

City of Superior, Wisconsin

Superior, Wisconsin

Financial Statements and Supplementary Information

Year Ended December 31, 2012

City of Superior, Wisconsin

Financial Statements and Supplementary Information

Year Ended December 31, 2012

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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, 2012, 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, 2012; and the respective changes in financial position and, where applicable, cash flows thereof; and the respective budgetary comparison for the general fund for the year then ended in accordance with accounting principles generally accepted in the United States.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States require that the management's discussion and analysis and schedule of funding progress on pages 4 through 17 and page 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.

Other Information

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated July 19, 2013, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

Wipfli LLP

Wipfli LLP

July 19, 2013
Eau Claire, Wisconsin

Management's Discussion and Analysis

City of Superior, Wisconsin

Management's Discussion and Analysis Year Ended December 31, 2012

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, 2012. All amounts, unless otherwise indicated, are expressed in thousands of dollars.

Financial Highlights

- The assets of the City exceeded its liabilities at the close of the most recent fiscal year by \$95,257 (net position). Of this amount, \$10,820 (unrestricted net position) may be used to meet the government's ongoing obligations to citizens and creditors.
- The government's total net position increased by \$4,426.
- As of the close of the current fiscal year, the City's governmental activities reported combined ending net position of \$58,043, an increase of \$1,372 in comparison with the prior year. Approximately 6% of this total amount, \$3,548, is available for spending at the government's discretion (unrestricted net position).
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$8,220, or 39% of total general fund expenditures.
- The City's total long-term obligations increased by \$5,905 (13%) 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 liabilities, 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 60 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 58 governmental funds are combined into a single, aggregated presentation.

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

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

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

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

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

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

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

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 37–96 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 exceeded liabilities by \$95,257 at the close of the most recent fiscal year.

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

CITY OF SUPERIOR NET POSITION

December 31, 2012

	Governmental Activities	Business-Type Activities	Total
Current and other assets	\$ 51,496	\$ 20,596	\$ 72,092
Capital assets	55,795	44,693	100,488
Total assets	\$ 107,291	\$ 65,289	\$ 172,580
Total deferred outflows of resources	\$ 154	\$ 97	\$ 251
Long-term liabilities	\$ 30,217	\$ 24,336	\$ 54,553
Other liabilities	6,103	3,836	9,939
Total liabilities	\$ 36,320	\$ 28,172	\$ 64,492
Total deferred inflows of resources	\$ 13,082	\$ -	\$ 13,082
Net position:			
Net investment in capital assets	\$ 39,608	\$ 29,088	\$ 68,696
Restricted	14,887	854	15,741
Unrestricted	3,548	7,272	10,820
Total net position	\$ 58,043	\$ 37,214	\$ 95,257

CITY OF SUPERIOR NET POSITION

December 31, 2011

	(Restated) Governmental Activities	(Restated) Business-Type Activities	(Restated) Total
Current and other assets	\$ 46,789	\$ 18,371	\$ 65,160
Capital assets	54,383	39,332	93,715
Total assets	\$ 101,172	\$ 57,703	\$ 158,875
Long-term liabilities	\$ 27,586	\$ 20,820	\$ 48,406
Other liabilities	3,778	2,723	6,501
Total liabilities	\$ 31,364	\$ 23,543	\$ 54,907
Total deferred inflows of resources	\$ 13,137	\$ -	\$ 13,137
Net position:			
Net investment in capital assets	\$ 39,777	\$ 25,692	\$ 65,469
Restricted	14,862	853	15,715
Unrestricted	2,032	7,615	9,647
Total net position	\$ 56,671	\$ 34,160	\$ 90,831

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, 2012

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Revenues:			
Program revenues:			
Charges for services	\$ 3,640	\$ 13,021	\$ 16,661
Operating grants and contributions	5,663	111	5,774
Capital grants and contributions	2,091	1,164	3,255
General revenues:			
Property taxes	13,186	-	13,186
Other taxes	577	-	577
Intergovernmental revenues not restricted to specific programs	10,700	-	10,700
Investment income	495	221	716
Other	881	154	1,035
Total revenues	37,233	14,671	51,904
Expenses:			
General government	3,751	-	3,751
Public safety	12,801	-	12,801
Public works	12,025	-	12,025
Health & human services	186	-	186
Culture, recreation, & education	3,275	-	3,275
Economic development	2,509	-	2,509
Interest and fiscal charges	911	-	911
Sewerage system	-	5,040	5,040
Landfill utility	-	5,232	5,232
Stormwater utility	-	1,537	1,537
Golf course	-	211	211
Total expenses	35,458	12,020	47,478
Increase in net position before transfers	1,775	2,651	4,426
Transfers	(403)	403	-
Increase in net position	1,372	3,054	4,426
Net position - January 1, 2012	56,671	34,160	90,831
Net position - December 31, 2012	\$ 58,043	\$ 37,214	\$ 95,257

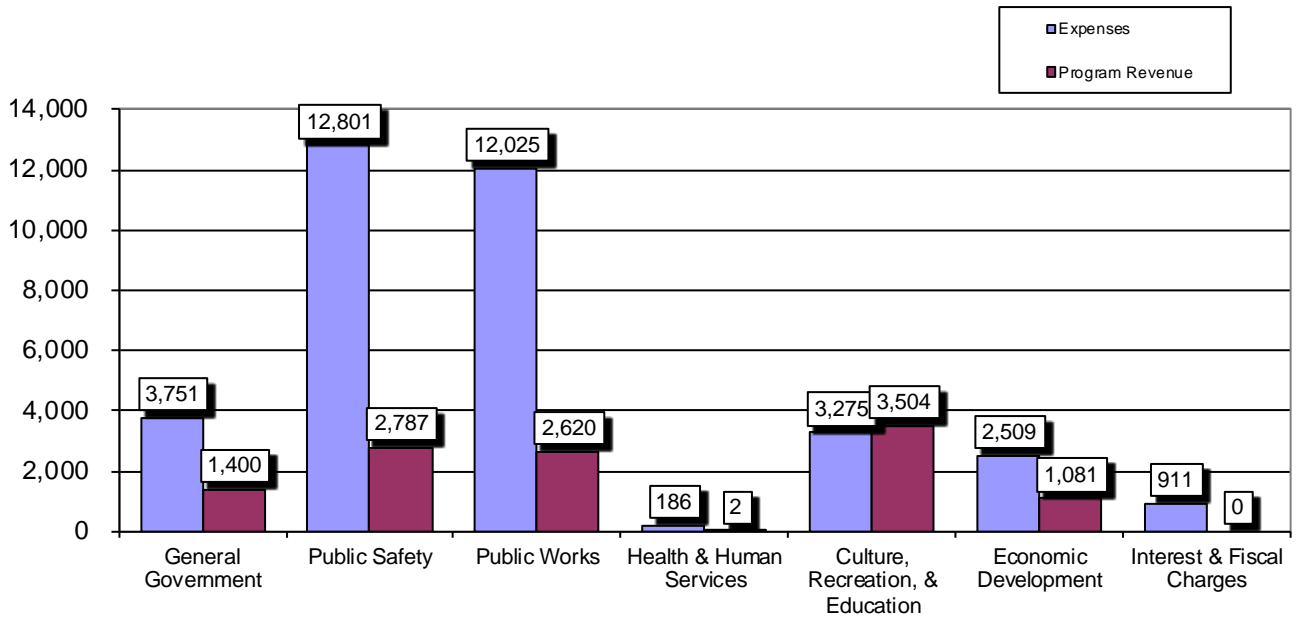
CITY OF SUPERIOR'S CHANGES IN NET POSITION

For the year ended December 31, 2011

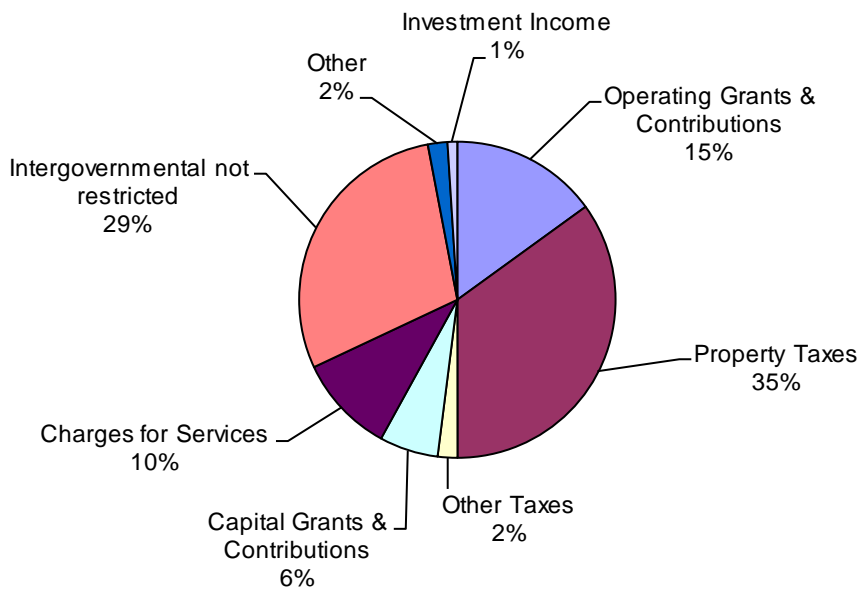
	<u>(Restated)</u> <u>Governmental</u> <u>Activities</u>	<u>(Restated)</u> <u>Business-Type</u> <u>Activities</u>	<u>(Restated)</u> <u>Total</u>
Revenues:			
Program revenues:			
Charges for services	\$ 3,366	\$ 11,652	\$ 15,018
Operating grants and contributions	3,558	177	3,735
Capital grants and contributions	2,725	1,110	3,835
General revenues:			
Property taxes	13,103	-	13,103
Other taxes	454	-	454
Intergovernmental revenues not restricted to specific programs	10,988	-	10,988
Investment income	749	277	1,026
Other	841	173	1,014
Total revenues	35,784	13,389	49,173
Expenses:			
General government	3,482	-	3,482
Public safety	12,312	-	12,312
Public works	11,279	-	11,279
Health & human services	176	-	176
Culture, recreation, & education	3,315	-	3,315
Economic development	2,706	-	2,706
Interest and fiscal charges	1,033	-	1,033
Sewerage system	-	5,153	5,153
Landfill utility	-	4,713	4,713
Stormwater utility	-	1,346	1,346
Golf course	-	194	194
Total expenses	34,303	11,406	45,709
Increase in net position before transfers	1,481	1,983	3,464
Transfers	(627)	627	-
Increase in net position	854	2,610	3,464
Net position - January 1, 2011	55,817	31,550	87,367
Net position - December 31, 2011	\$ 56,671	\$ 34,160	\$ 90,831

Governmental activities. Governmental activities increased the City's net position by \$4,426.

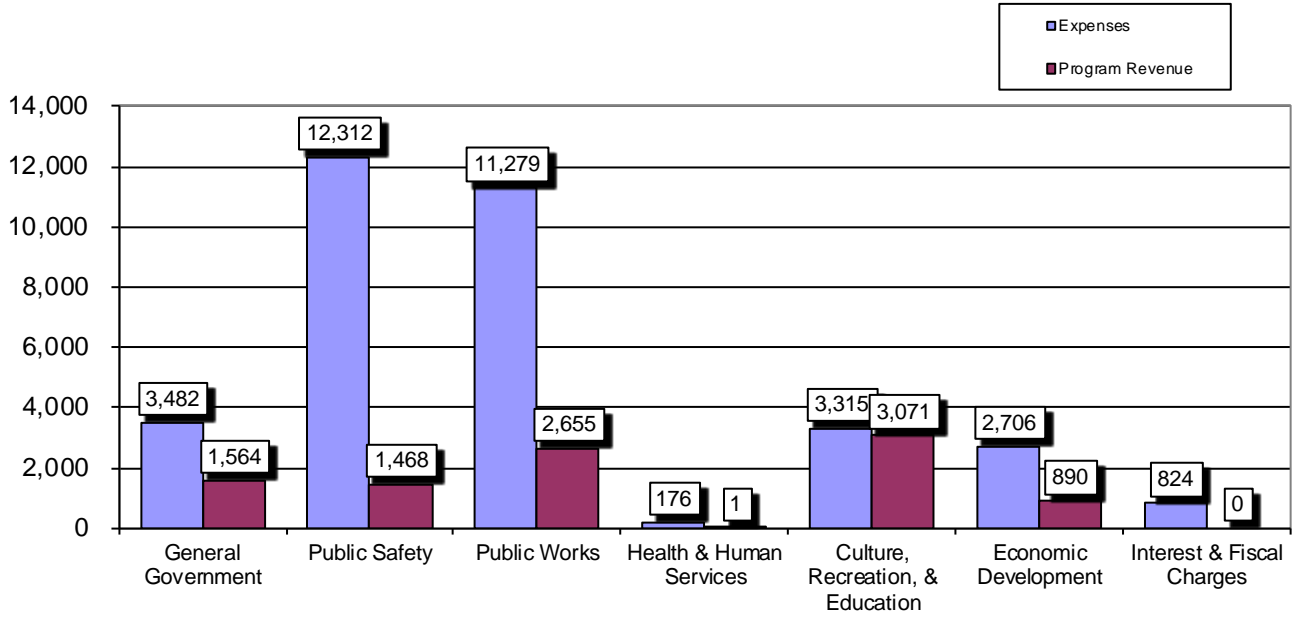
Expenses and Program Revenues - Governmental Activities 2012



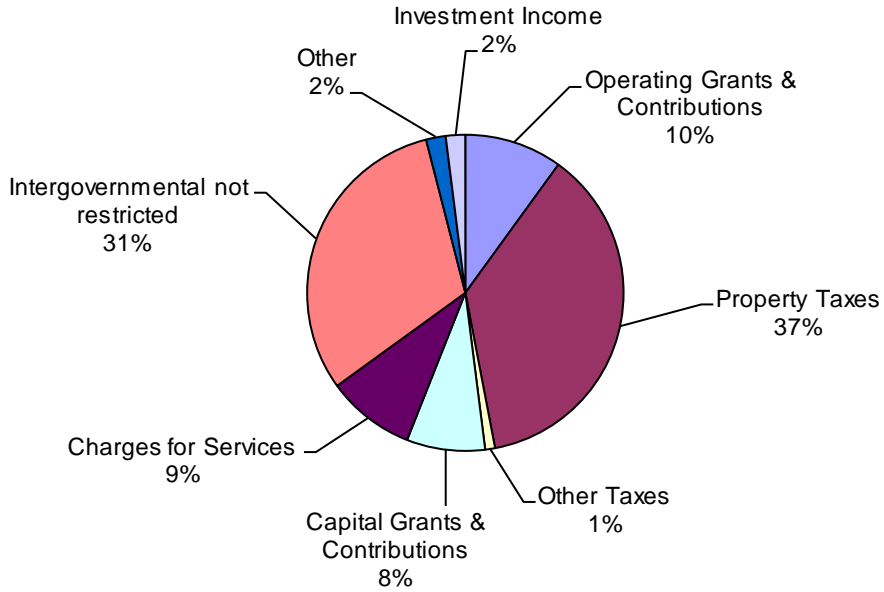
Program and General Revenues by Source - Governmental Activities - 2012



Expenses and Program Revenues - Governmental Activities 2011

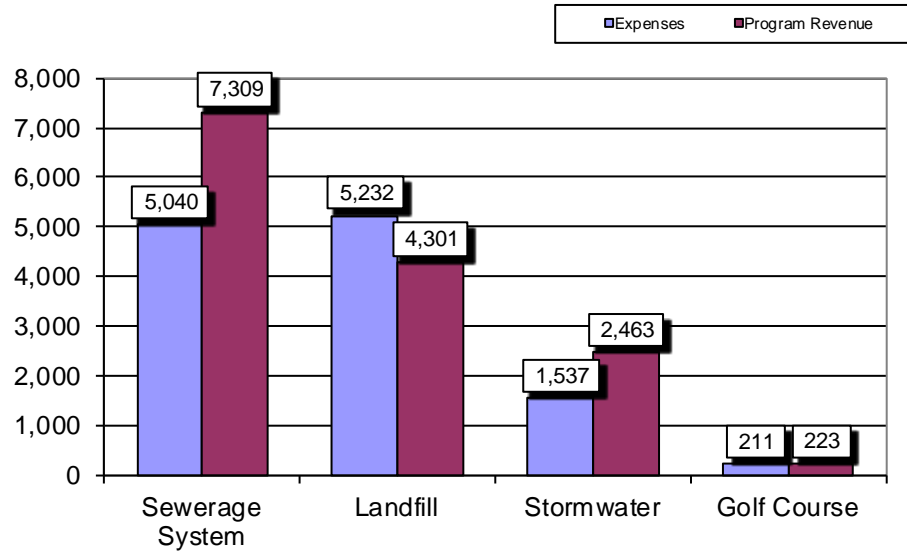


Program and General Revenues by Source - Governmental Activities - 2011

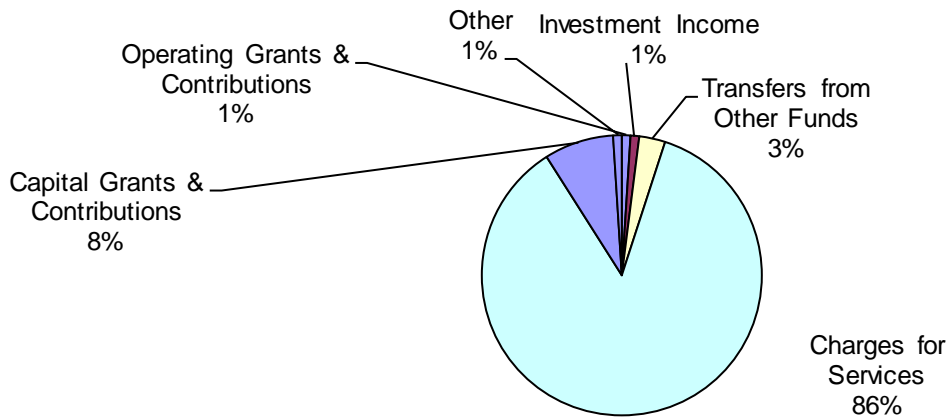


Business-type activities. Business-type activities increased the City's net position by \$3,054.

