,336</b>	<b>(59,419)</b>	<b>392,912</b>	<b>130,000</b>
Cash flows from capital and related financing activities:						
Acquisition and construction of capital assets	(1,085,710)	(412,070)	(612,935)	(5,880)	(2,116,595)	-
Proceeds from sale of capital assets	93	-	43	-	136	-
Principal paid on long-term interfund payable	-	-	-	(66,644)	(66,644)	-
Interest paid on long-term interfund payable	-	-	-	(14,336)	(14,336)	-
Principal paid on long-term debt	(851,229)	(700,000)	(320,670)	-	(1,871,899)	-
Interest paid on long-term debt	(116,582)	(167,350)	(123,565)	-	(407,497)	(1,429)
<b>Net cash used in capital and related financing activities</b>	<b>(2,053,428)</b>	<b>(1,279,420)</b>	<b>(1,057,127)</b>	<b>(86,860)</b>	<b>(4,476,835)</b>	<b>(1,429)</b>

# City of Superior, Wisconsin

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

Year Ended December 31, 2015

	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)	\$ 87,842	\$ 61,081	\$ 56,883	\$ 534	\$ 206,340	\$ 85,623
Increase in restricted deposits	-	(399,901)	-	-	(399,901)	-
Net cash provided by (used in) investing activities	87,842	(338,820)	56,883	534	(193,561)	85,623
Net increase (decrease) in cash and cash equivalents	1,079,550	(493,912)	344,902	-	930,540	(156,637)
Cash and cash equivalents at beginning of the year	4,587,333	1,192,952	2,630,518	-	8,410,803	5,310,050
Cash and cash equivalents at end of the year	\$ 5,666,883	\$ 699,040	\$ 2,975,420	\$ -	\$ 9,341,343	\$ 5,153,413
Reconciliation:						
Cash and investments	\$ 4,155,916	\$ 699,040	\$ 2,975,420	\$ -	\$ 7,830,376	\$ 5,153,413
Restricted deposits	1,510,967	-	-	-	1,510,967	-
Cash and cash equivalents	\$ 5,666,883	\$ 699,040	\$ 2,975,420	\$ -	\$ 9,341,343	\$ 5,153,413

# City of Superior, Wisconsin

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

Year Ended December 31, 2015

	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)	\$ 1,808,319	\$ (1,015,817)	\$ 630,019	\$ 26,189	\$ 1,448,710	\$ 121,006
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:						
Provision for depreciation and amortization	1,063,339	1,550,117	266,374	94,503	2,974,333	-
Loss on disposal of capital assets	39,215	-	-	-	39,215	-
Changes in operating assets and liabilities:						
Decrease (increase) in accounts receivable	126,054	(91,411)	203,192	6,303	244,138	57,664
Increase in due from other governments	(357)	-	-	-	(357)	(81,790)
Increase in prepayments	-	-	-	-	-	(15,627)
Decrease in net OPEB asset	45,438	4,647	-	-	50,085	8,434
Decrease in net pension asset	170,458	75,789	49,346	-	295,593	25,374
Increase in deferred outflows related to pensions	(157,370)	(71,955)	(55,874)	-	(285,199)	(25,259)
Increase in accounts payable	200,673	2,001	112,883	15,621	331,178	13,157
Decrease in accrued expenses	(58,953)	(53,013)	(19,130)	-	(131,096)	(3,962)
Decrease in custodial deposits	(256)	-	-	3,129	2,873	-
Increase in due to other governments	-	17	-	-	17	-
Decrease in claims payable	-	-	-	-	-	(469,828)
Increase in landfill closure and postclosure liability	-	244,534	-	-	244,534	-
Decrease in refundable grant advances	(6,000)	-	-	-	(6,000)	-
Total adjustments	1,422,241	1,660,726	556,791	119,556	3,759,314	(491,837)
Net cash provided by operating activities	\$ 3,230,560	\$ 644,909	\$ 1,186,810	\$ 145,745	\$ 5,208,024	\$ (370,831)

# City of Superior, Wisconsin

## Statement of Assets and Liabilities — Fiduciary Fund

December 31, 2015

	<u>Agency Fund Tax Collection</u>
<hr/> <i>Assets</i> <hr/>	
Cash and investments	\$ 5,731,228
Taxes receivable	18,984,295
<b>TOTAL ASSETS</b>	<b>\$ 24,715,523</b>
<hr/> <i>Liabilities</i> <hr/>	
Due to other governments	\$ 24,715,523

# City of Superior, Wisconsin

## Notes to Basic Financial Statements

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### Note 1      **Summary of Significant Accounting Policies**

#### **Introduction**

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

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

#### **The Financial Reporting Entity**

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

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

# City of Superior, Wisconsin

## Notes to Basic Financial Statements

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

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

The Redevelopment Authority (the "Authority") of the City of Superior is an authority organized by the City of Superior under the laws of the state of Wisconsin. The Authority promotes urban renewal projects and the alleviation of the conditions of urban blight. It is governed by a seven-member Board appointed by the City. At December 31, 2015, and for the year then ended, the Authority had no financial position or results of operations to report.

#### **New Accounting Pronouncement**

Management adopted new accounting guidance GASB Statement No. 68, *Accounting and Financial Reporting for Pensions – an Amendment of GASB Statement No. 27 and GASB Statement No. 71, Pension Transition for Contributions Made Subsequent to the Measurement Date – an Amendment of GASB Statement No. 68*. The statement establishes new requirements for the City to report a "net pension liability (asset) for the unfunded (overfunded) portion of its pension plans and deferred outflows of resources and deferred inflows of resources related to pension plans. See Note 24 for the restatement of the beginning net position.

#### **Basis of Presentation**

##### *Government-Wide Financial Statements*

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

# City of Superior, Wisconsin

## Notes to Basic Financial Statements

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

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

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

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

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

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

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

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

# City of Superior, Wisconsin

## Notes to Basic Financial Statements

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

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

##### *Fund Financial Statements*

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

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

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

# City of Superior, Wisconsin

## Notes to Basic Financial Statements

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

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

##### *Governmental Funds*

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

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

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

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

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

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

# City of Superior, Wisconsin

## Notes to Basic Financial Statements

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

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

##### *Proprietary Funds*

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

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

In addition, the City reports the following fund types:

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

##### *Major Funds*

The City reports the following major governmental funds:

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

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

The City reports the following major proprietary funds:

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

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

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

# City of Superior, Wisconsin

## Notes to Basic Financial Statements

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

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

#### *Nonmajor Funds*

The City reports the following nonmajor funds:

#### Special Revenue Funds

State and Federal Grant Allocation and Allotment Fund

Special Assessment Fund

Hotel/Motel Tax Fund

Communications Center Fund

Library Fund

Crime Prevention Fund

Urban Tree Fund

Parks and Recreation Boat Ramp Fee Fund

Municipal Forest Fund

Narcotics Fund

Brown Field Grant 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

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

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

##### Capital Projects Funds

Tax Increment District No. 7 Fund  
Tax Increment District No. 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

