

PORTAGE COUNTY, WISCONSIN

ANNUAL FINANCIAL REPORT

DECEMBER 31, 2011

PORTAGE COUNTY, WISCONSIN
December 31, 2011

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INDEPENDENT AUDITORS' REPORT ON BASIC FINANCIAL STATEMENTS

To the County Board
Portage County, Wisconsin

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, the discretely presented component unit, and the aggregate remaining fund information of Portage County, Wisconsin ("the County") as of and for the year ended December 31, 2011, which collectively comprise the County's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Portage County's management. Our responsibility is to express opinions on these financial statements based on our audit. The prior year summarized comparative information has been derived from the County's 2010 financial statements and, in our report dated July 20, 2011, we expressed unqualified opinions on the respective financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America 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 of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the County's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our 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, the discretely presented component unit, and the aggregate remaining fund information of the County as of December 31, 2011, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparison for the general fund and the social improvement, county roads and bridges and sales tax special revenue funds for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note A.4.j, the County has implemented GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, for the year ended December 31, 2011.

In accordance with *Government Auditing Standards*, we have also issued our report dated July 23, 2012 on our consideration of the County's internal control over financial reporting and 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* and should be considered in assessing the results of our audit.



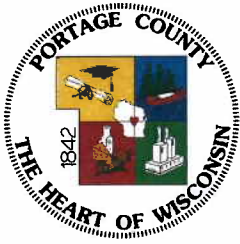
Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 9 and budgetary comparison information on pages 54 through 59 be presented to supplement the basic financial statements. Such information, although not a part 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 of America, 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.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Portage County, Wisconsin's financial statements as a whole. The combining fund financial statements are presented for purposes of additional analysis and are not a required part of the financial statements. The combining fund financial statements are the responsibility of management and were derived from and relate 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 of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.



Certified Public Accountants
Stevens Point, Wisconsin
July 23, 2012

MANAGEMENT'S DISCUSSION AND ANALYSIS



Portage County
Finance Department
1462 Strongs Avenue
Stevens Point, WI 54481

Management's Discussion and Analysis

December 31, 2011

As management of Portage County, we offer the readers of Portage County's financial statements this narrative overview and analysis of the financial activities of Portage County for the fiscal year ended December 31, 2011. We encourage readers to consider the information presented here in conjunction with the notes to the financial statements.

Financial Highlights

- The assets of the County exceeded the liabilities as of December 31, 2011 by \$161,763,164 (net assets). Of this amount, \$42,961,258 (unrestricted net assets) may be used to meet the County's ongoing obligations to citizens and creditors, \$23,332,612 are restricted for specific purposes (restricted net assets), and \$95,469,294 are invested in capital assets, net of related debt.
- The County's total net assets increased by \$6,519,631 primarily due to the issuance of general obligation notes to fund capital improvements, primarily county road and county facility improvements.
- As of December 31, 2011, the County's governmental funds reported combined fund balances of \$66,264,238, an increase of \$10,583,432 in comparison with the prior year. Approximately 19.9% or \$13,209,822 of the combined fund balance is unassigned and available for use at the County's discretion and in accordance with policies.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to Portage County's basic financial statements. Portage County's basic financial statements are comprised of 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 Portage County's finances, in a manner similar to a private-sector business.

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

The *statement of activities* presents information showing how the County's net assets changed during the most recent year. All changes in net assets 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 future fiscal periods. (e.g., earned but unused vacation leave.)

Both of the government-wide financial statements distinguish functions of the County 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 County include general government, public safety, public works, health and human services, culture and recreation, and conservation and development. The business-type activities of the County include highway operations, health care center, long term care services, and solid waste services.

The government-wide financial statements can be found on pages 10 - 12 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 County, 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 County can be divided into two 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*.

Portage County maintains thirteen (13) 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, social improvement, county roads and bridges, sales tax and debt service funds all of which are considered to be major funds. Data from the other eight (8) governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of combining statements elsewhere in this report.