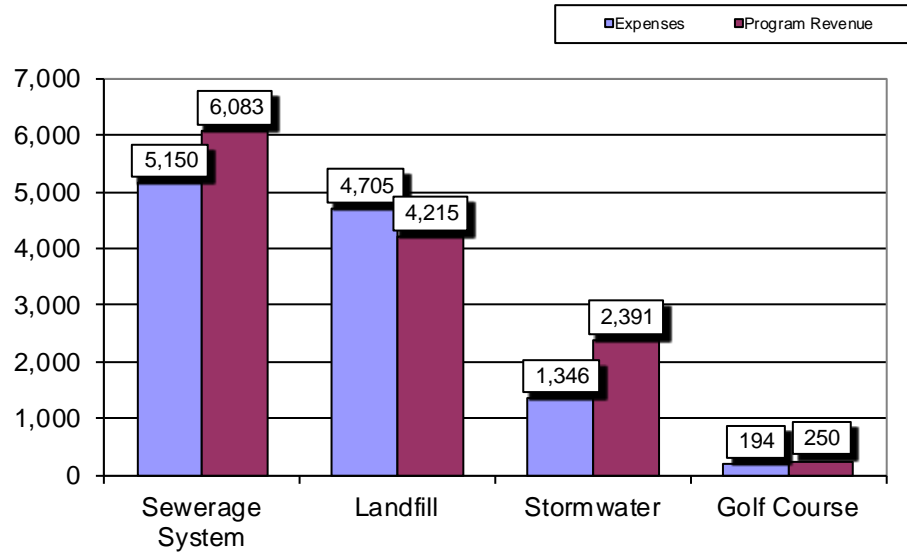
Expenses and Program Revenues - Business-Type Activities - 2012



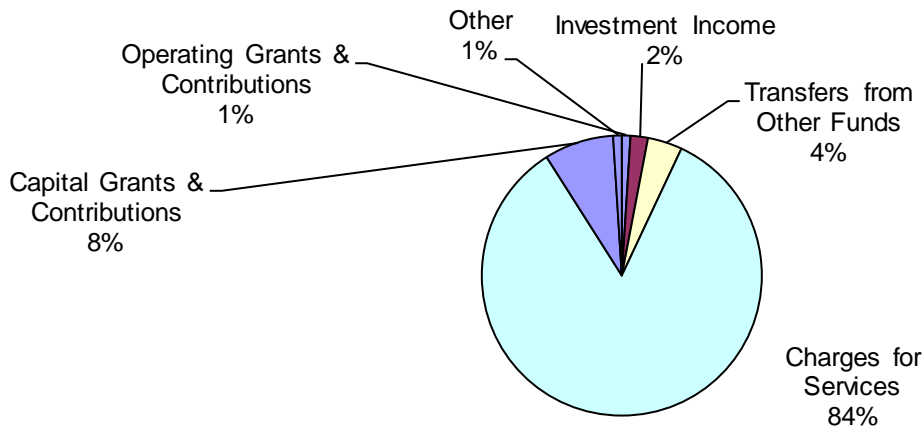
Revenues by Source - Business-Type Activities 2012



Expenses and Program Revenues - Business-Type Activities - 2011



Revenues by Source - Business-Type Activities 2011



Financial Analysis of the Government's Funds

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

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

The general fund is the chief operation fund of the City. At the end of the current fiscal year, unassigned fund balance of the general fund was \$8,220, while total fund balance reached \$8,302. 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 39 percent of total general fund expenditures, while total fund balance represents 39 percent of that same amount.

The fund balance of the City's general fund increased by \$1,108.

Expenditures in the general fund were \$742 lower than budgeted due to general government, public safety, public works, and culture and recreation.

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

Unrestricted net position of the Sewerage System Fund at the end of the year amounted to \$4,196 for the Landfill Utility Fund (\$128), the Stormwater Utility Fund \$4,202, and the Golf Course Fund (\$1,045). The total increase in net position for the funds was \$1,857, \$48, \$1,212, and \$12, 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, 2012, amounts to \$100,488 (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 2012

(net of accumulated depreciation)

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

CITY OF SUPERIOR'S CAPITAL ASSETS 2011

(net of accumulated depreciation)

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Land and improvements	\$ 20,682	\$ 8,024	\$ 28,706
Buildings and improvements	7,376	6,669	14,045
Machinery and equipment	4,053	1,524	5,577
Transportation equipment	-	780	780
Infrastructure	-	8,968	8,968
Construction in progress	1,221	13,367	14,588
Roads	16,224	-	16,224
Sidewalks/Bikepaths	4,827	-	4,827
	<u>\$ 54,383</u>	<u>\$ 39,332</u>	<u>\$ 93,715</u>
Total	<u>\$ 54,383</u>	<u>\$ 39,332</u>	<u>\$ 93,715</u>

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

Long-term debt. At the end of the current fiscal year, the City had total bonds and notes outstanding of \$47,303. Of this amount, \$40,705 comprises debt backed by the full faith and credit of the government. The remainder, \$6,598, 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	
	2012	2011	2012	2011	2012	2011
G.O. bonds and notes	\$ 27,877	\$ 25,890	\$ 12,828	\$ 9,271	\$ 40,705	\$ 35,161
Revenue bonds	-	-	6,598	7,082	6,598	7,082
Total	\$ 27,877	\$ 25,890	\$ 19,426	\$ 16,353	\$ 47,303	\$ 42,243

The City's total bond and note payable debt increased by \$5,060 (12 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 \$79,155, which is significantly in excess of the City's actual outstanding general obligation debt.

Additional information on the City's long-term debt can be found in Note 8 on pages 70–75 of this report.

Economic Factors

- The unemployment rate for Douglas County is currently 7.0 percent. This compares to the state's average unemployment rate of 7.1 percent and the national average rate of 7.5 percent.
- The equalized value has increased an average of 0.44 percent per year over the last five years. Equalized value decreased 0.36 percent between 2012 and 2013.

Requests for Information

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

Basic Financial Statements

City of Superior, Wisconsin

Statement of Net Position

December 31, 2012

<i>Assets and Deferred Outflows of Resources</i>	Primary Government		
	Governmental Activities	Business-Type Activities	Total
Current assets:			
Cash and investments	\$ 28,679,297	\$ 13,866,120	\$ 42,545,417
Receivables:			
Property taxes	12,457,841	-	12,457,841
Accounts	66,207	3,390,119	3,456,326
Special assessments	482,958	240,412	723,370
Due from other governments	2,644,345	6,447	2,650,792
Loans	26,500	-	26,500
Other	510,314	4,425	514,739
Internal balances	396,961	(396,961)	-
Inventories	53,237	-	53,237
Prepays	85,462	-	85,462
Total current assets	45,403,122	17,110,562	62,513,684
Noncurrent assets:			
Restricted cash and investments	160,363	3,397,492	3,557,855
Net OPEB asset	586,356	87,903	674,259
Loans receivable	5,346,800	-	5,346,800
Capital assets:			
Land	16,445,572	1,381,640	17,827,212
Construction in progress	1,559,281	5,580,264	7,139,545
Land improvements	7,205,273	23,147,855	30,353,128
Buildings and improvements	11,991,195	16,771,238	28,762,433
Machinery and equipment	17,328,942	12,047,717	29,376,659
Infrastructure	54,000,557	13,918,758	67,919,315
Accumulated depreciation	(52,735,784)	(28,154,616)	(80,890,400)
Total noncurrent assets	61,888,555	48,178,251	110,066,806
Total assets	107,291,677	65,288,813	172,580,490
Deferred outflows of resources:			
Deferred amount on refunding	153,984	97,537	251,521
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	\$ 107,445,661	\$ 65,386,350	\$ 172,832,011

<i>Liabilities, Deferred Inflows of Resources, and Net Position</i>	Primary Government		
	Governmental Activities	Business-Type Activities	Total
Liabilities:			
Current liabilities:			
Accounts payable	\$ 2,416,817	\$ 3,624,720	\$ 6,041,537
Claims payable	831,230	-	831,230
Accrued payroll	562,978	107,001	669,979
Accrued interest	213,378	89,887	303,265
Deposits	444,925	256	445,181
Due to other governments	22	14,927	14,949
Refundable grant advances	348,845	-	348,845
Unearned revenue	1,284,774	-	1,284,774
Current portion of long-term obligations:			
Accrued compensated absences	388,861	42,165	431,026
Bonds and notes payable	1,794,086	1,848,214	3,642,300
Total current liabilities	8,285,916	5,727,170	14,013,086
Noncurrent liabilities:			
Compensated absences	1,733,327	205,865	1,939,192
Bonds and notes payable	26,300,902	17,644,807	43,945,709
Landfill closure and postclosure	-	4,594,541	4,594,541
Total noncurrent liabilities	28,034,229	22,445,213	50,479,442
Total liabilities	36,320,145	28,172,383	64,492,528
Deferred inflows of resources:			
Property taxes for subsequent year	13,082,458	-	13,082,458
Net position:			
Net investment in capital assets	39,608,272	29,088,264	68,696,536
Restricted	14,886,712	853,431	15,740,143
Unrestricted	3,548,074	7,272,272	10,820,346
Total net position	58,043,058	37,213,967	95,257,025
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION	\$ 107,445,661	\$ 65,386,350	\$ 172,832,011

City of Superior, Wisconsin

Statement of Activities

Year Ended December 31, 2012

Functions/Programs	Expenses
Primary government:	
Governmental activities:	
General government	\$ 3,751,368
Public safety	12,800,817
Public works	12,025,035
Health and human services	185,715
Culture, recreation, and education	3,274,640
Economic development	2,509,221
Interest and fiscal charges	910,875
Total governmental activities	35,457,671
Business-type activities:	
Sewerage system	5,039,944
Landfill utility	5,232,055
Stormwater utility	1,537,452
Golf course	211,487
Total business-type activities	12,020,938
Total primary government	\$ 47,478,609
General revenues:	
Property taxes:	
Property taxes levied for general purposes	
Property taxes levied for debt service	
Other taxes	
Intergovernmental revenues not restricted to specific programs	
Unrestricted investment earnings	
Miscellaneous unallocated revenue	
Gain on sale of assets	
Transfers	
Total general revenues and transfers	
Change in net position	
Net position - Beginning of year, as restated	
Net position - End of year	

Program Revenues			Net (Expense) Revenues and Changes in Net Position		
Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		
			Governmental Activities	Business-Type Activities	Total
\$ 1,071,708	\$ 243,753	\$ 84,688	\$ (2,351,219)	\$ -	\$ (2,351,219)
677,296	1,975,840	133,967	(10,013,714)	-	(10,013,714)
157,037	590,875	1,872,233	(9,404,890)	-	(9,404,890)
1,974	-	-	(183,741)	-	(183,741)
1,297,578	2,205,680	-	228,618	-	228,618
433,965	646,444	-	(1,428,812)	-	(1,428,812)
-	-	-	(910,875)	-	(910,875)
3,639,558	5,662,592	2,090,888	(24,064,633)	-	(24,064,633)
6,144,924	-	1,163,739	-	2,268,719	2,268,719
4,197,839	103,651	-	-	(930,565)	(930,565)
2,455,340	7,816	-	-	925,704	925,704
223,100	-	-	-	11,613	11,613
13,021,203	111,467	1,163,739	-	2,275,471	2,275,471
\$ 16,660,761	\$ 5,774,059	\$ 3,254,627	(24,064,633)	2,275,471	(21,789,162)
			10,426,729	-	10,426,729
			2,759,294	-	2,759,294
			577,495	-	577,495
			10,699,812	-	10,699,812
			495,156	221,450	716,606
			880,609	150,348	1,030,957
			-	4,256	4,256
			(402,527)	402,527	-
			25,436,568	778,581	26,215,149
			1,371,935	3,054,052	4,425,987
			56,671,123	34,159,915	90,831,038
\$	\$	\$	58,043,058	37,213,967	\$ 95,257,025

Fund Financial Statements

City of Superior, Wisconsin

Balance Sheet – Governmental Funds

December 31, 2012

<i>Assets</i>	General Fund	Capital Improvement Program Fund	Other Governmental Funds	Total Governmental Funds
Cash and investments	\$ 9,904,277	\$ 7,266,863	\$ 6,833,513	\$ 24,004,653
Receivables:				
Property taxes	12,457,841	-	-	12,457,841
Accounts	-	-	66,207	66,207
Special assessments	469,559	-	13,399	482,958
Loans	-	-	5,373,299	5,373,299
Other	154,207	22,899	262,295	439,401
Due from other funds	626,942	-	2,986,581	3,613,523
Due from other governments	241,602	774,498	1,625,959	2,642,059
Inventories	53,237	-	-	53,237
Prepays	29,273	-	-	29,273
Restricted assets, cash and investments	-	-	160,363	160,363
Long-term interfund receivable	638,751	-	-	638,751
TOTAL ASSETS	\$ 24,575,689	\$ 8,064,260	\$ 17,321,616	\$ 49,961,565
<i>Liabilities, Deferred Inflows of Resources, and Fund Balances</i>				
Liabilities:				
Accounts payable	\$ 594,866	\$ 710,634	\$ 1,073,495	\$ 2,378,995
Accrued compensation	498,450	-	54,663	553,113
Due to other funds	3,156,797	-	651,244	3,808,041
Due to other governments	22	-	-	22
Custodial deposits	340,389	-	104,536	444,925
Refundable grant advances	-	-	348,845	348,845
Unearned revenue	82,448	-	1,202,326	1,284,774
Total liabilities	4,672,972	710,634	3,435,109	8,818,715
Deferred inflows of resources:				
Property taxes for subsequent year	10,451,551	-	2,630,908	13,082,459
Unavailable revenue - Special assessments	509,957	-	32,494	542,451
Unavailable revenue - Loans	-	-	1,401,174	1,401,174
Unavailable revenue - Advances to other funds	638,751	-	-	638,751
Total deferred inflows of resources	11,600,259	-	4,064,576	15,664,835
Fund balances (deficit):				
Nonspendable	82,510	-	-	82,510
Restricted	-	7,353,626	9,001,344	16,354,970
Committed	-	-	83,253	83,253
Assigned	-	-	2,217,756	2,217,756
Unassigned	8,219,948	-	(1,480,422)	6,739,526
Total fund balances	8,302,458	7,353,626	9,821,931	25,478,015
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	\$ 24,575,689	\$ 8,064,260	\$ 17,321,616	\$ 49,961,565