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

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

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

#### Debt Service Funds (Continued)

Barkers Island State Trust Fund Loan Fund

2011A Refunding Bonds UAAL Fund

2011A Refunding TID No. 9 Fund

2011A Refunding TID No. 11 Fund

2011A Refunding TID No. 8 Fund

Debt Service No. 7 Fund

Debt Service No. 9 Fund

Debt Service CIP No. 1 Fund

Debt Service Animal Shelter Fund

Debt Service CIP No. 2 Fund

Debt Service Cash on Hand Fund

2012 GO Notes Kestrel Fund

2012C Non TID Debt Fund

2012C TID No. 8 Fund

2012 GO Corporate Purpose TID No. 8 Fund

STFL Flood Fund

STFL TID No. 8 Exodus Fund

Debt Service 2014A

Debt Service 2015A

#### Nonmajor Proprietary Fund

Golf Course Fund

# City of Superior, Wisconsin

## Notes to Basic Financial Statements

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

#### **Basis of Accounting**

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

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

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

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

# City of Superior, Wisconsin

## Notes to Basic Financial Statements

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

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

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

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

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

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

#### **Use of Estimates**

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

# City of Superior, Wisconsin

## Notes to Basic Financial Statements

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

#### **Measurement Focus**

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

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

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

#### **Cash and Cash Equivalents**

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

# City of Superior, Wisconsin

## Notes to Basic Financial Statements

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

#### **Investments**

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

#### **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 2014 tax levy is budgeted as property tax revenue for the year 2015 and is recognized as revenue in 2015 to the extent available. Real property tax assessments for the 2014 tax levy were based on assessed valuations as of January 1, 2014. The City levied property taxes pursuant to law in December 2014, 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

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### 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, 2015, 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

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### 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 Assets**

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

# City of Superior, Wisconsin

## Notes to Basic Financial Statements

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### 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

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

#### **Deferred Outflows/Inflows of Resources**

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

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 long-term interfund receivables. 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

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

#### **Pension Plan**

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

#### **Long-Term Obligations**

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

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

#### **Net Position**

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

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

# City of Superior, Wisconsin

## Notes to Basic Financial Statements

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

#### **Fund Balances**

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

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

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

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

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

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

# City of Superior, Wisconsin

## Notes to Basic Financial Statements

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

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

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

#### **Subsequent Events**

Subsequent events have been evaluated through July 8, 2016, 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	\$ 687,803	\$ 707,232	\$ 19,429
Elections	27,264	27,918	654
Superior public museums	165,000	165,009	9
Capital outlay	-	51,893	51,893

#### Deficit Fund Equity

The following deficits will be eliminated by future operations:

	Deficit Fund Equity
Tax Increment District No. 11 Fund	\$ 185,715
Fraser Dock Rehabilitation Project Fund	5,270
Tax Increment District No. 12 Fund	19,038
Tax Increment District No. 13 Fund	28,940
2009A TID No. 7 Portion Fund	3,966
2012C TID No. 8 Fund	1,682
<b>Total</b>	<b>\$ 244,611</b>

# City of Superior, Wisconsin

## Notes to Basic Financial Statements

### Note 3 Cash and Investments

#### Deposits

**Custodial Credit Risk:** Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The City's policy for custodial credit risk requires that funds on deposit in excess of Federal Deposit Insurance or Federal Savings and Loan Insurance limits be secured by some form of collateral. At year-end, the carrying amount of the City's deposits was \$11,121,186 and the bank balance was \$8,236,821. As of December 31, 2015, none of the City's deposits were exposed to custodial credit risk.

#### Investments

**Interest Rate Risk:** The City does have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. The City's portfolio will contain both short-term (up to five years) and long-term (beyond five years) maturities; however, extended maturities must take advantage of higher yields and cannot be more than 50 percent of the total investments. Unless matched to a specific cash flow, or approved by the City Council, the City will not directly invest in securities maturing more than 10 years from the date of purchase. State Statute limits the maturity of commercial paper and corporate bonds to not more than seven years. The City's distribution of investments by maturity as of December 31, 2015, is as follows:

	Fair Value	Remaining Maturity (in years)			
		0-1	1-5	5-10	More Than 10
State LGIP	\$ 7,465,904	\$ 7,465,904	\$ -	\$ -	\$ -
Money Market Accounts	3,546,883	3,546,883	-	-	-
Negotiable CDs	9,379,032	2,707,561	6,671,471	-	-
U.S. Treasury Notes	581,993	-	581,993	-	-
FFCB	664,638	-	664,638	-	-
FHLB	6,836,197	646,795	1,001,945	5,187,457	-
FHLMC	3,586,317	96,430	394,595	3,095,292	-
FNMA	2,501,014	-	2,501,014	-	-
<b>Totals</b>	<b>\$ 34,561,978</b>	<b>\$ 14,463,573</b>	<b>\$ 11,815,656</b>	<b>\$ 8,282,749</b>	<b>\$ -</b>

# City of Superior, Wisconsin

## Notes to Basic Financial Statements

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### Note 3 Cash and Investments (Continued)

#### Investments (Continued)

Credit Risk: Statutes authorize the City to invest in time deposits that mature in not more than three years, bonds or securities issued or guaranteed by the federal government, bonds or securities of any other municipality or district within the state of Wisconsin, the Wisconsin Investment Trust, securities of open-end management investment companies or investment trusts (mutual funds) if the portfolio is limited to (a) bonds and securities issued by the federal government or a commission, board, or other instrumentality of the federal government, (b) bonds that are guaranteed as to principal and interest by the federal government or a commission, board, or other instrumentality of the federal government, and (c) repurchase agreements that are fully collateralized by these bonds or securities, repurchase agreements with public depositories, if the agreement is secured by federal bonds or securities, and any security with a maturity in seven years or less and having the highest or second highest rating category of a nationally recognized rating agency. At December 31, 2015, 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 \$2,959,889 are as follows:

<u>Issuer</u>	<u>Reported Amount</u>
FFCB	\$ 300,371
FHLB	176,053
FHLMC	220,912
FNMA	499,797

# City of Superior, Wisconsin

## Notes to Basic Financial Statements

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### Note 3 Cash and Investments (Continued)

#### Investments (Continued)

Custodial Credit Risk: For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) to the transaction, the City will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The City does not have an investment policy for custodial credit risk. At December 31, 2015, the City's investments subject to custodial credit risk are \$33,561,977.