City of Superior, Wisconsin

Balance Sheet – Governmental Funds (Continued)

December 31, 2012

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

Total fund balances - Governmental funds (previous page)	\$	25,478,015
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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	\$	107,139,618	
Governmental accumulated depreciation		(51,550,274)	55,589,344

Internal service funds are used by management to charge the costs of general liability insurance, health insurance, and management information systems. The assets and liabilities of the internal service fund are included in the governmental activities in the statement of net position.	4,032,783
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Receivables not currently available are reported as unavailable revenue in the fund financial statements but are recognized as revenue when earned in the government-wide financial statements.	2,582,376
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Contributions made for Other Postemployment Benefits (OPEB) exceeding the Annual Required Contribution (ARC) are reported as a Net OPEB Asset in the statement of net position.	571,553
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Unpaid compensated absences are a liability of the governmental funds only if the employee has resigned or retired.	(2,056,631)
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Long-term liabilities, including bonds and notes payable, are not due in the current year and, therefore, are not reported in the fund statements. Interest on long-term debt is not accrued in the governmental funds, but rather is recognized as an expenditure when due. All liabilities, both current and long-term, are reported in the statement of net position. Balances reported in the statement of net position that are not reported in the funds balance sheet are:

Bonds and notes payable	28,094,988	
Deferred amount of refunding	(153,984)	
Accrued interest on long-term debt	213,378	(28,154,382)

Total net position - Governmental activities	\$	58,043,058
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City of Superior, Wisconsin

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

Year Ended December 31, 2012

	General Fund	Capital Improvement Program Fund	Other Governmental Funds	Total Governmental Funds
Revenues:				
Taxes	\$ 10,426,729	\$ -	\$ 3,336,790	\$ 13,763,519
Special assessments	30,797	175	179,414	210,386
Intergovernmental revenues	12,063,904	1,919,136	4,127,417	18,110,457
Licenses and permits	692,977	8,250	-	701,227
Fines, forfeitures, and penalties	264,142	-	18,727	282,869
Public charges for services	110,755	136,498	1,079,568	1,326,821
Intergovernmental charges	226,362	10,921	224,655	461,938
Interest	272,074	92,376	74,253	438,703
Miscellaneous	667,044	78,184	184,389	929,617
Total revenues	24,754,784	2,245,540	9,225,213	36,225,537
Expenditures:				
Current:				
General government	2,902,218	3,656	5,599	2,911,473
Public safety	10,756,930	15,061	1,205,913	11,977,904
Public works	5,741,066	5,747	164,149	5,910,962
Health and human services	183,953	73,061	-	257,014
Culture and recreation	1,372,227	-	1,438,185	2,810,412
Economic development	206,599	10,364	1,666,135	1,883,098
Capital outlay	34,009	4,750,655	4,128,443	8,913,107
Debt service:				
Principal retirement	4,059	-	1,830,555	1,834,614
Interest expense	275	-	761,777	762,052
Debt issuance costs	-	200	121,070	121,270
Total expenditures	21,201,336	4,858,744	11,321,826	37,381,906
Excess of revenues over (under) expenditures	3,553,448	(2,613,204)	(2,096,613)	(1,156,369)

City of Superior, Wisconsin

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

Year Ended December 31, 2012

	General Fund	Capital Improvement Program Fund	Other Governmental Funds	Total Governmental Funds
Other financing sources (uses):				
Refunding bonds issued	\$ -	\$ -	\$ 3,275,000	\$ 3,275,000
Issuance of long-term debt	-	-	3,895,000	3,895,000
Transfers in	872,143	1,537,724	2,098,183	4,508,050
Transfers out	(3,317,708)	(100,000)	(1,458,092)	(4,875,800)
Premium on debt issuance	-	-	224,893	224,893
Payment to refunded bond escrow agent	-	-	(3,464,235)	(3,464,235)
Net other financing sources (uses)	(2,445,565)	1,437,724	4,570,749	3,562,908
Change in fund balances	1,107,883	(1,175,480)	2,474,136	2,406,539
Fund balances at beginning	7,194,575	8,529,106	7,347,795	23,071,476
Fund balances at end	\$ 8,302,458	\$ 7,353,626	\$ 9,821,931	\$ 25,478,015

City of Superior, Wisconsin

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

Year Ended December 31, 2012

Total net change in fund balances - Governmental funds	\$ 2,406,539
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	\$ 4,435,597
Depreciation expense reported in the statement of activities	(3,003,170)
Amount by which capital outlays are less than depreciation in the current year	1,432,427
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.	(302,756)
The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins, and donations) is to decrease net position.	(62)
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.	338,251
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	(415,081)
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.	
Increase in net OPEB asset	34,685
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	5,183,335

City of Superior, Wisconsin

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

Year Ended December 31, 2012

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

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

The amount of long-term debt proceeds in the current year \$ (7,170,000)

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 (63,882)

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 (71,521)

Change in net position - Governmental activities \$ 1,371,935

City of Superior, Wisconsin

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

For the Year Ended December 31, 2012

	Original Budget	Final Budget	Actual	Variance With Final Budget Positive (Negative)
Revenues:				
Taxes:				
Current and delinquent general real estate and personal property	\$ 9,451,000	\$ 9,451,000	\$ 9,450,107	\$ (893)
Occupational	886,000	886,000	810,023	(75,977)
Mobile home fees	57,000	57,000	58,637	1,637
Other	98,000	98,000	107,962	9,962
	10,492,000	10,492,000	10,426,729	(65,271)
Special assessments - Current, deferred, and delinquent	20,000	20,000	30,797	10,797
Intergovernmental revenues:				
Federal grants	423,000	423,000	408,771	(14,229)
State shared revenues	7,891,730	7,891,730	7,902,900	11,170
Fire insurance	51,000	59,500	60,642	1,142
Terminal taxes	1,598,400	1,598,400	1,617,231	18,831
State grants, mass transit	273,500	273,500	354,556	81,056
State grants, other	-	-	12	12
Local street and road state aid	1,156,521	1,156,521	1,156,521	-
Connecting streets	270,160	270,160	306,941	36,781
Payment for municipal services	250,834	250,834	226,212	(24,622)
Computer exemption credit	38,000	38,000	30,118	(7,882)
	11,953,145	11,961,645	12,063,904	102,259

City of Superior, Wisconsin

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

For the Year Ended December 31, 2012

	Original Budget	Final Budget	Actual	Variance With Final Budget Positive (Negative)
Revenues: (Continued)				
Licenses and permits:				
Licenses:				
Amusement devices	\$ 7,500	\$ 7,500	\$ 6,330	\$ (1,170)
Cigarette	5,100	5,100	4,800	(300)
Dog	2,000	2,000	1,974	(26)
Liquor and beer	75,000	75,000	70,757	(4,243)
Public carrier	5,400	5,400	5,200	(200)
Hotel/Motel rooming	1,300	1,300	905	(395)
Tavern operator	13,000	13,000	12,407	(593)
Other	32,000	32,000	23,410	(8,590)
Permits:				
Building	245,000	245,000	250,996	5,996
Inspect/Rezone fee	4,500	4,500	150	(4,350)
Plumbing	23,000	23,000	26,142	3,142
Heating	17,000	17,000	26,181	9,181
Electrical	12,000	12,000	14,182	2,182
Razing/Moving	1,500	1,500	1,260	(240)
Curb cut/Erector	3,000	3,000	1,675	(1,325)
Other inspection fees	3,000	3,000	2,855	(145)
Franchise fees	241,000	241,000	243,753	2,753
	691,300	691,300	692,977	1,677
Fines, forfeitures, and penalties:				
Parking violations	104,000	104,000	89,010	(14,990)
Other law and ordinance violations	195,000	195,000	175,132	(19,868)
	299,000	299,000	264,142	(34,858)

City of Superior, Wisconsin

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

For the Year Ended December 31, 2012

	Original Budget	Final Budget	Actual	Variance With Final Budget Positive (Negative)
Revenues: (Continued)				
Public charges for services:				
Airport	\$ 37,000	\$ 37,000	\$ 43,343	\$ 6,343
City clerk	3,000	3,000	184	(2,816)
Police department	7,500	7,500	5,407	(2,093)
Fire department	57,000	57,000	57,807	807
Culture, recreation, and education	-	-	4,014	4,014
	104,500	104,500	110,755	6,255
Intergovernmental charges:				
Equipment depot	168,000	168,000	141,370	(26,630)
Revenue from local governments	93,000	93,000	84,992	(8,008)
	261,000	261,000	226,362	(34,638)
Interest	350,000	350,000	272,074	(77,926)
Miscellaneous revenue:				
Rent	463,000	463,000	501,587	38,587
Insurance recoveries	5,000	14,642	8,500	(6,142)
Other	130,000	130,000	156,957	26,957
	598,000	607,642	667,044	59,402
Total revenues	24,768,945	24,787,087	24,754,784	(32,303)

City of Superior, Wisconsin

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

For the Year Ended December 31, 2012

	Original Budget	Final Budget	Actual	Variance With Final Budget Positive (Negative)
Expenditures:				
General government:				
City council	\$ 152,914	\$ 152,914	\$ 152,210	\$ 704
Mayor	191,560	191,560	194,395	(2,835)
City attorney	274,002	274,002	258,697	15,305
City clerk	260,732	260,732	258,948	1,784
Finance	636,613	636,613	586,409	50,204
Assessor	324,913	324,913	281,498	43,415
Buildings and grounds	645,701	645,701	638,865	6,836
Human resources	226,263	226,263	218,004	8,259
Elections	53,500	83,500	83,356	144
Judgments, losses, and unallocated	131,000	231,000	229,836	1,164
	2,897,198	3,027,198	2,902,218	124,980
Public safety:				
Police department	6,785,334	6,559,334	6,459,413	99,921
Fire department	3,894,441	3,795,283	3,877,904	(82,621)
Building inspection	526,377	526,377	419,613	106,764
	11,206,152	10,880,994	10,756,930	124,064
Public works:				
Mass transit	1,241,000	1,241,000	1,198,421	42,579
Administration and engineering	389,409	389,409	385,996	3,413
Street division	2,483,996	2,483,996	2,268,772	215,224
Airport	71,850	71,850	73,493	(1,643)
Traffic signals and signs	245,779	245,779	252,422	(6,643)
Equipment depot	1,695,539	1,695,539	1,561,962	133,577
	6,127,573	6,127,573	5,741,066	386,507

City of Superior, Wisconsin

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

For the Year Ended December 31, 2012

	Original Budget	Final Budget	Actual	Variance With Final Budget Positive (Negative)
Expenditures: (Continued)				
Health and human services:				
Animal shelter	\$ 120,000	\$ 120,700	\$ 139,253	\$ (18,553)
Other	52,000	52,000	44,700	7,300
	172,000	172,700	183,953	(11,253)
Culture and recreation:				
Recreation programs and events	490,955	490,955	477,660	13,295
Parks, trees, and boulevards	853,735	853,735	729,567	124,168
Superior public museums	165,000	165,000	165,000	-
	1,509,690	1,509,690	1,372,227	137,463
Economic development:				
Planning and development	225,539	225,539	206,599	18,940
Capital outlay	-	-	34,009	(34,009)
Debt service:				
Principal retirement	-	-	4,059	(4,059)
Interest and fiscal charges	-	-	275	(275)
	-	-	4,334	(4,334)
Total expenditures	22,138,152	21,943,694	21,201,336	742,358
Excess of revenues over expenditures	2,630,793	2,843,393	3,553,448	710,055
Other financing sources (uses):				
Transfers in	244,000	244,000	872,143	628,143
Transfers out	(2,874,500)	(3,087,800)	(3,317,708)	(229,908)
Net other financing sources (uses)	(2,630,500)	(2,843,800)	(2,445,565)	398,235
Excess of revenues and other financing sources over expenditures and other financing uses	\$ 293	\$ (407)	\$ 1,107,883	\$ 1,108,290

City of Superior, Wisconsin

Statement of Net Position—Proprietary Funds

December 31, 2012

<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	\$ 4,773,170	\$ 6,381,015	\$ 2,711,935	\$ -	\$ 13,866,120	\$ 4,674,648
Receivables:						
Accounts	911,846	507,292	1,970,981	-	3,390,119	-
Special assessments	161,356	-	79,056	-	240,412	-
Due from other governments	-	-	6,447	-	6,447	2,288
Other	1,835	2,590	-	-	4,425	70,912
Due from other funds	342,531	2,024	162,238	-	506,793	-
Prepays	-	-	-	-	-	56,190
Total current assets	6,190,738	6,892,921	4,930,657	-	18,014,316	4,804,038
Noncurrent assets:						
Restricted deposits	853,431	2,544,061	-	-	3,397,492	-
Net OPEB asset	79,748	8,155	-	-	87,903	14,803
Capital assets:						
Land	-	61,240	26,400	1,294,000	1,381,640	-
Construction in progress	4,861,799	530,688	187,777	-	5,580,264	205,692
Land improvements	-	11,337,120	10,172,642	1,638,093	23,147,855	-
Buildings and improvements	15,842,006	178,714	-	750,518	16,771,238	-
Machinery and equipment	7,076,045	4,510,489	62,038	399,145	12,047,717	1,185,510
Infrastructure	13,918,758	-	-	-	13,918,758	-
Accumulated depreciation	(20,302,928)	(5,581,588)	(450,160)	(1,819,940)	(28,154,616)	(1,185,510)
Total noncurrent assets	22,328,859	13,588,879	9,998,697	2,261,816	48,178,251	220,495
Deferred outflows of resources:						
Deferred amount on refunding	97,537	-	-	-	97,537	-
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	\$ 28,617,134	\$ 20,481,800	\$ 14,929,354	\$ 2,261,816	\$ 66,290,104	\$ 5,024,533

<i>Liabilities and Net Position</i>	Business-Type Activities - Enterprise Funds				Total	Governmental
	Sewerage	Landfill	Stormwater	Golf		Activities
	System	Utility	Utility	Course		Internal
	Fund	Fund	Fund	Fund		Service Fund
Current liabilities:						
Accounts payable	\$ 1,649,908	\$ 1,322,346	\$ 645,726	\$ 6,740	\$ 3,624,720	\$ 37,824
Claims payable	-	-	-	-	-	831,230
Accrued payroll	63,063	28,756	15,182	-	107,001	9,865
Accrued interest	20,851	40,321	27,938	777	89,887	-
Deposits	256	-	-	-	256	-
Due to other governments	-	14,927	-	-	14,927	-
Due to other funds	-	-	-	312,275	312,275	-
Current portion of interfund payable	-	-	-	62,768	62,768	-
Current portion of long-term obligations:						
Accrued compensated absences	14,787	20,598	6,780	-	42,165	39,234
Bonds and notes payable	760,806	803,528	277,770	6,110	1,848,214	-
Total current liabilities	2,509,671	2,230,476	973,396	388,670	6,102,213	918,153
Long-term liabilities:						
Long-term interfund payable	-	-	-	575,983	575,983	-
Accrued compensated absences	72,195	100,566	33,104	-	205,865	26,325
Bonds and notes payable	5,019,477	7,941,948	4,602,660	80,722	17,644,807	-
Landfill closure and postclosure liability	-	4,594,541	-	-	4,594,541	-
Total long-term liabilities	5,091,672	12,637,055	4,635,764	656,705	23,021,196	26,325
Net position:						
Net investment in capital assets	15,966,052	5,742,129	5,118,267	2,261,816	29,088,264	205,692
Restricted	853,431	-	-	-	853,431	-
Unrestricted	4,196,308	(127,860)	4,201,927	(1,045,375)	7,225,000	3,874,363
Total net position	21,015,791	5,614,269	9,320,194	1,216,441	37,166,695	4,080,055
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds					<u>47,272</u>	
Net position business-type activities					<u>37,213,967</u>	
TOTAL LIABILITIES AND NET POSITION	\$ 28,617,134	\$ 20,481,800	\$ 14,929,354	\$ 2,261,816	\$ 66,290,104	\$ 5,024,533

City of Superior, Wisconsin

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

Year Ended December 31, 2012

	Business-Type Activities - Enterprise Funds				Total	Governmental Activities Internal Service Fund
	Sewerage	Landfill	Stormwater	Golf		
	System Fund	Utility Fund	Utility Fund	Course Fund		
Operating revenues:						
Charges for services	\$ 5,749,997	\$ 4,173,121	\$ 2,282,422	\$ -	\$ 12,205,540	\$ 5,785,138
Rental fees	-	-	-	190,000	190,000	-
Other	394,927	24,718	172,918	33,100	625,663	967,060
Total operating revenues	6,144,924	4,197,839	2,455,340	223,100	13,021,203	6,752,198
Operating expenses:						
Personal services	1,979,125	983,579	571,461	-	3,534,165	809,383
Services and operations	1,892,003	3,218,455	623,968	85,067	5,819,493	897,442
Insurance claims and premiums	-	-	-	-	-	5,611,122
Total operating expenses	3,871,128	4,202,034	1,195,429	85,067	9,353,658	7,317,947
Operating income (loss) before depreciation	2,273,796	(4,195)	1,259,911	138,033	3,667,545	(565,749)
Depreciation	893,221	775,477	134,439	103,950	1,907,087	19,902
Operating income (loss)	1,380,575	(779,672)	1,125,472	34,083	1,760,458	(585,651)
Nonoperating revenues (expenses):						
Intergovernmental revenue	-	103,651	7,816	-	111,467	-
Other nonoperating revenues	-	150,348	-	-	150,348	-
Interest and amortization expense	(202,487)	(206,505)	(175,311)	(22,470)	(606,773)	(1,531)
Interest income	82,732	63,108	75,539	71	221,450	56,452
Debt issuance expenses	(26,390)	(29,796)	(22,260)	-	(78,446)	-
Gain on sale of fixed assets	-	3,233	1,023	-	4,256	-
Total nonoperating revenues (expenses)	(146,145)	84,039	(113,193)	(22,399)	(197,698)	54,921
Income (loss) before contributions and transfers	1,234,430	(695,633)	1,012,279	11,684	1,562,760	(530,730)
Capital contributions	1,163,739	-	187,777	-	1,351,516	-
Transfers in	-	922,000	12,252	-	934,252	153,000
Transfers out	(541,549)	(177,953)	-	-	(719,502)	-
Change in net position	1,856,620	48,414	1,212,308	11,684	3,129,026	(377,730)
Net position at beginning, as restated	19,159,171	5,565,855	8,107,886	1,204,757		4,457,785
Net position at end	\$ 21,015,791	\$ 5,614,269	\$ 9,320,194	\$ 1,216,441		\$ 4,080,055
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds					(74,974)	
Change in net position of business-type activities					<u>\$ 3,054,052</u>	

See accompanying notes to basic financial statements.

City of Superior, Wisconsin

Statement of Cash Flows — Proprietary Funds

Year Ended December 31, 2012

	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	\$ 5,918,331	\$ 4,165,934	\$ 2,237,302	\$ 235,044	\$ 12,556,611	\$ 6,736,408
Cash paid to suppliers for goods and services	(974,904)	(3,083,808)	(362,052)	(85,193)	(4,505,957)	(6,207,575)
Cash paid to employees for services	(1,976,371)	(956,129)	(558,442)	-	(3,490,942)	(797,735)
Net cash provided by (used in) operating activities	2,967,056	125,997	1,316,808	149,851	4,559,712	(268,902)
Cash flows from noncapital financing activities:						
Intergovernmental revenue	2,170,971	103,651	1,369	-	2,275,991	-
Other miscellaneous revenue	-	150,348	-	-	150,348	-
Decrease (increase) in due from other funds	(20,926)	(2,024)	(12,954)	-	(35,904)	-
Increase (decrease) in due to other funds	-	-	-	(54,686)	(54,686)	-
Principal paid on long-term debt	(23,250)	(8,036)	-	(5,758)	(37,044)	-
Interest paid on long-term debt	(9,562)	(3,305)	-	(2,368)	(15,235)	-
Transfers in from other funds	-	922,000	12,252	-	934,252	153,000
Transfers out to other funds	(541,549)	(177,953)	-	-	(719,502)	-
Net cash provided by (used in) noncapital financing activities	1,575,684	984,681	667	(62,812)	2,498,220	153,000

City of Superior, Wisconsin

Statement of Cash Flows — Proprietary Funds (Continued)

Year Ended December 31, 2012

	Business-Type Activities - Enterprise Funds				Total	Governmental Activities Internal Service Fund
	Sewerage System Fund	Landfill Utility Fund	Stormwater Utility Fund	Golf Course Fund		
Cash flows from capital and related financing activities:						
Acquisition and construction of capital assets	\$ (4,963,595)	\$ (1,504,236)	\$ (605,859)	\$ (6,038)	\$ (7,079,728)	\$ -
Proceeds from sale of capital	-	3,233	1,023	-	4,256	-
Principal paid on long-term interfund payable	-	-	-	(60,915)	(60,915)	-
Interest paid on long-term interfund payable	-	-	-	(20,157)	(20,157)	-
Debt issuance payments	(26,390)	(29,796)	(22,260)	-	(78,446)	-
Proceeds from long-term debt	3,464,913	2,729,214	2,508,098	-	8,702,225	-
Principal paid on long-term debt	(2,610,000)	(588,036)	(2,311,224)	-	(5,509,260)	-
Interest paid on long-term debt	(171,288)	(187,489)	(170,570)	-	(529,347)	(1,531)
Net cash provided by (used in) capital and related financing activities	(4,306,360)	422,890	(600,792)	(87,110)	(4,571,372)	(1,531)
Cash flows from investing						
Interest received	82,732	63,108	75,539	71	221,450	56,452
Increase in restricted deposits	-	(61,834)	-	-	(61,834)	-
Net cash provided by investing activities	82,732	1,274	75,539	71	159,616	56,452
Net increase (decrease) in cash and cash equivalents	319,112	1,534,842	792,222	-	2,646,176	(60,981)
Cash and cash equivalents at beginning of the year	5,307,489	4,846,173	1,919,713	-	12,073,375	4,735,629
Cash and cash equivalents at the end of the year	\$ 5,626,601	\$ 6,381,015	\$ 2,711,935	\$ -	\$ 14,719,551	\$ 4,674,648
Reconciliation:						
Cash and investments	\$ 4,773,170	\$ 6,381,015	\$ 2,711,935	\$ -	\$ 13,866,120	\$ 4,674,648
Restricted deposits	853,431	-	-	-	853,431	-
Cash and cash equivalents	\$ 5,626,601	\$ 6,381,015	\$ 2,711,935	\$ -	\$ 14,719,551	\$ 4,674,648

City of Superior, Wisconsin

Statement of Cash Flows — Proprietary Funds (Continued)

Year Ended December 31, 2012

	Business-Type Activities - Enterprise Funds				Total	Governmental Activities Internal Service Fund
	Sewerage System Fund	Landfill Utility Fund	Stormwater Utility Fund	Golf Course Fund		
Reconciliation of operating income to net cash provided by (used in) operating activities:						
Operating income (loss)	\$ 1,380,575	\$ (779,672)	\$ 1,125,472	\$ 34,083	\$ 1,760,458	\$ (585,651)
Adjustments to reconcile operating income to net cash provided by (used in) operating activities:						
Provision for depreciation and amortization	893,221	775,477	134,439	103,950	1,907,087	19,902
Changes in operating assets and liabilities:						
Decrease (increase) in accounts receivable	(226,593)	(31,905)	(216,669)	11,944	(463,223)	(19,381)
Decrease in due from other governments	-	-	-	-	-	3,591
Decrease (increase) in prepayments	-	-	-	-	-	(1,536)
Decrease (increase) in net OPEB asset	(16,175)	18,815	18,752	-	21,392	(7,680)
Increase (decrease) in accounts payable	933,274	(80,104)	243,164	(126)	1,096,208	23,575
Increase in accrued expenses	2,754	27,450	13,019	-	43,223	11,648
Increase in claims payable	-	-	-	-	-	286,630
Increase in landfill closure and postclosure liability	-	195,936	-	-	195,936	-
Increase (decrease) in unearned revenue	-	-	(1,369)	-	(1,369)	-
Total adjustments	1,586,481	905,669	191,336	115,768	2,799,254	316,749
Net cash provided by (used in) operating activities	\$ 2,967,056	\$ 125,997	\$ 1,316,808	\$ 149,851	\$ 4,559,712	\$ (268,902)

Noncash capital and related financing activities:

Contribution of capital assets from governmental funds	\$	-	\$	-	\$	187,777	\$	-	\$	187,777	\$	-
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See accompanying notes to basic financial statements.

City of Superior, Wisconsin

Statement of Assets and Liabilities — Fiduciary Fund

December 31, 2012

	<u>Agency Fund Tax Collection</u>
<hr/> <i>Assets</i> <hr/>	
Cash and investments	\$ 2,507,575
Taxes receivable	22,062,797
TOTAL ASSETS	\$ 24,570,372
<hr/> <i>Liabilities</i> <hr/>	
Accounts payable	\$ 323
Due to other governments	24,570,049
TOTAL LIABILITIES	\$ 24,570,372

City of Superior, Wisconsin

Notes to Basic Financial Statements

Note 1 **Summary of Significant Accounting Policies**

Introduction

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

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

The Financial Reporting Entity

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

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

City of Superior, Wisconsin

Notes to Basic Financial Statements

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

The Financial Reporting Entity (Continued)

The Redevelopment Authority (the "Authority") of the City of Superior is an authority organized by the City of Superior under the laws of the State of Wisconsin. The Authority promotes urban renewal projects and the alleviation of the conditions of urban blight. It is governed by a seven-member Board appointed by the City. At December 31, 2012, and for the year then ended, the Authority had no financial position or results of operations to report.

New Accounting Pronouncements

In June 2011, the Government Accounting Standards Board (GASB) issued Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position* to improve financial reporting by standardizing the presentation of deferred outflows of resources and deferred inflows of resources and their effects on a government's net position. The City adopted this guidance as of December 31, 2012.

In March 2012, the GASB issued Statement No. 65, *Items Previously Reported as Assets and Liabilities*. Statement No. 65 clarifies the appropriate reporting of deferred outflows of resources and deferred inflows of resources to ensure consistency in financial reporting. GASB Concepts Statement (CON) No. 4, *Elements of Financial Statements*, specifies that recognition of deferred outflows and deferred inflows should be limited to those instances specifically identified in authoritative GASB pronouncements. Consequently, guidance was needed to determine which balances being reported as assets and liabilities should actually be reported as deferred outflows of resources or deferred inflows of resources, according to the definitions in CON 4. Based on those definitions, Statement No. 65 reclassifies certain items currently being reported as assets and liabilities as deferred outflows of resources and deferred inflows of resources. In addition, Statement No. 65 recognizes certain items currently being reported as assets and liabilities as outflows of resources and inflows of resources. The requirements of Statement No. 65 are effective for periods beginning after December 15, 2012. The City elected to early implement Statement No. 65 which resulted in the removal of \$497,551 of unamortized bond issuance costs from the government-wide statement of net position and \$81,770 of unamortized bond issuance costs in the proprietary funds statement of net position. See Note 23 for the effects on beginning net position.

City of Superior, Wisconsin

Notes to Basic Financial Statements

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

New Accounting Pronouncements (Continued)

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

City of Superior, Wisconsin

Notes to Basic Financial Statements

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

Basis of Presentation

Government-Wide Financial Statements

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

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

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

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

City of Superior, Wisconsin

Notes to Basic Financial Statements

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

Basis of Presentation (Continued)

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

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

Fund Financial Statements

Fund financial statements of the reporting entity are organized into individual funds, each of which are considered to be separate accounting entities. Each fund is accounted for by providing a separate set of self-balancing accounts, which constitute its assets, liabilities, 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

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

Basis of Presentation (Continued)

Governmental Funds

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

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

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

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

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

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

City of Superior, Wisconsin

Notes to Basic Financial Statements

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

Basis of Presentation (Continued)

Proprietary Funds

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

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

In addition, the City reports the following fund types:

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

Major Funds

The City reports the following major governmental funds:

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

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

The City reports the following major proprietary funds:

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

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

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

City of Superior, Wisconsin

Notes to Basic Financial Statements

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

Basis of Presentation (Continued)

Nonmajor Funds

The City reports the following nonmajor funds:

Special Revenue Funds

State and Federal Grant Allocation and Allotment Fund

Special Assessment Fund

Hotel/Motel Tax Fund

Communications Center Fund

Library Fund

Crime Prevention Fund

Urban Tree Fund

Parks and Recreation Boat Ramp Fee Fund

Municipal Forest Fund

Narcotics Fund

Brown Field Grant Fund

UDAG CD Loan Fund

CDBG Revolving Loan Fund

Home SF Grant 2006-2008 Fund

CHS Dock Corrosion Project Fund

Economic Development Fund

Business Improvement District Fund

City of Superior, Wisconsin

Notes to Basic Financial Statements

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

Basis of Presentation (Continued)

Capital Projects Funds

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

Debt Service Funds

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

City of Superior, Wisconsin

Notes to Basic Financial Statements

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

Basis of Presentation (Continued)

Debt Service Funds

Barkers Island State Trust Fund Loan Fund

2011A Refunding Bonds UAAL Fund

2011A Refunding TID No. 9 Fund

2011A Refunding TID No. 11 Fund

2011A Refunding TID No. 8 Fund

Debt Service No. 7 Fund

Debt Service No. 9 Fund

Debt Service CIP No. 1 Fund

Debt Service Animal Shelter Fund

Debt Service CIP No. 2 Fund

Debt Service Cash on Hand Fund

2012 GO Notes Kestrel Fund

2012C Non TID Debt Fund

2012C TID No. 8 Fund

2012 GO Corporate Purpose TID No. 8 Fund

Nonmajor Proprietary Fund

Golf Course Fund

City of Superior, Wisconsin

Notes to Basic Financial Statements

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

Basis of Accounting

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

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

The City of Superior's share of property taxes is recorded as a receivable in the general 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. Since the property taxes are levied for the subsequent year, the property taxes due governmental funds for City of Superior purposes are recorded as a deferred inflow of resources in the governmental funds. Property taxes due other governments are recorded as liabilities.

City of Superior, Wisconsin

Notes to Basic Financial Statements

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

Basis of Accounting (Continued)

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

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

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

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

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

City of Superior, Wisconsin

Notes to Basic Financial Statements

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

Use of Estimates

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

Measurement Focus

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

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

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

City of Superior, Wisconsin

Notes to Basic Financial Statements

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

Cash and Cash Equivalents

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

Investments

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

Receivables and Revenue Recognition

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

The 2011 tax levy is budgeted as property tax revenue for the year 2012 and is recognized as revenue in 2012 to the extent available. Real property tax assessments for the 2011 tax levy were based on assessed valuations as of January 1, 2011. The City levied property taxes pursuant to law in December 2011, at which time an enforceable legal claim is attached to properties. Douglas County obtains liens on property for which taxes are delinquent on the third Tuesday in October each year. The County pays the City in full for real estate taxes by August 31 each year.

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

City of Superior, Wisconsin

Notes to Basic Financial Statements

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

Receivables and Revenue Recognition (Continued)

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

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

Income from investments is recognized when earned.

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

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

Prepays

Payments made to vendors for services that will benefit periods beyond December 31, 2012, are recorded as prepayments. The costs of these governmental fund type services are recorded as expenditures when consumed rather than when purchased.

City of Superior, Wisconsin

Notes to Basic Financial Statements

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

Inventories

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

Capital Assets

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

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

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

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

City of Superior, Wisconsin

Notes to Basic Financial Statements

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

Restricted Cash and Investments

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

Interfund Transactions

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

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

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

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

City of Superior, Wisconsin

Notes to Basic Financial Statements

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

Deferred Outflows/Inflows of Resources

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

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

Compensated Absences

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

City of Superior, Wisconsin

Notes to Basic Financial Statements

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

Long-Term Obligations

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

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

Net Position

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

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

City of Superior, Wisconsin

Notes to Basic Financial Statements

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

Fund Balances

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

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

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

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

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

City of Superior, Wisconsin

Notes to Basic Financial Statements

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

Fund Balances (Continued)

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

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

Subsequent Events

Subsequent events have been evaluated through July 19, 2013, which is the date the financial statements were available to be issued.