The City's cash and investment balances at December 31, 2015, were as follows:

	<b>Fair Value</b>
Cash deposits	\$ 11,121,186
Investments:	
Money Market Accounts	3,546,883
State of Wisconsin Local Government Investment Pool	7,465,904
Negotiable CDs	9,379,032
U.S. Treasury Notes	581,993
FFCB	664,638
FHLB	6,836,197
FHLMC	3,586,317
FNMA	2,501,014
Total cash and investments	<u>\$ 45,683,164</u>

# City of Superior, Wisconsin

## Notes to Basic Financial Statements

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### Note 3 Cash and Investments (Continued)

#### Investments (Continued)

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

Cash and investments - Governmental activities	\$ 27,508,577
Cash and investments - Business-type activities	7,830,376
Restricted deposits - Governmental activities	142,127
Restricted deposits - Business-type activities	4,470,856
Cash and investments - Tax Collection Agency Fund	5,731,228
	<hr/>
	\$ 45,683,164

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, 2015, 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

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### 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, 2015:

	Sewerage System Fund	Landfill Utility Fund	Library Fund	Total
Redemption and depreciation account	\$1,510,967	\$ -	\$ -	\$1,510,967
Closure and postclosure care	-	2,959,889	-	2,959,889
Library endowments	-	-	142,127	142,127
	\$1,510,967	\$2,959,889	\$142,127	\$4,612,983

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

# City of Superior, Wisconsin

## Notes to Basic Financial Statements

### Note 6 Interfund Receivables/Payables

The following is a schedule of interfund receivables and payables at December 31, 2015:

Receivable Fund	Payable Fund	Amount
General Fund	Golf Course Fund	\$ 195,900
Special Revenue Funds	General Fund	391,201
Debt Service Funds	General Fund	3,206,999
Sewerage System Fund	General Fund	595,121
Sewerage System Fund	Other Capital Projects Funds	229,999
Landfill Utility Fund	General Fund	39,010
Stormwater Utility Fund	General Fund	123,126
		\$ 4,781,356

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

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

Maturities of the loans are as follows:

Year Ending December 31,	Principal	Interest	Total	
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	
2020	77,415	3,657	81,072	
Remaining years	79,772	1,300	81,072	
		\$ 444,661	\$ 41,771	\$ 486,432

# City of Superior, Wisconsin

## Notes to Basic Financial Statements

### Note 7 Capital Assets

Capital asset activity for the year ended December 31, 2015, was as follows:

	Beginning Balance	Additions	Disposals	Transfers	Ending Balance
Governmental activities:					
Capital assets not being depreciated:					
Land	\$ 16,445,572	\$ -	\$ -	\$ -	\$ 16,445,572
Construction in progress	1,771,700	3,993,711	155	(5,765,256)	-
Total capital assets not being depreciated	\$ 18,217,272	\$ 3,993,711	\$ 155	\$ (5,765,256)	\$ 16,445,572
Capital assets being depreciated:					
Land improvements	\$ 7,922,412	\$ -	\$ -	\$ 1,412,121	\$ 9,334,533
Buildings and improvements	12,112,573	495,648	67,981	2,386,370	14,926,610
Machinery and equipment	18,561,341	526,217	1,624,712	-	17,462,846
Roads	52,400,229	579,164	-	1,966,765	54,946,158
Sidewalks/Bikepaths	12,630,449	568,914	-	-	13,199,363
Total capital assets being depreciated	103,627,004	2,169,943	1,692,693	5,765,256	109,869,510
Less accumulated depreciation for:					
Land improvements	3,719,608	353,202	-	-	4,072,810
Buildings and improvements	5,374,012	293,691	46,667	-	5,621,036
Machinery and equipment	13,510,160	995,197	1,576,515	-	12,928,842
Roads	28,634,859	1,713,764	-	-	30,348,623
Sidewalks/Bikepaths	7,030,885	445,123	-	-	7,476,008
Total accumulated depreciation	58,269,524	3,800,977	1,623,182	-	60,447,319
Governmental activities capital assets being depreciated - Net	\$ 45,357,480	\$ (1,631,034)	\$ 69,511	\$ 5,765,256	\$ 49,422,191

# City of Superior, Wisconsin

## Notes to Basic Financial Statements

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**Note 7**      **Capital Assets** (Continued)

Depreciation expense was charged to governmental activities as follows:

Governmental activities:	
General government	\$     85,588
Public safety	506,849
Public works	2,718,189
Culture, recreation, and education	446,293
Economic development	44,058
	<hr/>
	\$ 3,800,977
	<hr/> <hr/>

# City of Superior, Wisconsin

## Notes to Basic Financial Statements

### Note 7 Capital Assets (Continued)

	Beginning Balance	Additions	Disposals	Reclasses	Ending Balance
Business-type activities:					
Capital assets not being depreciated:					
Land	\$ 1,381,640	\$ -	\$ -	\$ -	\$ 1,381,640
Construction in progress	2,718,508	1,996,521	14,916	(3,041,558)	1,658,555
Total capital assets not being depreciated	\$ 4,100,148	\$ 1,996,521	\$ 14,916	\$ (3,041,558)	\$ 3,040,195
Capital assets being depreciated:					
Land improvements	\$ 28,795,090	\$ 36,418	\$ -	\$ 1,777,800	\$ 30,609,308
Buildings and improvements	16,771,238	-	-	215,533	16,986,771
Machinery and equipment	9,658,294	-	1,657,556	315,944	8,316,682
Transportation equipment	2,756,603	-	62,280	-	2,694,323
Infrastructure	20,858,384	83,654	5,407	732,281	21,668,912
Total capital assets being depreciated	78,839,609	120,072	1,725,243	3,041,558	80,275,996
Less accumulated depreciation for:					
Land improvements	7,058,087	1,598,354	-	-	8,656,441
Buildings and improvements	11,334,993	381,050	-	-	11,716,043
Machinery and equipment	8,002,940	277,066	1,633,260	-	6,646,746
Transportation equipment	1,506,593	202,153	62,279	-	1,646,467
Infrastructure	4,657,261	515,710	5,406	-	5,167,565
Total accumulated depreciation	32,559,874	2,974,333	1,700,945	-	33,833,262
Net capital assets being depreciated	\$ 46,279,735	\$ (2,854,261)	\$ 24,298	\$ 3,041,558	\$ 46,442,734

# City of Superior, Wisconsin

## Notes to Basic Financial Statements

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### Note 7      **Capital Assets** (Continued)

Depreciation expense was charged to business-type activities.

Business-type activities:

Sewer utility	\$ 1,063,339
Landfill utility	1,550,117
Stormwater utility	266,374
Golf course	94,503

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\$ 2,974,333

Construction in progress for the business-type activities consisted of constructing improvements and extensions to the stormwater system for \$778,017 and improvements and extensions to the Sewerage System Fund for \$880,538.

### Note 8      **Long-Term Obligations**

**Governmental Activities General Obligation Bonds and Notes:** Various issues of unmatured general obligation bonds and notes totaling \$31,645,446 are outstanding at December 31, 2015. 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 February 1, 2035.

**Business-Type Activities Revenue Bonds:** Various issues of unmatured revenue bonds totaling \$5,725,487 are outstanding at December 31, 2015. 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 \$9,416,968 are outstanding at December 31, 2015. 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, 2015, the accumulated compensated absences benefits based on accumulated vacation and sick leave is \$1,990,057.