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

Budget Information

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

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

City of Superior, Wisconsin

Notes to Basic Financial Statements

Note 2 **Stewardship, Compliance, and Accountability** (Continued)

Excess of Expenditures Over Appropriations

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

	Budget	Actual	Actual Over Budget
General Fund:			
Health and human services	\$ 172,700	\$ 183,953	\$ 11,253
Capital outlay	-	34,009	34,009
Debt service	-	4,334	4,334

City of Superior, Wisconsin

Notes to Basic Financial Statements

Note 2 Stewardship, Compliance, and Accountability (Continued)

Deficit Fund Equity

The following deficits will be eliminated by future operations:

	Deficit Fund Equity
Communications Center Fund	\$ 600
Brown Field Grant Fund	12,587
State and Federal Grant Allocation and Allotment Fund	265,251
Hallet Dock Project Fund	51
Tax Increment District No. 11 Fund	654,726
CHS Dock Rehabilitation Fund	4,369
Fraser Dock Rehabilitation Fund	9,073
Tax Increment District No. 12 Fund	14,908
June 2012 Rain Event Fund	500,813
2005B Refunding Bond Fund	8,745
2008A CIP Bonds Fund	2,262
2002B TIF No. 9 Portion Fund	25
2009 GO Refunding Fund	6,312
Debt Service Animal Shelter Fund	350
Debt Service CIP No. 2 Fund	350
Total	<u>\$ 1,480,422</u>

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 does not have a deposit policy for custodial credit risk. At year-end, the carrying amount of the City's deposits was \$7,569,225 and the bank balance was \$7,784,075. Of the bank balance, \$1,018,919 was covered by Federal Depository Insurance or by the State of Wisconsin Public Depository Guarantee Fund, and \$6,765,156 was uninsured and uncollateralized.

City of Superior, Wisconsin

Notes to Basic Financial Statements

Note 3 Cash and Investments (Continued)

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 fifty 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 ten 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, 2012, is as follows:

	Fair Value	Remaining Maturity (in years)			
		0-1	1-5	5-10	More Than 10
State LGIP	\$ 15,004,592	\$ 15,004,592	\$ -	\$ -	\$ -
FDIC Guaranteed					
Bonds	-	-	-	-	-
Negotiable CDs	7,708,110	3,686,459	4,021,651	-	-
U.S. Treasury Notes	3,263,799	1,328,838	1,587,269	347,692	-
FFCB	949,805	-	-	949,805	-
FHLB	7,499,108	-	699,375	6,799,733	-
FHLMC	2,657,380	-	100,647	2,556,733	-
FNMA	1,484,052	228,093	251,202	1,004,757	-
Totals	\$ 38,566,846	\$ 20,247,982	\$ 6,660,144	\$ 11,658,720	\$ -

City of Superior, Wisconsin

Notes to Basic Financial Statements

Note 3 Cash and Investments (Continued)

Investments (Continued)

Credit Risk: Statutes authorize the City to invest in time deposits that mature in not more than one year, 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, 2012, 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 \$2,544,061 are as follows:

<u>Issuer</u>	<u>Reported Amount</u>
FFCB	\$ 321,542
FHLB	185,830
FNMA	228,093

City of Superior, Wisconsin

Notes to Basic Financial Statements

Note 3 Cash and Investments (Continued)

Investments (Continued)

Custodial Credit Risk: For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) to the transaction, the City will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The City does not have an investment policy for custodial credit risk. At December 31, 2012, the City's investments subject to custodial credit risk are \$25,037,029.

The City's cash and investment balances at December 31, 2012, were as follows:

	Fair Value
Cash deposits	\$ 7,569,225
Investments:	
Money Market Accounts	2,474,776
State of Wisconsin Local Government Investment Pool	15,004,592
Negotiable CDs	7,708,110
U.S. Treasury Notes	3,263,798
FFCB	949,805
FHLB	7,499,108
FHLMC	2,657,381
FNMA	1,484,052
Total cash and investments	<u>\$ 48,610,847</u>

City of Superior, Wisconsin

Notes to Basic Financial Statements

Note 3 Cash and Investments (Continued)

Investments (Continued)

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

Cash and investments - Governmental activities	\$ 28,679,297
Cash and investments - Business-type activities	13,866,120
Restricted deposits - Governmental activities	160,363
Restricted deposits - Business-type activities	3,397,492
Cash and investments - Tax Collection Agency Fund	2,507,575
	<hr/>
	\$ 48,610,847

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, 2012, the fair value of the city's share of LGIP's assets was substantially equal to the amount reported above.

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

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

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

City of Superior, Wisconsin

Notes to Basic Financial Statements

Note 4 Restricted Deposits

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

The following is a list of restricted deposits at December 31, 2012:

	Sewerage System Fund	Landfill Utility Fund	Library Fund	Total
Redemption and depreciation account	\$853,431	\$ -	\$ -	\$ 853,431
Closure and postclosure care	-	2,544,061	-	2,544,061
Library endowments	-	-	160,363	160,363
	<u>\$853,431</u>	<u>\$2,544,061</u>	<u>\$160,363</u>	<u>\$3,557,855</u>

Note 5 Receivables

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

City of Superior, Wisconsin

Notes to Basic Financial Statements

Note 6 Interfund Receivables/Payables

The following is a schedule of interfund receivables and payables at December 31, 2012:

Receivable Fund	Payable Fund	Amount
General Fund	Golf Course Fund	\$ 312,275
General Fund	Capital Projects Funds	314,667
Special Revenue Funds	General Fund	160,481
Special Revenue Funds	Capital Projects Funds	336,577
Debt Service Fund	General Fund	2,489,523
Sewerage System Fund	General Fund	342,531
Landfill Utility Fund	General Fund	2,024
Stormwater Utility Fund	General Fund	162,238
		\$ 4,120,316

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

City of Superior, Wisconsin

Notes to Basic Financial Statements

Note 6 Interfund Receivables/Payables (Continued)

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

Maturities of the loans are as follows:

Year Ending December 31,	Principal	Interest	Total
2013	\$ 62,768	\$ 18,304	\$ 81,072
2014	64,677	16,395	81,072
2015	66,645	14,427	81,072
2016	68,672	12,400	81,072
2017	70,760	10,312	81,072
Remaining years	305,229	19,061	324,290
	<u>\$ 638,751</u>	<u>\$ 90,899</u>	<u>\$ 729,650</u>

City of Superior, Wisconsin

Notes to Basic Financial Statements

Note 7 Capital Assets

Capital asset activity for the year ended December 31, 2012, was as follows:

	Beginning Balance	Additions	Disposals	Transfers	Ending Balance
Governmental activities:					
Capital assets not being depreciated:					
Land	\$16,258,164	\$ 187,408	\$ -	\$ -	\$16,445,572
Construction in progress	1,221,157	871,676	62	(533,490)	1,559,281
Total capital assets not being depreciated	\$17,479,321	\$ 1,059,084	\$ 62	\$ (533,490)	\$18,004,853
Capital assets being depreciated:					
Land improvements	\$ 7,196,023	\$ 9,250	\$ -	\$ -	\$ 7,205,273
Buildings and improvements	11,966,266	24,929	-	-	11,991,195
Machinery and equipment	16,070,432	1,733,306	474,796	-	17,328,942
Roads	41,142,598	655,845	-	-	41,798,443
Sidewalks/Bikepaths	11,318,099	953,183	602,658	533,490	12,202,114
Total capital assets being depreciated	87,693,418	3,376,513	1,077,454	533,490	90,525,967
Less accumulated depreciation for:					
Land improvements	2,771,729	316,020	-	-	3,087,749
Buildings and improvements	4,590,094	265,305	-	-	4,855,399
Machinery and equipment	12,017,799	945,245	474,796	-	12,488,248
Roads	24,918,970	1,105,073	-	-	26,024,043
Sidewalks/Bikepaths	6,491,574	391,429	602,658	-	6,280,345
Total accumulated depreciation	50,790,166	3,023,072	1,077,454	-	52,735,784
Governmental activities capital assets being depreciated - Net	\$36,903,252	\$ 353,441	\$ -	\$ 533,490	\$37,790,183

City of Superior, Wisconsin

Notes to Basic Financial Statements

Note 7 **Capital Assets** (Continued)

Depreciation expense was charged to governmental activities as follows:

Governmental activities:	
General government	\$ 111,998
Public safety	410,543
Public works	2,033,155
Culture, recreation, and education	411,369
Economic development	56,007
	<hr/>
	\$ 3,023,072
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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	13,366,676	6,753,098	-	(14,539,510)	5,580,264
Total capital assets not being depreciated	<u>\$ 14,748,316</u>	<u>\$ 6,753,098</u>	<u>\$ -</u>	<u>\$(14,539,510)</u>	<u>\$ 6,961,904</u>
Capital assets being depreciated:					
Land improvements	\$ 9,952,315	\$ -	\$ -	\$ 13,195,540	\$ 23,147,855
Buildings and improvements	16,771,238	-	-	-	16,771,238
Machinery and equipment	8,971,549	185,738	-	8,242	9,165,529
Transportation equipment	2,760,429	106,151	-	15,608	2,882,188
Infrastructure	12,376,117	222,521	-	1,320,120	13,918,758
Total capital assets being depreciated	<u>50,831,648</u>	<u>514,410</u>	<u>-</u>	<u>14,539,510</u>	<u>65,885,568</u>
Less accumulated depreciation for:					
Land improvements	2,950,383	1,137,330	-	-	4,087,713
Buildings and improvements	10,102,360	406,433	-	-	10,508,793
Machinery and equipment	7,449,772	221,756	-	-	7,671,528
Transportation equipment	1,978,014	141,568	-	-	2,119,582
Infrastructure	3,767,000	-	-	-	3,767,000
Total accumulated depreciation	<u>26,247,529</u>	<u>1,907,087</u>	<u>-</u>	<u>-</u>	<u>28,154,616</u>
Net capital assets being depreciated	<u>\$ 24,584,119</u>	<u>\$(1,392,677)</u>	<u>\$ -</u>	<u>\$ 14,539,510</u>	<u>\$ 37,730,952</u>

City of Superior, Wisconsin

Notes to Basic Financial Statements

Note 7 **Capital Assets** (Continued)

Depreciation expense was charged to business-type activities.

Business-type activities:

Sewer utility	\$ 893,221
Landfill utility	775,477
Stormwater utility	134,439
Golf course	103,950

\$ 1,907,087

Construction in progress for the business-type activities consisted of constructing improvements and extensions to the stormwater system for \$187,777, improvements and extensions to the Sewerage System Fund for \$4,861,799, and a landfill cell for \$530,688.

Note 8 **Long-Term Obligations**

Governmental Activities General Obligation Bonds and Notes: Various issues of unmatured general obligation bonds and notes totaling \$28,094,988 are outstanding at December 31, 2012. The bonds and notes bear interest rates ranging from 0.40% to 4.125% and mature in varying amounts with the final payments due on October 1, 2031.

Business-Type Activities Revenue Bonds: Various issues of unmatured revenue bonds totaling \$4,785,494 are outstanding at December 31, 2012. The bonds bear interest rates ranging from 2.4% to 3.85% with the final payments due on May 1, 2031.

Business-Type Activities General Obligation Notes: Various issues of unmatured general obligation bonds and notes totaling \$14,707,527 are outstanding at December 31, 2012. The bonds and notes bear interest rates ranging from 0.40% to 3.85% and mature in varying amounts with the final payments due on December 1, 2023.

Compensated Absences: At December 31, 2012, the accumulated compensated absences benefits based on accumulated vacation and sick leave is \$2,370,218.

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, 2012	Issued/ Additions	Retired	December 31, 2012	Current Maturities December 31, 2012
Governmental Activities:						
General Obligation Bonds and Notes:						
State Trust Fund Loan, 1992	General	\$ 4,059	\$ -	\$ 4,059	\$ -	\$ -
Refunding Bonds, 2005B	Debt Service	3,957,840	-	3,570,660	387,180	387,180
State Trust Fund Loan, 2006A	Debt Service	394,344	-	20,790	373,554	21,775
State Trust Fund Loan, 2006B	Debt Service	175,032	-	8,404	166,628	8,804
State Trust Fund Loan, 2006 TIF No. 8	Debt Service	72,750	-	17,126	55,624	17,819
Corporate Purpose, 2008A TIF No. 9	Debt Service	2,560,000	-	130,000	2,430,000	135,000
Corporate Purpose, 2008A CIP	Debt Service	2,580,000	-	105,000	2,475,000	110,000
Refunding Bonds, 2005B TIF No. 8	Debt Service	182,160	-	164,340	17,820	17,820
Refunding Note, 2009A	Debt Service	207,400	-	110,250	97,150	97,150
Refunding Note, 2009A TIF No. 7	Debt Service	349,950	-	51,750	298,200	59,915
Refunding Note, 2009A TIF No. 8	Debt Service	417,650	-	63,000	354,650	72,935
Refunding Bonds, 2011A UAAL	Debt Service	3,344,272	-	207,956	3,136,316	220,688
Refunding Bonds, 2011A TID No. 9	Debt Service	525,000	-	30,000	495,000	35,000
Refunding Bonds, 2011A TID No. 11	Debt Service	1,955,000	-	90,000	1,865,000	90,000
Refunding Bonds, 2011A TID No. 8	Debt Service	380,000	-	50,000	330,000	55,000
Corporate Purpose, 2011B CIP	Debt Service	3,640,000	-	-	3,640,000	-
Corporate Purpose, 2011B TID No. 7	Debt Service	265,200	-	23,800	241,400	25,500
Corporate Purpose, 2011B TID No. 9	Debt Service	514,800	-	46,200	468,600	49,500
Promissory Note, 2011C	Debt Service	1,710,000	-	160,000	1,550,000	160,000
Promissory Note, 2011D	Debt Service	2,655,000	-	330,000	2,325,000	165,000
Promissory Note, 2012A	Debt Service	-	2,660,000	-	2,660,000	-
Corporate Purpose, 2012C	Debt Service	-	3,130,900	-	3,130,900	-
Corporate Purpose, 2012C	Debt Service	-	144,100	-	144,100	-
Promissory Note, 2012D TID 8	Debt Service	-	1,235,000	-	1,235,000	65,000

City of Superior, Wisconsin

Notes to Basic Financial Statements

Note 8 Long-Term Obligations (Continued)

Type	Fund Liquidating	January 1, 2012	Issued/ Additions	Retired	December 31, 2012	Current Maturities December 31, 2012
Governmental Activities: (continued)						
General Obligation Bonds and Notes: (continued)						
Plus deferred amounts:						
Premium on bonds		\$ -	\$ 224,894	\$ 7,028	\$ 217,866	\$ -
Total governmental activities		25,890,457	7,394,894	5,190,363	28,094,988	1,794,086
Business-Type Activities:						
Revenue Bonds:						
2003A	Sewerage System	2,510,000	-	2,510,000	-	-
2005C	Sewerage System	2,075,000	-	100,000	1,975,000	100,000
2010	Stormwater Utility	2,496,694	441,240	121,224	2,816,710	127,770
Clean Water Fund, 2012B	Sewerage System	-	1,805,843	-	1,805,843	76,132
Less deferred amounts:						
Discount on bonds		(81,522)	-	(75,306)	(6,216)	-
Total revenue bonds		7,000,172	2,247,083	2,655,918	6,591,337	303,902
General Obligation Notes:						
2004A	Stormwater Utility	2,190,000	-	2,190,000	-	-
2011A Refunding	Golf Course Fund	92,590	-	5,758	86,832	6,110
2011A Refunding	Sewerage System	373,906	-	23,250	350,656	24,674
2009A	Landfill Utility	1,670,000	-	190,000	1,480,000	195,000
2011A Refunding	Landfill Utility	129,232	-	8,036	121,196	8,528
2011B GO Bonds	Landfill Utility	2,000,000	-	100,000	1,900,000	100,000

City of Superior, Wisconsin

Notes to Basic Financial Statements

Note 8 Long-Term Obligations (Continued)

Type	Fund Liquidating	January 1, 2012	Issued/ Additions	Retired	December 31, 2012	Current Maturities December 31, 2012
Business-Type Activities: (Continued)						
Build America Bonds	Landfill Utility	\$ 2,815,000	\$ -	\$ 290,000	\$ 2,525,000	\$ 290,000
Corporate Purpose, 2012C	Sewerage System	-	1,655,000	-	1,655,000	560,000
Corporate Purpose, 2012C	Landfill Utility	-	2,710,000	-	2,710,000	210,000
Corporate Purpose, 2012C	Stormwater Utility	-	2,000,000	-	2,000,000	150,000
Plus deferred amounts:						
Premium on bonds		-	77,056	4,056	73,000	
Total general obligation notes		9,270,728	6,442,056	2,811,100	12,901,684	1,544,312
Total business-type activities		16,270,900	8,689,139	5,467,018	19,493,021	1,848,214
Total bonds and notes		42,161,357	16,084,033	10,657,381	47,588,009	\$ 3,642,300
Compensated absences		1,891,776	967,577	489,135	2,370,218	\$ 431,026
		\$ 44,053,133	\$ 17,051,610	\$ 11,146,516	\$ 49,958,227	

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	
2013	\$ 1,794,086	\$ 827,850	\$ 1,848,214	\$ 548,039	\$ 5,018,189
2014	1,840,418	644,167	1,929,827	481,787	4,896,199
2015	2,205,329	680,205	1,973,121	435,957	5,294,612
2016	2,259,481	617,901	2,032,346	378,778	5,288,506
2017	2,294,591	572,381	2,075,242	317,483	5,259,697
2018-2022	11,142,940	2,033,093	6,719,806	856,212	20,752,051
2023-2027	4,555,277	698,226	1,983,638	236,118	7,473,259
2028-2031	1,785,000	135,655	864,043	35,084	2,819,782
Totals	\$ 27,877,122	\$ 6,209,478	\$ 19,426,237	\$ 3,289,458	\$ 56,802,295

On September 5, 2012, the City issued \$9,640,000 general obligation corporate purpose bonds of which \$6,930,000 was used along with additional resources to refund \$7,900,000 in general obligation bonds, general obligation notes, and revenue bonds. The refunding resulted in an economic gain of \$781,522 and a decrease in cash flow requirements to service the debt of \$847,520. Of the \$7,900,000 in bonds and notes, \$4,555,000 was a current refunding and \$3,345,000 was an advance refunding with the proceeds placed in an irrevocable trust for the purposes of generating resources. As a result, the \$3,345,000 in bonds is considered to be defeased, and the liability has been removed from the statements of net position.

City of Superior, Wisconsin

Notes to Basic Financial Statements

Note 8 Long-Term Obligations (Continued)

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, 2012	\$ 1,583,109,200
Legal debt margin percentage	5%
	79,155,460
Outstanding general obligation debt	\$ 40,705,806
Less amount available in Debt Service Fund	<u>1,755,894</u>
Indebtedness applicable to debt limit	<u>38,949,912</u>
Legal debt margin	<u>\$ 40,205,548</u>

Note 9 Line of Credit

The City of Superior has an arrangement with a bank, in the form of a Taxable Note Anticipation Note of 2010 dated July 20, 2010, and expiring September 1, 2014, under which it could draw up to \$2,756,855 at an interest rate of 5.25%. No amounts were drawn on the note during the year. The note is required by the Wisconsin Department of Natural Resources to provide proof of financial responsibility for the closure responsibilities of the landfill.

City of Superior, Wisconsin

Notes to Basic Financial Statements

Note 10 Interfund Transfers

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

Fund transferred to	Fund transferred from	Amount
General Fund		
General Fund	Tax Increment District No. 11 Fund	\$ 153,149
General Fund	Hotel/Motel Tax Fund	4,765
General Fund	Landfill Utility Fund	172,680
General Fund	Sewerage System Fund	541,549
Special Revenue Funds		
Urban Tree Fund	General Fund	5,500
Library Fund	General Fund	985,000
Economic Development Fund	Tax Increment District No. 11 Fund	287,212
Business Improvement District Fund	Economic Development Fund	71,750
State and Federal Grant Allocation and Allotment Fund	CBBG Revolving Loan Fund	105,656
State and Federal Grant Allocation and Allotment Fund	General Fund	100,000
Capital Projects Funds		
Tax Increment District No. 11 Fund	Economic Development Fund	287,212
Capital Improvement Projects Fund	General Fund	1,252,208
Capital Improvement Projects Fund	Parks and Recreation Boat Ramp Fee Fund	235,516
Capital Improvement Projects Fund	Library Fund	50,000

City of Superior, Wisconsin

Notes to Basic Financial Statements

Note 10 Interfund Transfers (Continued)

Fund transferred to	Fund transferred from	Amount
Debt Service Funds		
2008B Corporate Purpose Bond Fund	Debt Service Cash on Hand Fund	\$ 15
2011A Refunding TID 11 Fund	Tax Increment District No. 11 Fund	210,883
2011A Refunding TID 8 Fund	1998A Bond Issue Fund	37,921
Debt Service Cash on Hand Fund	2001B Refunding Bond Issue Fund	7,034
Enterprise Funds		
Landfill Utility Fund	General Fund	922,000
Stormwater Utility Fund	Economic Development Fund	6,979
Stormwater Utility Fund	Landfill Utility Fund	5,273
Internal Services Funds		
Internal Service Fund	General Fund	53,000
Internal Service Fund	Capital Improvement Projects Fund	100,000
		\$ 5,595,302

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.

City of Superior, Wisconsin

Notes to Basic Financial Statements

Note 11 Net Position

Net position reported on the government-wide statement of net position at December 31, 2012, include the following:

Governmental Activities

Net investment in capital assets:

Land	\$ 16,445,572
Other capital assets - Net of accumulated depreciation	39,349,464
Less: Related long-term debt outstanding (net of unspent proceeds to debt)	<u>16,186,764</u>

Total net investment in capital assets 39,608,272

Restricted net position:

Capital projects	12,053,789
Debt service	-
Crime prevention	31,093
Library expenses	405,194
Narcotics task force	33,967
Community improvement and development projects	97,992
Fire department	1,295
Hazardous materials grant	17,652
Housing loans	<u>2,245,730</u>

Total restricted net position 14,886,712

Unrestricted 3,548,074

Total net position \$ 58,043,058

City of Superior, Wisconsin

Notes to Basic Financial Statements

Note 11 Net Position (Continued)

Business-Type Activities

Net investment in capital assets:

Land	\$ 1,381,640
Other capital assets - Net of accumulated depreciation	43,311,216
Less: Related long-term debt outstanding (net of unspent proceeds to debt)	<u>15,604,592</u>

Total net investment in capital assets	29,088,264
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Restricted for debt service	853,431
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Unrestricted	<u>7,272,272</u>
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Total net position	<u><u>\$ 37,213,967</u></u>
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City of Superior, Wisconsin

Notes to Basic Financial Statements

Note 12 Governmental Fund Balances

Governmental fund balances on the fund financial statements at December 31, 2012, include the following:

Nonspendable

Major Funds:

General Fund:

Inventories	\$ 53,237
Prepays	<u>29,273</u>
	<u>\$ 82,510</u>

Restricted

Major Funds:

Capital Improvement Program Fund:

Capital Projects	\$ 7,353,626
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Nonmajor Funds:

Debt Service Funds:

Debt service	1,810,177
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Capital Projects Funds:

Capital Projects	4,700,163
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Special Revenue Funds:

Crime prevention	31,093
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Library expenditures	405,194
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Narcotics task force	33,967
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Community improvement and development projects	97,992
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Fire department	1,295
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Hazardous materials grant	17,652
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Housing loans	<u>1,903,811</u>
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\$ 16,354,970

Committed

Nonmajor Funds:

Special Revenue Funds:

Maintenance and development of boat launching facilities	<u>\$ 83,253</u>
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City of Superior, Wisconsin

Notes to Basic Financial Statements

Note 12 Governmental Fund Balances (Continued)

Unreserved fund balance as of December 31, 2012, includes the following items:

Assigned

Nonmajor Funds:

Special Revenue Funds:

Urban Tree Fund	\$ 24,462
Municipal Forest Fund	8,882
Special Assessment Fund	64,292
CHS Dock Corrosion Project Fund	244
Economic Development Fund	1,979,781
Business Improvement Fund	51,335

Capital Projects Funds:

Capital Projects Fund	<u>88,760</u>
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\$ 2,217,756

Unassigned

Major Funds:

General Fund	\$ 8,219,948
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Nonmajor Funds:

Debt Service Funds	(18,044)
Capital Projects Funds	(1,183,940)
Special Revenue Funds	<u>(278,438)</u>

\$ 6,739,526

City of Superior, Wisconsin

Notes to Basic Financial Statements

Note 13 **Operating Lease**

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

Actual minimum and contingent rentals received during 2012 were \$440,203.

Note 14 **Employees' Retirement System**

All eligible City of Superior employees participate in the Wisconsin Retirement System (WRS), a cost-sharing, multiple-employer defined benefit, public employee retirement system (PERS). All permanent employees expected to work over 600 hours a year (1,200 hours for employees hired after July 1, 2011, who were not previously employed by a participating employer) are eligible to participate in the WRS.

Covered employee contribution rates were as follows:

	<u>2012</u>
General	5.9%
Executives and elected officials	7.95%
Protective with social security	5.9%
Protective without social security	5.9%

Employers are required to contribute an actuarially determined amount necessary to fund the remaining projected cost of future benefits. The employer may not pay the employee required contribution unless provided for by an existing collective bargaining agreement.

City of Superior, Wisconsin

Notes to Basic Financial Statements

Note 14 **Employees' Retirement System** (Continued)

The payroll for employees covered by the WRS for the year ended December 31, 2012, was \$13,135,714; the employer's total payroll was \$14,267,958. The total required contribution for the year ended December 31, 2012, was \$1,858,530 or 14.2% of payroll from the employer. Total contributions for the years ended December 31, 2011 and 2010, were \$1,853,232 and \$1,690,002, respectively, equal to the required contributions for each year.

Employees who retire at or after age 65 (62 for elected officials and 55 for protective occupation employees), are entitled to receive a retirement benefit. Employees may retire at age 55 (50 for protective occupation employees) and receive actuarially reduced benefits. The factors influencing the benefit are (1) final average earnings, (2) years of creditable service, and (3) a formula factor. Final average earnings is the average of the employees' three highest years' earnings. Employees terminating covered employment before becoming eligible for a retirement benefit may withdraw their contributions and, by doing so, forfeit all rights to any subsequent benefit. For employees beginning participation on or after January 1, 1990, and no longer actively employed on or after April 24, 1998, creditable service in each of five years is required for eligibility for retirement annuity. Participants employed prior to 1990 and on or after April 24, 1998, and prior to July 1, 2011, are immediately vested. Participants initially beginning employment on or after July 1, 2011, are not eligible for a WRS retirement annuity or lump sum retirement benefit until they have five years of creditable service. If an employee were to leave prior to fulfilling the five-year vesting requirement, that employee would remain eligible to take a separation benefit. The separation benefit would include the employee contributions (and investment returns) only.

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

City of Superior, Wisconsin

Notes to Basic Financial Statements

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

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

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

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

City of Superior, Wisconsin

Notes to Basic Financial Statements

Note 15 Postemployment Benefits Other Than Pension Benefits (Continued)

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

Annual required contribution	\$ 541,480
Interest on net OPEB obligations	(32,664)
Adjustment to annual required contribution	<u>40,474</u>
Annual OPEB cost (expense)	549,290
Contributions made	<u>570,262</u>
Increase in net OPEB asset	(20,972)
Net OPEB obligation (asset) - Beginning of year	<u>(653,287)</u>
Net OPEB obligation (asset) - End of year	<u>\$ (674,259)</u>

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

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation (Asset)
12/31/10	\$ 446,505	162%	\$ (549,016)
12/31/11	444,922	123%	(653,287)
12/31/12	549,290	104%	(674,259)

City of Superior, Wisconsin

Notes to Basic Financial Statements

Note 15 Postemployment Benefits Other Than Pension Benefits (Continued)

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

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

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

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

City of Superior, Wisconsin

Notes to Basic Financial Statements

Note 16 Risk Management

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

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

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

The provision for current year claims includes paid and unpaid claims and expenses associated with settling claims, including legal fees. The claims liability at December 31, 2012, is based on CVMIC's evaluation of individual claims, management's evaluation, and an actuarial review of experience with respect to the probable number and nature of claims arising from losses that have been incurred but have not yet been reported. The liability represents the estimated ultimate cost of settling the claims. Any adjustments resulting from the settlement of losses will be reflected in earnings at the time the adjustments are determined.

City of Superior, Wisconsin

Notes to Basic Financial Statements

Note 16 Risk Management (Continued)

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

Condensed financial information (statutory basis) of Cities and Villages Mutual Insurance Company as of December 31, 2012, follows:

	Amount
<u>Assets</u>	<u>\$ 42,209,309</u>
Reserves and liabilities	\$ 17,058,436
Policyholders' surplus:	
Restricted	25,000,000
Unassigned surplus	150,873
	<u>\$ 42,209,309</u>

City of Superior, Wisconsin

Notes to Basic Financial Statements

Note 16 Risk Management (Continued)

On December 31, 2012, the City's General Liability Fund had a net position of \$193,759. The claims liability reported in the fund at December 31, 2012, 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
2012	\$ 159,002	\$ 296,237	\$ 280,579	\$ 174,660
2011	202,153	207,568	250,719	159,002
2010	230,867	315,453	344,167	202,153

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 \$6,018,304 in the aggregate for 2012. Fund expenses consist of payments for medical and dental claims, stop-loss insurance premiums, and administrative fees. On December 31, 2012, the Health Insurance Fund had a net position of \$3,648,517, which is set aside for future health insurance liabilities. The claims liability reported in the fund at December 31, 2012, includes a liability for claims if information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated. Changes in the fund's claims liability amount for the last three years are as follows:

	Liability	Claims and	Claim	Liability
	January 1	Changes in	Payments	December 31
		Estimates		
2012	\$ 385,598	\$ 5,314,885	\$ 5,043,913	\$ 656,570
2011	543,903	4,157,250	4,315,555	385,598
2010	475,780	4,689,301	4,621,178	543,903

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

City of Superior, Wisconsin

Notes to Basic Financial Statements

Note 17 **Contingent Liabilities**

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

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

State and federal laws and regulations require that the City of Superior place a final cover on its landfill when closed and perform certain maintenance and monitoring functions at the landfill site for 40 years after closure. In addition to operating expenses related to current activities of the landfill, an expense provision and related liability are being recognized based on the future closure and postclosure care costs that will be incurred near or after the date the landfill no longer accepts waste. The recognition of these landfill closure and postclosure care costs is based on the amount of the landfill used during the year. The estimated liability for landfill closure and postclosure care costs has a balance of \$4,594,541 as of December 31, 2012, which is based on 100% usage (filled) of the landfill. The estimated total current cost of the landfill closure and postclosure care (\$4,594,541) 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, 2012. 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, 2012, investments of \$2,544,061 are held for these purposes. These are reported as restricted assets on the balance sheet. The City expects that future inflation costs will be paid from interest earnings on these annual contributions. However, if interest earnings are inadequate or additional postclosure care requirements are determined (due to changes in technology or applicable laws or regulations, for example), these costs may need to be covered by charges to future landfill users or from future tax revenues.

City of Superior, Wisconsin

Notes to Basic Financial Statements

Note 19 Joint Operations

The City and Douglas County, Wisconsin, operate an industrial park with undivided net position/liabilities shared evenly. The joint operation is administered by the City's management. At December 31, 2012, the City's share of fund balance is included in other Governmental Funds.

The City and Douglas County, Wisconsin, jointly own property known as the Superior Business Center. The City and County have leased the property to Superior Business Center, Inc. (SBC), a nonprofit corporation which subleases the property. The lease agreement is for a 12-month period ending December 31, 2012, which may be extended by mutual agreement, and calls for SBC to pay rent equal to the debt service requirements of the local investment in the project. If the Business Center's rental collections are not adequate to allow SBC to make the rental payments required, the City and County will share funding of the deficit equally.

Note 20 Conduit Debt Obligations

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

As of December 31, 2012, there were fifteen series of Industrial Revenue Bonds and two 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 thirteen series issued prior to July 1, 1995, could not be determined; however, their original issue amounts totaled \$64 million.

City of Superior, Wisconsin

Notes to Basic Financial Statements

Note 21 Revenues Pledged

Sewerage System Fund

The City has pledged future sewerage system customer revenues, net of specified operating expenses, to repay \$6,190,000 in sewerage system revenue bonds issued December 30, 2003. Proceeds from the bonds were used to refund debt and provide financing for sewerage system improvements. The bonds are payable solely from the sewerage system customer net revenues and were refunded in 2012.