# 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, 2015	Issued/ Additions	Retired	December 31, 2015	Current Maturities December 31, 2015
Governmental Activities:						
General Obligation Bonds and Notes:						
State Trust Fund Loan, 2006A	Debt Service	\$ 329,025	\$ -	\$ 23,779	\$ 305,246	\$ 24,811
State Trust Fund Loan, 2006B	Debt Service	148,625	-	9,614	139,011	10,029
State Trust Fund Loan, 2006 TIF No. 8	Debt Service	19,273	-	19,273	-	-
Corporate Purpose, 2008A TIF No. 9	Debt Service	2,155,000	-	145,000	2,010,000	155,000
Corporate Purpose, 2008A CIP	Debt Service	2,250,000	-	120,000	2,130,000	175,000
Refunding Note, 2009A TIF No. 7	Debt Service	179,785	-	62,785	117,000	65,250
Refunding Note, 2009A TIF No. 8	Debt Service	210,215	-	67,215	143,000	79,750
Refunding Bonds, 2011A UAAL	Debt Service	2,690,696	-	237,664	2,453,032	254,640
Refunding Bonds, 2011A TID No. 9	Debt Service	425,000	-	35,000	390,000	35,000
Refunding Bonds, 2011A TID No. 11	Debt Service	1,680,000	-	95,000	1,585,000	95,000
Refunding Bonds, 2011A TID No. 8	Debt Service	220,000	-	55,000	165,000	55,000
Corporate Purpose, 2011B CIP	Debt Service	3,640,000	-	-	3,640,000	-
Corporate Purpose, 2011B TID No. 7	Debt Service	192,100	-	25,500	166,600	23,800
Corporate Purpose, 2011B TID No. 9	Debt Service	372,900	-	49,500	323,400	46,200
Promissory Note, 2011C	Debt Service	1,230,000	-	165,000	1,065,000	165,000
Promissory Note, 2011D	Debt Service	1,945,000	-	230,000	1,715,000	195,000
Promissory Note, 2012A	Debt Service	2,660,000	-	315,000	2,345,000	320,000
Corporate Purpose, 2012C	Debt Service	2,657,680	-	457,680	2,200,000	449,320
Corporate Purpose, 2012C	Debt Service	122,320	-	22,320	100,000	20,680
Promissory Note, 2012D TID 8	Debt Service	1,115,000	-	70,000	1,045,000	90,000

# City of Superior, Wisconsin

## Notes to Basic Financial Statements

### Note 8 Long-Term Obligations (Continued)

Type	Fund Liquidating	January 1, 2015	Issued/ Additions	Retired	December 31, 2015	Current Maturities December 31, 2015
Governmental Activities: (continued)						
General Obligation Bonds and Notes: (continued)						
State Trust Fund Loan, 2013 Flood	Debt Service	\$ 2,706,203	\$ -	\$ 307,074	\$ 2,399,129	\$ 315,338
State Trust Fund Loan, 2013 TIF No. 8	Debt Service	660,950	-	86,922	574,028	89,269
Corporate Purpose, 2014A	Debt Service	2,845,000	-	80,000	2,765,000	110,000
Street Improvements, 2015A	Debt Service	-	3,870,000	-	3,870,000	100,000
Plus deferred amounts:						
Premium on bonds		287,901	155,104	38,464	404,541	-
Total governmental activities		30,742,673	4,025,104	2,717,790	32,049,987	2,874,087
Business-Type Activities:						
Revenue Bonds:						
2010	Stormwater Utility	2,927,987	-	155,670	2,772,317	160,579
Clean Water Fund, 2012B	Sewerage System	3,089,399	-	136,229	2,953,170	153,577
Total revenue bonds		6,017,386	-	291,899	5,725,487	314,156
General Obligation Notes:						
2011A Refunding	Golf Course Fund	74,494	-	6,579	67,915	7,050
2011A Refunding	Sewerage System	300,834	-	26,573	274,261	28,470
2009A	Landfill Utility	1,085,000	-	205,000	880,000	215,000
2011A Refunding	Landfill Utility	103,976	-	9,184	94,792	9,840
2011B GO Bonds	Landfill Utility	1,700,000	-	100,000	1,600,000	100,000

# City of Superior, Wisconsin

## Notes to Basic Financial Statements

### Note 8 Long-Term Obligations (Continued)

Type	Fund Liquidating	January 1, 2015	Issued/ Additions	Retired	December 31, 2015	Current Maturities December 31, 2015
Business-Type Activities: (Continued)						
Corporate Purpose, 2012C	Sewerage System	\$ 505,000	\$ -	\$ 140,000	\$ 365,000	\$ 135,000
Corporate Purpose, 2012C	Landfill Utility	2,270,000	-	235,000	2,035,000	240,000
Corporate Purpose, 2012C	Stormwater Utility	1,685,000	-	165,000	1,520,000	170,000
Corporate Purpose, 2014A	Landfill Utility	1,795,000	-	160,000	1,635,000	315,000
Corporate Purpose, 2014A	Sewerage System	1,520,000	-	575,000	945,000	600,000
Plus deferred amounts:						
Premium on bonds		145,881	-	38,887	106,994	-
Total general obligation notes		11,185,185	-	1,661,223	9,523,962	1,820,360
Total business-type activities		17,202,571	-	1,953,122	15,249,449	2,134,516
Total bonds and notes		47,945,244	4,025,104	4,670,912	47,299,436	\$ 5,008,603
Compensated absences		2,039,934	296,960	346,837	1,990,057	\$ 338,358
		\$ 49,985,178	\$ 4,322,064	\$ 5,017,749	\$ 49,289,493	

# 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	
2016	\$ 2,874,087	\$ 960,159	\$ 2,134,516	\$ 361,851	\$ 6,330,613
2017	2,975,549	837,694	1,904,777	313,319	6,031,339
2018	3,019,849	765,952	1,562,553	268,996	5,617,350
2019	3,031,803	694,328	1,478,317	226,732	5,431,180
2020	3,086,760	614,950	1,391,613	193,931	5,287,254
2021-2025	10,106,798	1,895,398	4,511,778	529,522	17,043,496
2026-2030	4,195,600	788,861	1,939,708	147,780	7,071,949
2031-2035	2,355,000	194,435	219,193	2,631	2,771,259
<b>Totals</b>	<b>\$ 31,645,446</b>	<b>\$ 6,751,777</b>	<b>\$ 15,142,455</b>	<b>\$ 2,044,762</b>	<b>\$ 55,584,440</b>

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

	Amount
Equalized value at December 31, 2015	\$ 1,630,578,600
Legal debt margin percentage	5%
	81,528,930
Outstanding general obligation debt	\$ 41,062,414
Less amount available in Debt Service Fund	1,289,901
Indebtedness applicable to debt limit	39,772,513
Legal debt margin	\$ 41,756,417

# 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
<b>General Fund</b>		
General Fund	Landfill Utility Fund	\$ 131,659
General Fund	Sewerage System Fund	45,766
<b>Special Revenue Funds</b>		
Special Revenue Funds	General Fund	1,243,696
Special Revenue Funds	Special Revenue Funds	71,750
<b>Capital Projects Fund</b>		
Capital Improvement Projects Fund	General Fund	718,456
Capital Improvement Projects Fund	Other Capital Projects Funds	800,000
Capital Improvement Projects Fund	Special Revenue Funds	143,000
<b>Other Capital Projects Funds</b>		
Other Capital Projects Funds	General Fund	4,369
<b>Debt Service Funds</b>		
Debt Service Funds	Other Capital Projects Funds	1,016,311
Debt Service Funds	Debt Service Funds	213,103
<b>Enterprise Funds</b>		
Landfill Utility Fund	General Fund	500,000
Stormwater Utility Fund	Special Revenue Funds	7,206
Stormwater Utility Fund	Sewerage System Fund	10,390
Stormwater Utility Fund	Landfill Utility Fund	432
<b>Internal Services Funds</b>		
Internal Service Fund	General Fund	55,000
Internal Service Fund	Capital Improvement Projects Fund	75,000
		\$ 5,036,138