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

The City has also pledged future sewerage system customer revenues, net of specified operations expenses, to repay \$3,649,077 in sewerage system revenue bonds issued February 22, 2012. As of December 31, 2012, the City has only received \$1,805,843. 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 \$4,500,309. Principal and interest paid for the current year and total customer net revenues were \$225,271 and \$701,325.

Stormwater Utility Fund

The City has pledged future stormwater utility customer revenues, net of specified operating expenses, to repay \$3,398,121 in stormwater system revenue bonds issued January 13, 2010. As of December 31, 2012, the City has only received \$3,008,162 of the bond proceeds. Proceeds from the bonds were used to provide financing for stormwater utility capital projects. The bonds are payable solely from the stormwater system customer net revenues and are payable through May 1, 2029. Annual principal and interest payments on the bonds are expected to require less than 100 percent of net revenues. The total principal and interest remaining to be paid on the bonds based on proceeds received to date are \$3,637,463. Principal and interest paid for the current year and total customer net revenues were \$208,849 and \$1,336,473.

City of Superior, Wisconsin

Notes to Basic Financial Statements

Note 22 Outstanding Contractual Commitments

The City entered into various contracts with construction contractors during the year. The following amount remains unspent as of December 31, 2012:

<u>Construction Contractors</u>	<u>Amount Remaining</u>
RJS Construction Group, LLC	\$ 110,124
Animal Arts	82,201
Chippewa Concrete, Inc.	382,707
Pci Roads LLC	219,036
Springbrook Software, Inc.	74,308
<u>Total</u>	<u>\$ 868,376</u>

City of Superior, Wisconsin

Notes to Basic Financial Statements

Note 23 Restatement of Net Position

GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, clarifies the appropriate reporting of deferred outflows of resources and deferred inflows of resources to ensure consistency in financial reporting. In addition, Statement No. 65 requires bond issuance costs to be expensed in the period paid under the accrual basis of accounting as well as the modified accrual basis of accounting. As a result of implementing Statement No. 65, the City has restated beginning net position as follows:

	Fund Statements					
	As Previously Reported			As Restated		
	Sewerage System Fund	Landfill Utility Fund	Total	Sewerage System Fund	Landfill Utility Fund	Total
Net investment in capital assets	\$ 12,867,640	\$ 5,811,945	\$ 18,679,585	\$ 12,867,640	\$ 5,811,945	\$ 18,679,585
Restricted	853,431	-	853,431	853,431	-	853,431
Unrestricted	5,463,375	(189,595)	5,273,780	5,438,100	(246,090)	5,192,010
	\$ 19,184,446	\$ 5,622,350	\$ 24,806,796	\$ 19,159,171	\$ 5,565,855	\$ 24,725,026

	Government-Wide Statements					
	As Previously Reported			As Restated		
	Governmental Activities	Business-Type Activities	Total	Governmental Activities	Business-Type Activities	Total
Net investment in capital assets	\$ 39,777,092	\$ 25,692,119	\$ 65,469,211	\$ 39,777,092	\$ 25,692,119	\$ 65,469,211
Restricted	14,861,945	853,431	15,715,376	14,861,945	853,431	15,715,376
Unrestricted	2,447,867	7,696,135	10,144,002	2,032,086	7,614,365	9,646,451
	\$ 57,086,904	\$ 34,241,685	\$ 91,328,589	\$ 56,671,123	\$ 34,159,915	\$ 90,831,038

City of Superior, Wisconsin

Notes to Basic Financial Statements

Note 24 Subsequent Events

The City is in the process of updating the estimate of the landfill closure and postclosure care costs but the estimate was not complete to be used in the financial statements. This estimate of the liability is expected to significantly increase as well as the required contributions to the trust to finance the closure and postclosure care costs.

On June 4, 2013, the City issued a \$750,000 state trust fund loan to finance Tax Increment District No. 8 projects. The loan is due in annual installments of \$105,098 of principal and interest starting in March 2012 to March 2021 at an interest rate of 2.75 percent.

Required Supplementary Information

City of Superior, Wisconsin

Schedule of Funding Progress

Year Ended December 31, 2012

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

Supplementary Financial Information

City of Superior, Wisconsin

Schedule of Expenditures of Federal and State Awards Year Ended December 31, 2012

Grantor Agency / Pass Through Agency / Program Title	CFDA or State ID Number	City Fund Number	Award Amount
FEDERAL AWARDS			
<u>Environmental Management</u>			
U.S. Department of Defense			
Direct Programs:			
State Memorandum of Agreement Program for the Reimbursement of Technical Services June 25, 2007	12.113 PPSS01	601	\$ 1,035,000
Northern Wisconsin Environmental Infrastructure and Resource Protection and Development Program	12.113 BTOUVD/GTO001	601	1,031,587
Total CFDA # 12.113			.
U.S. Environmental Protection Agency			
Passed through the Wisconsin Department of Natural Resources Capitalization Grants for Clean Water State Revolving Funds State of Wisconsin Clean Water Fund Program Project No. 4186-07 - February 22, 2012	66.458 BTOUVD/GTO001	601	405,453
Passed through the Wisconsin Department of Natural Resources ARRA - Brownfields Assessment and Cleanup Cooperative Agreements Superior Community Recreation Project June 14, 2010 - December 14, 2011	66.818 ARRA / RAG-022 SAHA10	214	290,000
Total U.S. Environmental Protection Agency			.

Accrued Receivable (Refundable Grant Advances) 12-31-11	Local Receipts	Federal and State Receipts	Local Expenditures	Federal and State Expenditures	Accrued Receivable (Refundable Grant Advances) 12-31-12
\$ 683,930	\$ 118,067	\$ 683,930	\$ 118,067	\$ -	\$ -
-	613,894	1,031,587	613,894	1,031,587	-
683,930	731,961	1,715,517	731,961	1,031,587	-
323,301	2,536,142	405,453	2,486,142	132,152	-
16,095	-	16,719	-	874	250
339,396	2,536,142	422,172	2,486,142	133,026	250

City of Superior, Wisconsin

Schedule of Expenditures of Federal and State Awards (Continued) Year Ended December 31, 2012

Grantor Agency / Pass Through Agency / Program Title	CFDA or State ID Number	City Fund Number	Award Amount
FEDERAL AWARDS (Continued)			
<u>Public Safety</u>			
U.S. Department of Homeland Security			
Passed through Minnesota Department of Public Safety			
Port Security Grant Program: Grant #2008-PSGP-00796 August 1, 2008 - July 31, 2012	97.056 08PSGP	400	\$ 56,344
Port Security Grant Program: Grant #A-PSGP-2009-Superior Police Dept June 1, 2009 - November 30, 2012	97.056 09PSGP	210	252,948
Port Security Grant Program: Grant #A-PSGP-2011-Superior Police Dept September 1, 2011 - August 31, 2014	97.056 11PSGT	210	37,348
Port Security Grant Program: Grant #A-PSGP-2009-Superior Fire June 1, 2009 - November 30, 2012	97.056 PSGRAD	211	112,500
Total CFDA # 97.056			.
Passed through the Wisconsin Office of Justice Assistance			
State Homeland Security Grant Program			
2008-HS-02B-8522			
2008-HS-02A-9158			
Homeland Security / Alert Equipment Grant July 1, 2011 - November 30, 2011	97.067 ALERT	210	18,500
2010-HS-02A-9283			
Homeland Security / Alert SWAT Team Equipment October 1, 2011 - December 30, 2011	97.067 11EXPL	210	10,033
Total CFDA # 97.067			.

Accrued Receivable (Refundable Grant Advances) 12-31-11	Local Receipts	Federal and State Receipts	Local Expenditures	Federal and State Expenditures	Accrued Receivable (Refundable Grant Advances) 12-31-12
\$ 50,801	\$ 100,611	\$ 52,020	\$ 100,611	\$ 1,219	\$ -
-	70,277	124,814	70,277	210,830	86,016
-	-	13,872	-	13,872	-
-	36,300	108,899	36,300	108,899	-
50,801	207,188	299,605	207,188	334,820	86,016
18,496	-	18,496	-	-	-
9,934	-	9,934	-	-	-
28,430	-	28,430	-	-	-

City of Superior, Wisconsin

Schedule of Expenditures of Federal and State Awards (Continued)

Year Ended December 31, 2012

Grantor Agency / Pass Through Agency / Program Title	CFDA or State ID Number	City Fund Number	Award Amount
FEDERAL AWARDS (Continued)			
Public Safety (Continued)			
Passed through the Wisconsin Department of Military Affairs			
Disaster Grants - Public Assistance			
Project #: PA-05-WI-4076-PW-00083	97.036		
LFB-006 Billings Drive	01FEMA	429	\$ 47,857
Completion Date: February 2, 2014			
Project #: PA-05-WI-4076-PW-00115	97.036	429	115,205
RPH-013 Billings Park Entrance Road	02FEMA		
Completion Date: February 2, 2014			
Project #: PA-05-WI-4076-PW-00037	97.036	429	1,157,145
RPH-011 Aerated Stabilization Pond at CSTP2	03FEMA		
Completion Date: February 2, 2013			
Project #: PA-05-WI-4076-PW-00036	97.036	429	32,932
TWP-008 Outlet K Sewer	04FEMA		
Completion Date: February 2, 2014			
Project #: PA-05-WI-4076-PW-00062	97.036	429	25,127
TWP-009 Storm Sewer - K Street	05FEMA		
Completion Date: February 2, 2014			
Project #: PA-05-WI-4076-PW-001108	97.036	429	63,675
TWP-010 Emergency Protective Measures - Landfill	06FEMA		
Completion Date: February 2, 2013			
Project #: PA-05-WI-4076-PW-00109	97.036	429	17,044
RPH-016 Nemadji Golf Course	07FEMA		
Completion Date: February 2, 2014			
Project #: PA-05-WI-4076-PW-00075	97.036	429	46,683
CMK-002 Osaugie Trail, Crosstown Trail, Billings Park S	08FEMA		
Completion Date: February 2, 2014			

Accrued Receivable (Refundable Grant Advances) 12-31-11	Local Receipts	Federal and State Receipts	Local Expenditures	Federal and State Expenditures	Accrued Receivable (Refundable Grant Advances) 12-31-12
\$ -	\$ 3,323	\$ 47,857	\$ 3,323	\$ 19,936	\$ (27,921)
-	400	-	400	2,400	2,400
-	2,211	-	2,211	13,266	13,266
-	149,356	28,228	149,356	32,932	4,704
-	-	21,538	-	-	(21,538)
-	8,506	-	8,506	51,036	51,036
-	8,251	14,609	8,251	17,044	2,435
-	1,241	19,620	1,241	7,448	(12,172)

City of Superior, Wisconsin

Schedule of Expenditures of Federal and State Awards (Continued)

Year Ended December 31, 2012

Grantor Agency / Pass Through Agency / Program Title	CFDA or State ID Number	City Fund Number	Award Amount
FEDERAL AWARDS (Continued)			
Public Safety (Continued)			
Project #: PA-05-WI-4076-PW-00107			
LFB-009 Debris From Roads	97.036	429	\$ 21,280
Completion Date: February 2, 2013	09FEMA		
Project #: PA-05-WI-4076-PW-00123			
OAP-018 Emergency Protective Measures	97.036	429	9,708
Completion Date: February 2, 2013	10FEMA		
Project #: PA-05-WI-4076-PW-00072			
RPH-015 Barker's Island Ship's Store, Firehouse Museum	97.036	429	1,116
Completion Date: February 2, 2014	11FEMA		
Project #: PA-05-WI-4076-PW-00127			
OAP-017 Roads - Wyoming Ave Culvert	97.036	429	74,700
Completion Date: February 2, 2014	13FEMA		
Project #: PA-05-WI-4076-PW-00125			
OAP-017 Roads - Minor Road Repairs	97.036	429	10,006
Completion Date: February 2, 2014	14FEMA		
Total CFDA # 97.036			.
Total U.S. Department of Homeland Security			.

Accrued Receivable (Refundable Grant Advances) 12-31-11	Local Receipts	Federal and State Receipts	Local Expenditures	Federal and State Expenditures	Accrued Receivable (Refundable Grant Advances) 12-31-12
\$ -	\$ 2,085	\$ 21,280	\$ 2,085	\$ 12,508	\$ (8,772)
-	967		966	5,799	5,798
-	186	1,116	186	1,116	-
-	78	-	78	469	469
-	732	-	732	4,392	4,392
-	177,336	154,248	177,335	168,346	14,097
79,231	384,524	482,283	384,523	503,166	100,113

City of Superior, Wisconsin

Schedule of Expenditures of Federal and State Awards (Continued)

Year Ended December 31, 2012

Grantor Agency / Pass Through Agency / Program Title	CFDA or State ID Number	City Fund Number	Award Amount
FEDERAL AWARDS (Continued)			
U.S. Department of Justice			
Direct:			
Bulletproof Vest Partnership Program-FY2011	11V	16.607	400 \$ 6,375
Bulletproof Vest Partnership Program-FY2012	12V	16.607	400 -
Total CFDA # 16.607			-
Public Safety Partnership and Community Policing Grants	16.710	210	262,567
COPS Hiring Program: Grant #2010-UM-WX-0349	COPR10		
September 1, 2010 - August 31, 2013			
Child Sexual Predator Program			
Grant #2011-CS-WX-0020	16.710	210	
August 1, 2011 - July 31, 2013	CSPP		499,852
Total CFDA # 16.710			-
Edward Byrne Memorial Justice Assistance Grant Program			
Project #2010-DJ-BX-2821	16.738		
October 1, 2010 - September 30, 2014	11JAG	210	10,603
Total CFDA # 16.738			-

Accrued Receivable (Refundable Grant Advances) 12-31-11	Local Receipts	Federal and State Receipts	Local Expenditures	Federal and State Expenditures	Accrued Receivable (Refundable Grant Advances) 12-31-12
\$ 3,937	\$ -	\$ 4,375	\$ -	\$ 438	\$ -
-	886	-	886	886	886
3,937	886	4,375	886	1,324	886
14,652	-	70,162	-	73,296	17,786
22,230	-	209,915	-	268,261	80,576
36,882	-	280,077	-	341,557	98,362
3,393	2,628	3,393	2,628	7,210	7,210
3,393	2,628	3,393	2,628	7,210	7,210

City of Superior, Wisconsin

Schedule of Expenditures of Federal and State Awards (Continued)

Year Ended December 31, 2012

Grantor Agency / Pass Through Agency / Program Title	CFDA or State ID Number	City Fund Number	Award Amount
FEDERAL AWARDS (Continued)			
Congressionally Recommended Awards			
Lake Superior Forensic Technology & Internet Crimes Against Children (ICAC) Task Force; Proj #2010-DD-BX-0380			
July 1, 2010 - June 30, 2013	16.753 COMPTF	210	\$ 549,995
Passed through the Wisconsin Office of Justice Assistance			
Violence Against Women Formula Grants			
Stop Violence Against Women Act Grant Award			
2010-VA-02A-7789	16.588 DART10	210	51,886
July 1, 2010 - December 31, 2011			
2011-VA-02A-8766	16.588 DART11	210	36,702
July 1, 2011 - June 30, 2012			
2012-VA-02A-9600	16.588 DART12	210	52,510
July 1, 2012 - June 30, 2013			
Total CFDA # 16.588			
Total U.S. Department of Justice			
National Highway Traffic Safety Administration			
Passed through WI Department of Transportation			
Highway Safety Cluster:			
Safety Belt Performance Grants			
Click-it or Ticket - Project #0952-24-68			
Seatbelt Enforcement - 2012	20.609 12CLIK	210	5,616
October 1, 2011 - September 30, 2012			

Accrued Receivable (Refundable Grant Advances) 12-31-11	Local Receipts	Federal and State Receipts	Local Expenditures	Federal and State Expenditures	Accrued Receivable (Refundable Grant Advances) 12-31-12
\$ 47,383	\$ -	\$ 193,443	\$ -	\$ 197,354	\$ 51,294
7,096	-	7,096	-	-	-
5,054	24,734	36,700	24,734	31,646	-
-	23,406	8,769	23,406	23,216	14,447
12,150	48,140	52,565	48,140	54,862	14,447
103,745	51,654	533,853	51,654	602,307	172,199
-	296	3,645	296	3,645	-

City of Superior, Wisconsin

Schedule of Expenditures of Federal and State Awards (Continued)

Year Ended December 31, 2012

Grantor Agency / Pass Through Agency / Program Title	CFDA or State ID Number	City Fund Number	Award Amount
FEDERAL AWARDS (Continued)			
National Highway Traffic Safety Administration (Continued)			
State and Community Highway Safety			
Highway Safety Project #0952-80-11	20.600		
Pedestrian Safety Enforcement - 2012	PDPS12	210	\$ 2,000
October 1, 2011 - September 30, 2012			
State and Community Highway Safety ID #2012-40-05-PT			
Speed Enforcement 2012	20.600		
October 1, 2011 - September 30, 2012	PDSP12	210	20,000
Total CFDA #20.600			.
Total Highway Safety Cluster			
Highway Planning and Construction			
Transportation Enhancement Program - Project ID 8998-00-78	20.205		
Sidewalk Replacement	TEOBEY	400	452,183
Safe Routes to School (SRTS) Program - Project ID 8998-00-77	20.205		
School Zone Sidewalk Replacement	SRTS09	400	430,629
Total CFDA #20.205			.
Total Department of Transportation			.

Accrued Receivable (Refundable Grant Advances) 12-31-11	Local Receipts	Federal and State Receipts	Local Expenditures	Federal and State Expenditures	Accrued Receivable (Refundable Grant Advances) 12-31-12
\$ -	\$ -	\$ 1,463	\$ -	\$ 1,464	\$ 1
-	9,915	19,959	9,915	19,959	-
-	9,915	21,422	9,915	21,423	1
-	10,211	25,067	10,211	25,068	1
-	99,155	-	99,155	394,466	394,466
-	95,582	-	95,582	378,897	378,897
-	194,737	-	194,737	773,363	773,363
-	204,948	25,067	204,948	798,431	773,364

City of Superior, Wisconsin

Schedule of Expenditures of Federal and State Awards (Continued)

Year Ended December 31, 2012

Grantor Agency / Pass Through Agency / Program Title	CFDA or State ID Number	City Fund Number	Award Amount
FEDERAL AWARDS (Continued)			
<u>Community Development</u>			
U.S. Department of Housing and Urban Development			
Direct Programs:			
CDBG - Entitlement Grants Cluster			
Community Development Block Grants/Entitlement Grants	14.218		
2011 - CDBG		259	\$ 784,404
2012 - CDBG		259	646,257
Total CFDA #14.218			.
Passed through Wisconsin Department of Commerce			
Economic Development Initiative - Neighborhood Initiative	14.251	418	
City of Superior Shipyard Improvements	FRASR2		
March 1, 2011 - June 29, 2012			2,000,000
Total U.S. Department of Housing and Urban Development			.
<u>Transportation</u>			
U.S. Department of Transportation			
Direct Programs:			
Federal Transit - Formula Grants			
2012	20.507	101	408,771
Total Federal Awards			.

Accrued Receivable (Refundable Grant Advances) 12-31-11	Local Receipts	Federal and State Receipts	Local Expenditures	Federal and State Expenditures	Accrued Receivable (Refundable Grant Advances) 12-31-12
\$ 108,341	\$ -	\$ 307,719	\$ -	\$ 590,415	\$ 391,037
-	200,367	-	200,367	-	-
108,341	200,367	307,719	200,367	590,415	391,037
-	21,630	-	21,630	-	-
108,341	221,997	307,719	221,997	590,415	391,037
-	-	408,771	-	408,771	-
\$ 1,314,643	\$ 4,131,226	\$ 3,895,382	\$ 4,081,225	\$ 4,067,703	\$ 1,436,963

City of Superior, Wisconsin

Schedule of Expenditures of Federal and State Awards (Continued)

Year Ended December 31, 2012

Grantor Agency / Pass Through Agency / Program Title	CFDA or State ID Number	City Fund Number	Award Amount
STATE AWARDS			
<u>Public Safety</u>			
Wisconsin Department of Military Affairs			
State Match - Federal Disaster Assistance			
Project #: PA-05-WI-4076-PW-00083			
LFB-006 Billings Drive	465.305	429	\$ 7,976
Completion Date: February 2, 2014	01FEMA		
Project #: PA-05-WI-4076-PW-00115			
RPH-013 Billings Park Entrance Road	465.305	429	19,201
Completion Date: February 2, 2014	02FEMA		
Project #: PA-05-WI-4076-PW-00037			
RPH-011 Aerated Stabilization Pond at CSTP2	465.305	429	192,858
Completion Date: February 2, 2013	03FEMA		
Project #: PA-05-WI-4076-PW-00036			
TWP-008 Outlet K Sewer	465.305	429	5,489
Completion Date: February 2, 2014	04FEMA		
Project #: PA-05-WI-4076-PW-00062			
TWP-009 Storm Sewer - K Street	465.305	429	4,188
Completion Date: February 2, 2014	05FEMA		
Project #: PA-05-WI-4076-PW-001108			
TWP-010 Emergency Protective Measures - Landfill	465.305	429	10,613
Completion Date: February 2, 2013	06FEMA		
Project #: PA-05-WI-4076-PW-00109			
RPH-016 Nemadji Golf Course	465.305	429	2,841
Completion Date: February 2, 2014	07FEMA		
Project #: PA-05-WI-4076-PW-00075			
CMK-002 Osaugie Trail, Crosstown Trail, Billings Park S	465.305	429	7,781
Completion Date: February 2, 2014	08FEMA		

Accrued Receivable (Refundable Grant Advances) 12-31-11		Local Receipts		Federal and State Receipts		Local Expenditures		Federal and State Expenditures		Accrued Receivable (Refundable Grant Advances) 12-31-12	
\$	-	\$	-	\$	7,976	\$	-	\$	3,323	\$	(4,653)
	-		-		-		-		400		400
	-		-		-		-		2,211		2,211
	-		-		4,705		-		5,489		784
	-		-		3,590		-		-		(3,590)
	-		-		-		-		8,506		8,506
	-		-		2,435		-		2,841		406
	-		-		3,270		-		1,241		(2,029)

City of Superior, Wisconsin

Schedule of Expenditures of Federal and State Awards (Continued)

Year Ended December 31, 2012

Grantor Agency / Pass Through Agency / Program Title	CFDA or State ID Number	City Fund Number	Award Amount
STATE AWARDS (Continued)			
Public Safety (Continued)			
Project #: PA-05-WI-4076-PW-00107			
LFB-009 Debris From Roads	465.305	429	\$ 3,547
Completion Date: February 2, 2013	09FEMA		
Project #: PA-05-WI-4076-PW-00123			
OAP-018 Emergency Protective Measures	465.305	429	1,618
Completion Date: February 2, 2013	10FEMA		
Project #: PA-05-WI-4076-PW-00072			
RPH-015 Barker's Island Ship's Store, Firehouse Museum	465.305	429	186
Completion Date: February 2, 2014	11FEMA		
Project #: PA-05-WI-4076-PW-00127			
OAP-017 Roads - Wyoming Ave Culvert	465.305	429	12,450
Completion Date: February 2, 2014	13FEMA		
Project #: PA-05-WI-4076-PW-00125			
OAP-017 Roads - Minor Road Repairs	465.305	429	1,668
Completion Date: February 2, 2014	14FEMA		
Total State ID #465.305			
Regional Emergency Response Teams - Hama	465.306		
July 1, 2012 - June 30, 2012		242	131,935
January 1, 2012 - June 30, 2012		242	65,968
July 1, 2011 - December 31, 2011, 2011 Funding		242	65,968
July 1, 2009 - June 30, 2011, 2010/2011 Funding		242	148,827
July 1, 2009 - June 30, 2011, 2009/2010 Funding		242	148,827
Total State ID #465.306			
Total Department of Military Affairs			

Accrued Receivable (Refundable Grant Advances) 12-31-11	Local Receipts	Federal and State Receipts	Local Expenditures	Federal and State Expenditures	Accrued Receivable (Refundable Grant Advances) 12-31-12
\$ -	\$ -	\$ 3,547	\$ -	\$ 2,085	\$ (1,462)
-	-	-	-	966	966
-	-	186	-	186	-
-	-	-	-	78	78
-	-	-	-	732	732
-	-	25,709	-	28,058	2,349
-	-	131,935	-	-	(131,935)
-	-	65,968	-	-	(65,968)
(65,968)	-	-	-	5,190	(60,778)
(148,827)	-	-	-	148,827	-
(8,315)	-	-	-	8,315	-
(223,110)	-	197,903	-	162,332	(258,681)
\$ (223,110)	\$ -	\$ 223,612	\$ -	\$ 190,390	\$ (256,332)

City of Superior, Wisconsin

Schedule of Expenditures of Federal and State Awards (Continued)

Year Ended December 31, 2012

Grantor Agency / Pass Through Agency / Program Title	CFDA or State ID Number	City Fund Number	Award Amount
STATE AWARDS (Continued)			
<u>Public Safety (Continued)</u>			
Wisconsin Department of Justice			
Law Enforcement Training Fund			
Leadership in Police Organizations Training Grant	455.231	210	\$ 43,500
December 7, 2011 - May 18, 2012			
 <u>Transportation</u>			
Wisconsin Department of Transportation			
Harbor Assistance Program (Hallet Dock) 0495-12-02	395.128		
April 9, 2012 - December 31, 2013	HLLT#2	410	3,332,269
Harbor Assistance Program (Fraser Shipyards Dock) 0495-09-01	395.128		
December 16, 2010 - June 1, 2012	FRASER	418	3,274,595
 Total State ID #395.128			
Urban Mass Transit Operating Assistance	395.104	101	
2009			276,928
2010			342,272
2011			352,588
2012			341,573
Paratransit Aids Contract			
2012			12,060
 Total State ID #395.104			
 Total Department of Transportation			

Accrued Receivable (Refundable Grant Advances) 12-31-11	Local Receipts	Federal and State Receipts	Local Expenditures	Federal and State Expenditures	Accrued Receivable (Refundable Grant Advances) 12-31-12
\$ -	\$ 5,698	\$ 41,263	\$ 5,698	\$ 41,263	\$ -
-	536,774	1,540,672	536,774	2,099,932	559,260
532,213	-	317,841	-	37,856	252,228
532,213	536,774	1,858,513	536,774	2,137,788	811,488
27,693	-	-	-	-	27,693
(7,163)	-	-	-	-	(7,163)
76,553	-	52,888	-	-	23,665
-	567,461	307,415	567,461 SA. 4	341,573 SA. 4	34,158
-	-	12,060	-	12,060	-
97,083	567,461	372,363	567,461	353,633	78,353
629,296	1,104,235	2,230,876	1,104,235	2,491,421	889,841

City of Superior, Wisconsin

Schedule of Expenditures of Federal and State Awards (Continued)

Year Ended December 31, 2012

Grantor Agency / Pass Through Agency / Program Title	CFDA or State ID Number	City Fund Number	Award Amount
STATE AWARDS (Continued)			
<u>Culture, Recreation and Education</u>			
Wisconsin Department of Tourism			
WI Arts Board - Creative Communities/Local Arts July 1, 2012 - July 31, 2013	Unknown MOCK11	812	\$ 5,590
Wisconsin Department of Natural Resources			
Corrosion Project / Boating Projects Jan 15, 2009 - June 30, 2010	RBF-ENUM-17 PLCP09	215 / 213	100,000
Riparian Landowners Education Project Project #AEPP-271-11 Aquatic Invasive Species April 1, 2011 - December 31, 2012	370.678 DNRAIS	606	9,750
Total Wisconsin Department of Natural Resources			.
Total Culture, Recreation and Education			.
Total State Awards			:
Total Federal and State Awards			:

Accrued Receivable (Refundable Grant Advances) 12-31-11	Local Receipts	Federal and State Receipts	Local Expenditures	Federal and State Expenditures	Accrued Receivable (Refundable Grant Advances) 12-31-12
\$ -	\$ -	\$ 5,770		\$ 5,770	\$ -
(450)	-	-		-	(450)
(1,369)	-	-	-	7,815	6,446
(1,819)	-	-	-	7,815	5,996
(1,819)	-	5,770	-	13,585	5,996
\$ 404,367	\$ 1,109,933	\$ 2,501,521	\$ 1,109,933	\$ 2,736,659	\$ 639,505
\$ 1,719,010	\$ 5,241,159	\$ 6,396,903	\$ 5,191,158	\$ 6,804,362	\$ 2,076,468

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

City of Superior

Notes to the Schedule of Expenditures of Federal and State Awards

Year Ended December 31, 2012

Note 1 Basis of Presentation

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

Note 2 Summary of Significant Accounting Policies

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



Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With *Government Auditing Standards*

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, 2012, 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 19, 2013.

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. (2012-02 and 2012-03.)

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in the accompanying schedule of findings and questioned costs to be a significant deficiency. (2012-01.)

Compliance and Other Matters

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

Response to Findings

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

Purpose of this Report

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



Wipfli LLP

July 19, 2013
Eau Claire, Wisconsin

A-133 Information



Independent Auditor's Report on Compliance For Each Major Federal and State Program and on Internal Control Over Compliance Required by OMB Circular A-133

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

Report on Compliance for Each Major Federal and State Program

We have audited the City of Superior, Wisconsin's (the "City") compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* and the *State of Wisconsin Single Audit Guidelines*, issued by the Wisconsin Department of Administration, that could have a direct and material effect on each of the City's major federal and state programs for the year ended December 31, 2012. 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

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

Auditor's Responsibility

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

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

Opinion on Each Major Federal and State Program

In our opinion, the City of Superior, Wisconsin complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal and state programs for the year ended December 31, 2012.

Report on Internal Control Over Compliance

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

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

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

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

Wipfli LLP

Wipfli LLP

July 19, 2013
Eau Claire, Wisconsin

City of Superior

Schedule of Findings and Questioned Costs

Year Ended December 31, 2012

I. Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

Material weakness(es) identified? X Yes No

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

Noncompliance material to the financial statements? Yes X No

Federal Awards

Internal control over major programs:

Material weakness(es) identified? Yes X No

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

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

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

Identification of major federal programs:

CFDA Number	Name of Federal Program or Cluster
97.056	Port Security Grant Program
16.710	Public Safety Partnership and Community Policing Grants
16.753	Congressional Recommended Awards
20.205	Highway Planning and Construction
20.507	Federal Transit - Formula Grants

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

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

City of Superior

Schedule of Findings and Questioned Costs (Continued)

Year Ended December 31, 2012

I. Summary of Auditor's Results (Continued)

State Financial Assistance

Internal control over major programs:

Material weakness(es) identified? Yes No

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

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

Unqualified

Any audit findings disclosed that are required to be reported in accordance with 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
465.306	Regional Emergency Response Teams

City of Superior

Schedule of Findings and Questioned Costs (Continued)

Year Ended December 31, 2012

II. Financial Statement Findings

2012-01 Segregation of Duties

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

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

Effect – This condition may lead to misstated financial statements.

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

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

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

City of Superior

Schedule of Findings and Questioned Costs (Continued)

Year Ended December 31, 2012

II. Financial Statement Findings (Continued)

2012-02 Financial Accounting and Reporting

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

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

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

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

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

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

City of Superior

Schedule of Findings and Questioned Costs (Continued)

Year Ended December 31, 2012

II. Financial Statement Findings (Continued)

2012-03 Material Adjustments

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

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

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

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

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

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

III. Federal and State Findings and Questioned Costs

None.

City of Superior

Schedule of Findings and Questioned Costs (Continued)

Year Ended December 31, 2012

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 Justice	No
Department of Transportation	No
Department of Commerce	No
Department of Natural Resources	No
Department of Public Safety	No
Division of Emergency Management	No
Department of Tourism	No

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

Name of Partner



Dan C. Walker, CPA

Date

July 19, 2013

City of Superior, Wisconsin

Summary Schedule of Prior Audit Findings

Year Ended December 31, 2012

Financial Statement Findings:

2011-01 Segregation of Duties—See finding 2012-01.

2011-02 Financial Accounting and Reporting—See finding 2012-02.

2011-03 Material Adjustments—See finding 2012-03.

Federal and State Findings and Questioned Costs

None.