# City of Superior, Wisconsin

## Notes to Basic Financial Statements

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### 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, 2015, include the following:

#### **Governmental Activities**

Net investment in capital assets:

Land	\$ 16,445,572
Other capital assets - Net of accumulated depreciation	49,422,191
Less: Related long-term debt outstanding (net of unspent proceeds to debt)	<u>24,440,232</u>

Total net investment in capital assets	41,427,531
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Restricted net position:

Capital projects	11,523,066
For pensions	2,842,917
Crime prevention	22,586
Library expenses	314,861
Narcotics task force	31,545
Community improvement and development projects	122,121
Hazardous materials grant	17,732
Housing loans	<u>2,371,465</u>

Total restricted net position	<u>17,264,025</u>
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Unrestricted	<u>10,633,022</u>
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Total net position	<u><u>\$ 69,324,578</u></u>
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# City of Superior, Wisconsin

## Notes to Basic Financial Statements

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### Note 12 Governmental Fund Balances

Governmental fund balances on the fund financial statements at December 31, 2015, include the following:

#### **Nonspendable**

Major Funds:

General Fund:

Inventories \$ 44,672

Nonmajor Funds:

Economic Development Fund:

Notes receivable 100,000

\$ 144,672

#### **Restricted**

Major Funds:

Capital Improvement Program Fund:

Capital Projects \$ 4,036,096

Nonmajor Funds:

Debt Service Funds:

Debt service 1,333,158

Capital Projects Funds:

Capital Projects 4,871,970

Special Revenue Funds:

Crime prevention 22,586

Library expenditures 314,861

Narcotics task force 31,545

Community improvement and development projects 122,121

Hazardous materials grant 17,732

Housing loans 1,249,406

\$ 11,999,475

#### **Committed**

Nonmajor Funds:

Special Revenue Funds:

Maintenance and development of boat launching facilities \$ 117,424

# City of Superior, Wisconsin

## Notes to Basic Financial Statements

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### Note 12 Governmental Fund Balances (Continued)

Unreserved fund balance as of December 31, 2015, includes the following items:

#### Assigned

Nonmajor Funds:

Special Revenue Funds:

Urban Tree Fund	\$ 33,563
Municipal Forest Fund	13,778
Special Assessment Fund	1,733
Economic Development Fund	1,328,156
Business Improvement Fund	43,310
State and Federal Grant Allocation and Allotment Fund	101,615
Fire Department PPP Fund	5,836

Capital Projects Funds:

Barkers Island Marina Improvement Fund	66,704
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\$ 1,594,695

#### Unassigned

Major Funds:

General Fund	\$ 9,120,602
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Nonmajor Funds:

Debt Service Funds	(5,648)
Capital Projects Funds	(238,963)
Special Revenue Funds	62,376

\$ 8,938,367

### 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 2015 were \$414,932.

# City of Superior, Wisconsin

## Notes to Basic Financial Statements

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### Note 14 Employee Retirement Plans – Wisconsin Retirement System

#### Plan Description

The Wisconsin Retirement System (WRS) is a cost-sharing multiple-employer defined benefit pension plan. WRS benefits and other plan provisions are established by Chapter 40 of the Wisconsin Statutes. Benefit terms may only be modified by the legislature. The retirement system is administered by the Wisconsin Department of Employee Trust Funds (ETF). The system provides coverage to all eligible State of Wisconsin, local government, and other public employees. All employees, initially employed by a participating WRS employer on or after July 1, 2011, and expected to work at least 1,200 hours a year (880 hours for teachers and school district educational support employees) and expected to be employed for at least one year from employee's date of hire are eligible to participate in the WRS.

#### Vesting

For employees beginning participation on or after January 1, 1990, and no longer actively employed on or after April 24, 1998, creditable service in each of five years is required for eligibility for a retirement annuity. Participants employed prior to 1990 and on or after April 24, 1998, and prior to July 1, 2011, are immediately vested. Participants who initially became WRS eligible on or after July 1, 2011, must have five years of creditable service to be vested.

#### Benefits Provided

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

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

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

The WRS also provides death and disability benefits for employees.

# City of Superior, Wisconsin

## Notes to Basic Financial Statements

### Note 14 Employee Retirement Plans – Wisconsin Retirement System (Continued)

#### Post-Retirement Adjustments

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

Year	Core Fund Adjustment	Variable Fund Adjustment
2005	2.6%	7%
2006	0.8%	3%
2007	3.0%	10%
2008	6.6%	0%
2009	(2.1%)	(42%)
2010	(1.3%)	22%
2011	(1.2%)	11%
2012	(7.0%)	(7%)
2013	(9.6%)	9%
2014	4.7%	25%

# City of Superior, Wisconsin

## Notes to Basic Financial Statements

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### Note 14 Employee Retirement Plans – Wisconsin Retirement System (Continued)

#### Contributions

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

During the reporting period, the WRS recognized \$1,313,633 in contributions from the employer.

<u>Employee Category</u>	<u>Employee</u>	<u>Employer</u>
General (including teachers)	6.8%	6.8%
Executives and elected officials	7.7%	7.7%
Protective with social security	6.8%	9.5%
Protective without social security	6.8%	13.1%

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

At December 31, 2015, the City reported an asset of \$3,270,512 for its proportionate share of the net pension asset. The net pension asset was measured as of December 31, 2014, and the total pension liability used to calculate the net pension asset was determined by an actuarial valuation as of December 31, 2013, rolled forward to December 31, 2014. No material changes in assumptions or benefit terms occurred between the actuarial valuation date and the measurement date. The City's proportion of the net pension asset was based on the City's share of contributions to the pension plan relative to the contributions of all participating employers. At December 31, 2014, the City's proportion was 0.13314931%, which was a decrease of 0.00108389% from its proportion measured as of December 31, 2013.

For the year ended December 31, 2015, the City recognized pension expense of \$1,603,290.

# City of Superior, Wisconsin

## Notes to Basic Financial Statements

### Note 14 Employee Retirement Plans – Wisconsin Retirement System (Continued)

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

At December 31, 2015, the City reported deferred outflows of resources related to pensions from the following sources:

	<b>Deferred Outflows of Resources</b>
Differences between expected and actual experience	\$ 474,122
Net differences between projected and actual earnings on pension plan investments	1,583,740
Changes in proportion and differences between employer contributions and proportionate share of contributions	45,114
Employer contributions subsequent to the measurement date	1,558,489
<b>Total</b>	<b>\$ 3,661,465</b>

\$1,558,489 reported as deferred outflows related to pension resulting from the City's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability (asset) in the year ended December 31, 2016. Other amounts reported as deferred outflows of resources related to pensions will be recognized in pension expense as follows:

<b>Year Ended December 31:</b>	<b>Deferred Outflows of Resources</b>
2016	\$ 514,314
2017	514,314
2018	514,314
2019	514,314
2020	45,720

# City of Superior, Wisconsin

## Notes to Basic Financial Statements

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### Note 14 Employee Retirement Plans – Wisconsin Retirement System (Continued)

#### Actuarial Assumptions

The total pension liability in the December 31, 2014, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Actuarial valuation date	December 31, 2013
Measurement date of net pension liability (asset)	December 31, 2014
Actuarial cost method	Entry Age
Asset valuation method	Fair market value
Long-term expected rate of return	7.2%
Discount rate	7.2%
Salary increases:	
Inflation	3.2%
Seniority/Merit	0.2% - 5.8%
Mortality	Wisconsin 2012 Mortality Table
Post-retirement adjustments*	2.1%

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

Actuarial assumptions are based upon an experience study conducted in 2012 using experience from 2009 – 2011. The total pension liability for December 31, 2014, is based upon a roll-forward of the liability calculated from the December 31, 2013, actuarial valuation.

# City of Superior, Wisconsin

## Notes to Basic Financial Statements

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### Note 14 Employee Retirement Plans – Wisconsin Retirement System (Continued)

#### Actuarial Assumptions (Continued)

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

<u>Asset Class</u>	<u>Long-Term Real Rate of Return</u>	<u>Target Allocation</u>
US equities	5.3%	21%
International equities	5.7%	23%
Fixed income	1.7%	36%
Inflation sensitive assets	2.3%	20%
Real estate	4.2%	7%
Private equity/debt	6.9%	7%
Multi-asset	3.9%	6%
Cash	0.9%	(20%)

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

# City of Superior, Wisconsin

## Notes to Basic Financial Statements

### Note 14 Employee Retirement Plans – Wisconsin Retirement System (Continued)

#### Actuarial Assumptions (Continued)

#### Sensitivity of the City's Proportionate Share of the Net Pension

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

	1% Decrease to Discount Rate (6.20%)	Current Discount Rate (7.20%)	1% Increase to Discount Rate (8.20%)
WRS Employer's proportionate share of the net pension liability (asset)	\$9,226,676	(\$3,270,512)	(\$13,140,284)

#### Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in separately issued financial statements available at <http://legis.wisconsin.gov/lab/> and reference report number 15-11.

#### Payables to the Pension Plan

At December 31, 2015, the City reported a payable of \$0 for the outstanding amount of contributions to the pension plan required for the year ended December 31, 2015.

# City of Superior, Wisconsin

## Notes to Basic Financial Statements

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### 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	(4,026)
Adjustment to annual required contribution	<u>4,989</u>
Annual OPEB cost (expense)	659,959
Contributions made	<u>275,787</u>
Decrease in net OPEB asset	384,172
Net OPEB obligation (asset) - Beginning of year	<u>(80,527)</u>
Net OPEB obligation (asset) - End of year	<u><u>\$ 303,645</u></u>

The City's annual OPEB costs, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation (asset) for 2013 to 2015 were as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation (Asset)
12/31/13	\$ 549,540	75%	\$ (534,859)
12/31/14	665,389	32%	(80,527)
12/31/15	659,959	42%	303,645

# City of Superior, Wisconsin

## Notes to Basic Financial Statements

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### 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 percent 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

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### 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, 2015, is based on CVMIC's evaluation of individual claims, management's evaluation, and an actuarial review of experience with respect to the probable number and nature of claims arising from losses that have been incurred but have not yet been reported. The liability represents the estimated ultimate cost of settling the claims. Any adjustments resulting from the settlement of losses will be reflected in earnings at the time the adjustments are determined.

# City of Superior, Wisconsin

## Notes to Basic Financial Statements

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### Note 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, 2015, follows:

	<b>Amount</b>
Assets	\$ 47,328,640
Reserves and liabilities	\$ 19,184,301
Policyholders' surplus:	
Restricted	25,000,000
Unassigned surplus	3,144,339
Total Liabilities and Policyholders' Surplus	\$ 47,328,640

# City of Superior, Wisconsin

## Notes to Basic Financial Statements

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### Note 16 Risk Management (Continued)

On December 31, 2015, the City's General Liability Fund had a net position of \$(218,744). The claims liability reported in the fund at December 31, 2015, 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
2015	\$ 363,875	\$ 398,076	\$ 662,116	\$ 99,835
2014	152,658	521,342	310,125	363,875
2013	174,660	253,685	275,687	152,658

# 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 \$6,529,745 in the aggregate for 2015. Fund expenses consist of payments for medical and dental claims, stop-loss insurance premiums, and administrative fees. On December 31, 2015, the Health Insurance Fund had a net position of \$5,124,994, which is set aside for future health insurance liabilities. The claims liability reported in the fund at December 31, 2015, 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
2015	\$ 353,866	\$ 3,669,604	\$ 3,875,392	\$ 148,078
2014	438,042	4,387,660	4,471,836	353,866
2013	656,570	4,604,338	4,822,866	438,042

#### Other Risks

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

# City of Superior, Wisconsin

## Notes to Basic Financial Statements

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### Note 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 \$6,736,091 as of December 31, 2015, which is based on 100% usage (filled) of the landfill. The estimated total current cost of the landfill closure and postclosure care \$(6,736,091) 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, 2015. 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, 2015, investments of \$2,959,889 are held for these purposes. These are reported as restricted assets on the balance sheet. The City expects that future inflation costs will be paid from interest earnings on these annual contributions. However, if interest earnings are inadequate or additional postclosure care requirements are determined (due to changes in technology or applicable laws or regulations, for example), these costs may need to be covered by charges to future landfill users or from future tax revenues.

# City of Superior, Wisconsin

## Notes to Basic Financial Statements

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### Note 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, 2015, 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. Activity and fund balance for the Superior Business Center is included in other governmental funds.

### 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, 2015, there were 15 series of Industrial Revenue Bonds and 2 Collateralized Utility Revenue Bonds outstanding. The aggregate principal amount payable for the series issued after July 1, 1995, was \$29 million. The aggregate principal amount payable for the 13 series issued prior to July 1, 1995, could not be determined; however, their original issue amounts totaled \$64 million.

# City of Superior, Wisconsin

## Notes to Basic Financial Statements

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### Note 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, 2015, 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 \$3,555,814. Principal and interest paid for the current year and total customer net revenues were \$202,243 and \$2,959,650.

#### 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 \$3,428,150. Principal and interest paid for the current year and total customer net revenues were \$245,536 and \$1,055,843.

# City of Superior, Wisconsin

## Notes to Basic Financial Statements

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### 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, 2015:

<u>Construction Contractors</u>	<u>Amount Remaining</u>
A-1 Excavating	\$ 148,594
Donohue	39,191
LHB, Inc	4,530
RJS Construction	728
<hr/>	
Total	\$ 193,043

### Note 23 Subsequent Events

On June 15, 2016, the City issued \$2,065,000 general obligation corporate purpose bonds. The bonds are due in varying annual installments of \$55,000 to \$135,000 starting in December 2017 to June 2036. The bonds pay interest at 2.00 percent to 3.00 percent on June 1 and December 1 starting in June 2017.

On June 15, 2016, the City issued \$770,000 general obligation promissory notes. The notes are due in varying annual installments of \$65,000 to \$85,000 starting in December 2017 to June 2026. The bonds pay interest at 1.50 percent to 2.50 percent on June 1 and December 1 starting in June 2017.

# City of Superior, Wisconsin

## Notes to Basic Financial Statements

### Note 24 Prior Year Restatement

As a result of the implementation of GASB Statement No. 68, the governmental activities beginning net position was restated as follows:

	Governmental Activities	Business-Type Activities	Sewerage System Fund	Landfill Utility Fund	Stormwater Utility Fund	Internal Service Funds
Balance at January 1, 2015, as previously reported	\$ 61,410,024	\$ 39,838,751	\$ 25,044,698	\$ 3,520,828	\$ 9,952,733	\$ 4,479,358
Add beginning net pension asset for WRS	4,568,953	723,187	402,293	189,763	131,131	64,666
Less defined outflows or resources related to pensions - Contributions made after the measurement date	1,514,346	170,290	91,656	45,282	33,352	16,157
Balance at January 1, 2015, as restated	\$ 67,493,323	\$ 40,732,228	\$ 25,538,647	\$ 3,755,873	\$ 10,117,216	\$ 4,560,181

## Required Supplementary Information

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# City of Superior, Wisconsin

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

Year Ended December 31, 2015

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

December 31, 2015\*

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City's proportion of the net pension liability (asset)	0.13314931%
City's proportionate share of the net pension liability (asset)	\$ (3,270,512)
City's covered-employee payroll during the measurement period	\$ 14,543,573
City's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	(22.49%)
Plan fiduciary net position as a percentage of the total pension liability (asset)	102.74%

\* The amounts presented were determined as of 12/31/2014

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

December 31, 2015

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Contractually required contribution for the fiscal period	\$ 1,345,223
Contributions in relation to the contractually required contribution	<u>(1,345,223)</u>
Contribution deficiency (excess)	<u>\$ -</u>
City's covered-employee payroll for the fiscal period	\$ 15,623,103
Contributions as a percentage of covered-employee payroll	8.61%

Notes to the Schedules:

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

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

# City of Superior, Wisconsin

## Schedule of Funding Progress

Year Ended December 31, 2015

### SCHEDULE OF FUNDING PROGRESS

As of December 31, 2015

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Liability (AAL) - 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

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# City of Superior, Wisconsin

## Schedule of Expenditures of Federal and State Awards

Year Ended December 31, 2015

Grantor Agency / Pass-Through Agency / Program Title	CFDA or State ID Number	Pass-Through Entity Identifying Number	Passed Through to Subrecipients	Federal/State Expenditures
<b>FEDERAL AWARDS</b>				
<i>Environmental Management</i>				
U.S. Department of Commerce - NOAA				
Passed Through - WI Dept. of Administration				
Coastal Zone Management Administration Awards	11.419	AD149883-015.29	\$ -	\$ 93,280
U.S. Department of Agriculture				
Passed Through - Great Lakes Commission				
Soil and Water Conservation				
Kilner Bay Shoreline Restoration	10.902	WS04-13-10	-	30,000
Kelly Bay Shoreline Restoration	10.902	WS04-13-11	-	30,000
Total CFDA # 10.902			-	60,000
Passed Through - WI Dept. of Natural Resources				
Cooperative Forestry Assistance				
Forest Fire Protection Grant Program	10.664			
October 1, 2015 - April 15, 2016		FFP16F199	-	2,645
<b>Total U.S. Department of Agriculture</b>			-	62,645

# City of Superior, Wisconsin

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

Year Ended December 31, 2015

Grantor Agency / Pass-Through Agency / Program Title	CFDA or State ID Number	Pass-Through Entity Identifying Number	Passed Through to Subrecipients	Federal/State Expenditures
<b>FEDERAL AWARDS (Continued)</b>				
<i>Public Safety</i>				
U.S. Department of Homeland Security				
Direct Program:				
Assistance to Firefighters Grant Purchase Exercise Equipment August 28, 2015 - August 27, 2016	97.044	EMW-2014-FO-05541	\$ -	\$ 19,091
Assistance to Firefighters Grant Staffing for Adequate Fire and Emergency Response February 23, 2013 - February 22, 2015	97.044	EMW-2012-FH-00325	-	255,752
Total CFDA # 97.044			-	274,843
Staffing for Adequate Fire and Emergency Response October 1, 2015 - January 6, 2018	97.083	EMW-2014-FH-00143	-	33,731
Passed through the Wisconsin Department of Military Affairs				
State Homeland Security Grant Program				
Homeland Security/Superior ERT SWAT Equipment March 1, 2015 - June 30, 2015	97.067	2014-HSW-02A-10501	-	10,820
Homeland Security/Maritime Sniper March 1, 2015 - June 30, 2015	97.067	2014-HSW-02B-10527	-	10,021
Homeland Security/HS ALERT Water Operations November 4, 2015 - December 31, 2015	97.067	2014-HSW-02B-10645	-	1,257
Total CFDA # 97.067			-	22,098

# City of Superior, Wisconsin

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

Year Ended December 31, 2015

Grantor Agency / Pass-Through Agency / Program Title	CFDA or State ID Number	Pass-Through Entity Identifying Number	Passed Through to Subrecipients	Federal/State Expenditures
<b>FEDERAL AWARDS (Continued)</b>				
<i>Public Safety (Continued)</i>				
Passed through the Wisconsin Department of Military Affairs				
Disaster Grants - Public Assistance				
RPH-011 Aerated Stabilization Pond at CSTP2	97.036			
Completion Date: February 2, 2014		PA-05-WI-4076-PW-00037	\$ -	\$ 2,374
TWP-010 Emergency Protective Measures - Landfill	97.036			
Completion Date: February 2, 2013		PA-05-WI-4076-PW-00108	-	(606)
Total CFDA # 97.036			-	1,768
Total U.S. Department of Homeland Security:			-	332,440
U.S. Department of Justice				
Direct:				
Bulletproof Vest Partnership Program-FY2014	16.607		-	7,116
U.S. Department of Transportation				
Passed through WI Department of Transportation				
Highway Safety Cluster:				
State and Community Highway Safety				
Speed Enforcement Grant	20.600			
June 1, 2015 - September 30, 2015		0955-40-66	-	3,681

# City of Superior, Wisconsin

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

Year Ended December 31, 2015

Grantor Agency / Pass-Through Agency / Program Title	CFDA or State ID Number	Pass-Through Entity Identifying Number	Passed Through to Subrecipients	Federal/State Expenditures
<b>FEDERAL AWARDS (Continued)</b>				
<i>Public Safety (Continued)</i>				
U.S. Department of Transportation				
Direct Programs:				
Federal Transit - Formula Grants				
2015	20.507		\$ -	\$ 452,811
Total Department of Transportation			-	456,492
<i>Community Development</i>				
U.S. Department of Housing and Urban Development				
Direct Programs:				
CDBG - Entitlement Grants Cluster				
Community Development Block Grants/Entitlement Grants				
2014 - CDBG			-	533,964
2015 - CDBG	14.218		-	138,051
Total CFDA #14.218			-	672,015
Total Federal Awards			\$ -	\$ 1,623,988

# City of Superior, Wisconsin

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

Year Ended December 31, 2015

Grantor Agency / Pass-Through Agency / Program Title	CFDA or State ID Number	Pass-Through Entity Identifying Number	Passed Through to Subrecipients	Federal/State Expenditures
STATE AWARDS				
<i>Public Safety</i>				
Wisconsin Department of Military Affairs				
State Match - Federal Disaster Assistance				
RPH-011 Aerated Stabilization Pond at CSTEP2 Completion Date: February 2, 2013	465.305	PA-05-WI-4076-PW-00037	\$ - \$	396
TWP-010 Emergency Protective Measures - Landfill Completion Date: February 2, 2013	465.305		-	(101)
Total State ID #465.305			-	295
Regional Emergency Response Teams - HazMat				
July 1, 2014 - June 30, 2015      13HZMT	465.306		-	42,227
July 1, 2013 - June 30, 2014      13HZMT	465.306		-	3,591
July 1, 2012 - June 30, 2012      HAZMAT	465.306		-	41,809
Total State ID #465.306			-	87,627
Total Department of Military Affairs			-	87,922

# City of Superior, Wisconsin

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

Year Ended December 31, 2015

Grantor Agency / Pass-Through Agency / Program Title	CFDA or State ID Number	Pass-Through Entity Identifying Number	Passed Through to Subrecipients	Federal/State Expenditures
STATE AWARDS (Continued)				
<i>Transportation</i>				
Wisconsin Department of Transportation				
Harbor Assistance Program (Fraser Dock) 0495-15-02 January 1, 2015 - December 31, 2016	395.128		\$ -	\$ 608,026
Harbor Assistance Program (Hallet Dock) 0495-12-02 April 9, 2012 - December 31, 2013	395.128		-	1,160
Harbor Assistance Program (General Mills) 0495-13-04 December 5, 2012 - December 31, 2014	395.128		-	1,178
Total State ID #395.128			-	610,364
Urban Mass Transit Operating Assistance 2015	395.104		-	357,470
Paratransit Aids Contract 2015	395.104		-	16,974
Total State ID #395.104			-	374,444
Total Department of Transportation			-	984,808

# City of Superior, Wisconsin

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

Year Ended December 31, 2015

Grantor Agency / Pass-Through Agency / Program Title	CFDA or State ID Number	Pass-Through Entity Identifying Number	Passed Through to Subrecipients	Federal/State Expenditures
STATE AWARDS (Continued)				
<i>Culture, Recreation and Education</i>				
Wisconsin Department of Tourism				
WI Arts Board - Creative Communities/Local Arts				
August 1, 2014 - July 31, 2015				
	Unknown		\$ -	\$ 2,245
Wisconsin Department of Natural Resources				
Corrosion Project / Boating Projects				
Jan 15, 2009 - June 30, 2010				
	RBF-ENUM-17 PLCP09		-	450
Total State Awards			-	1,075,425
Total Federal and State Awards			\$ -	\$ 2,699,413

See Independent Auditor's Report.

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

# City of Superior, Wisconsin

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

Year Ended December 31, 2015

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

The accompanying schedule of expenditures of federal and state awards (the "Schedule") includes the federal and state award activity of the City of Superior under programs of the federal and state government for the year ended December 31, 2015. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* ("Uniform Guidance") and the *State of Wisconsin Single Audit Guidelines*, issued by the Wisconsin Department of Administration. Because the Schedule presents only a selected portion of the operations of the City of Superior, it is not intended to and does not present the financial position, changes in net position, or cash flows of the City of Superior.

### Note 2            **Summary of Significant Accounting Policies**

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



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

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

We have audited in accordance with auditing standards generally accepted in the United States and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Superior, Wisconsin (the "City"), as of and for the year ended December 31, 2015, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated July 8, 2016.

### 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. (2015-002 and 2015-003.)

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. (2015-001.)

### **Compliance and Other Matters**

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

### **Response to Findings**

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

### **Purpose of This Report**

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



Wipfli LLP

July 8, 2016  
Eau Claire, Wisconsin

## Uniform Guidance Information

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

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

### Report on Compliance for Each Major Federal and State Program

We have audited the City of Superior, Wisconsin's (the "City") compliance with the types of compliance requirements described in the *OMB Compliance Supplement* and the *State of Wisconsin Single Audit Guidelines* issued by the Wisconsin Department of Administration that could have a direct and material effect on each of the City's major federal and state programs for the year ended December 31, 2015. The City's major federal and state programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

### Management's Responsibility for Compliance

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal and state awards applicable to its federal and state programs.

### Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the City's major federal and state programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* ("Uniform Guidance"), and the *State of Wisconsin Single Audit Guidelines*, issued by the Wisconsin Department of Administration. Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal and state program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

### ***Opinion on Each Major Federal and State Program***

In our opinion, the City of Superior, Wisconsin complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal and state programs for the year ended December 31, 2015.

### **Report on Internal Control Over Compliance**

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

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

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

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

*Wipfli LLP*

Wipfli LLP

July 8, 2016  
Eau Claire, Wisconsin

# City of Superior, Wisconsin

## Schedule of Findings and Questioned Costs

Year Ended December 31, 2015

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### I. Summary of Auditor's Results

#### *Financial Statements*

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

Material weakness(es) identified?  Yes  No

Significant deficiency(ies) identified?  Yes  None reported

Noncompliance material to the financial statements?  Yes  No

#### *Federal Awards*

Internal control over major federal programs:

Material weakness(es) identified?  Yes  No

Significant deficiency(ies) identified?  Yes  None reported

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

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

Identification of major federal program:

CFDA Number	Name of Federal Program or Cluster
14.218	Community Development Block Grants/Entitlement Grants

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

Auditee qualified as a low-risk auditee?  Yes  No

# City of Superior, Wisconsin

## Schedule of Findings and Questioned Costs (Continued)

Year Ended December 31, 2015

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### I. Summary of Auditor's Results (Continued)

#### *State Financial Assistance*

Internal control over major programs:

Material weakness(es) identified?

Yes  No

Significant deficiency(ies) identified?

Yes  None reported

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

Unmodified

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

Yes  No

Identification of major state programs:

State I.D. Number	Name of State Program
395.128	Harbor Assistance Program
395.104	Urban Mass Transit Operating Assistance and Paratransit Aids

# City of Superior, Wisconsin

## Schedule of Findings and Questioned Costs (Continued)

Year Ended December 31, 2015

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### II. Financial Statement Findings

#### 2015-001 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, Wisconsin

## Schedule of Findings and Questioned Costs (Continued)

Year Ended December 31, 2015

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### II. Financial Statement Findings (Continued)

#### 2015-002 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, Wisconsin

## Schedule of Findings and Questioned Costs (Continued)

Year Ended December 31, 2015

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### II. Financial Statement Findings (Continued)

#### 2015-003 Material Adjustments

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

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

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

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

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

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, Wisconsin

## Schedule of Findings and Questioned Costs (Continued)

Year Ended December 31, 2015

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### Section IV – Other Issues

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

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

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

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

Name of Partner

  
\_\_\_\_\_  
Dan C. Walker, CPA

Date

\_\_\_\_\_  
July 8, 2016

# City of Superior, Wisconsin

## Summary Schedule of Prior Audit Findings

Year Ended December 31, 2015

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### Financial Statement Findings:

2014-001      Segregation of Duties—See finding 2015-001.

2014-002      Financial Accounting and Reporting—See finding 2015-002.

2014-003      Material Adjustments—See finding 2015-003.

### Federal and State Findings and Questioned Costs

None.