Portage County adopts an annual appropriated budget for all its governmental funds. As part of the basic governmental fund financial statements, budgetary comparison statements have been provided for the general fund, social improvement fund, county roads and bridges fund and sales tax fund to demonstrate compliance with the budget.

The basic governmental fund financial statements can be found on pages 13 - 18 of this report.

Proprietary funds. The County maintains 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 County uses enterprise funds to account for the Health Care Center, Solid Waste, County Highway, and Long-term Care. *Internal service funds* are an accounting device used to accumulate and allocate costs internally among the County's various functions. The County uses internal service funds to account for its self funded health insurance, data processing, phone system, and self funded workers compensation. Because these services predominantly benefit governmental rather than business-type functions, they have been included within *governmental activities* in the government-wide financial statements.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the Health Care Center, Solid Waste, County Highway, and Long-term Care funds. All of the proprietary funds are considered to be major funds of the County. The four internal service funds are combined into a single, aggregated presentation in the proprietary fund financial statements. Individual fund data for the internal service funds is provided in the form of *combining statements* elsewhere in this report.

The basic proprietary fund financial statements can be found on pages 19 - 24 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 statements because the resources of those funds are not available to support the county's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds. The basic fiduciary fund financial statements can be found on page 25 of this report.

Notes to the basic financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 26 - 53 of this report.

Other information. The combining statements referred to earlier in connection with nonmajor governmental funds, nonmajor enterprise funds and internal service funds are presented immediately following the required supplementary information.

Government-wide Financial Analysis

Net assets. As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the County, assets exceeded liabilities by \$161,763,164 at the close of 2011.

Portage County's Net Assets (in thousands of dollars)						
	Governmental Activities		Business-type Activities		Totals	
	2011	2010	2011	2010	2011	2010
Current and other assets	\$ 104,835,291	\$ 93,167,981	\$ 6,232,126	\$ 5,876,782	\$ 111,067,417	\$ 99,044,763
Capital assets	86,153,058	85,829,549	10,541,236	11,060,109	96,694,294	96,889,658
Total Assets	190,988,349	178,997,530	16,773,362	16,936,891	207,761,711	195,934,421
Long-term liabilities						
outstanding	13,438,712	7,115,239	3,480,978	3,450,089	16,919,690	10,565,328
Other liabilities	27,074,831	27,316,858	2,004,026	2,808,702	29,078,857	30,125,560
Total Liabilities	40,513,543	34,432,097	5,485,004	6,258,791	45,998,547	40,690,888
Net Assets						
Invested in capital assets, net of related debt	84,928,058	81,354,549	9,155,592	9,465,103	94,083,650	90,819,652
Restricted	23,328,514	13,519,037	4,098	12,647	23,332,612	13,531,684
Unrestricted	42,218,234	49,691,847	2,128,668	1,200,350	44,346,902	50,892,197
Total Net Assets	\$ 150,474,806	\$ 144,565,433	\$ 11,288,358	\$ 10,678,100	\$ 161,763,164	\$ 155,243,533

By far the largest portion of the County's net assets (59%) reflects its investment in capital assets (e.g. land, buildings, machinery and equipment, infrastructure, etc.), less any related debt used to acquire those assets that are still outstanding. The County uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending. Although, the County'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.

An additional portion of the County's net assets (9%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of *unrestricted net assets* (\$50,892,197) may be used to meet the County's ongoing obligations to citizens and creditors.

Change in net assets. Governmental activities increased the County's net assets by \$5,909,373 thereby accounting for the total growth in net assets of the County. Key elements of this increase are as follows:

Portage County's Change in Net Assets (In thousands of dollars)						
	Governmental Activities		Business-type Activities		Totals	
	2011	2010	2011	2010	2011	2010
Revenues						
Program Revenues						
Charges for services	\$ 8,989,048	\$ 11,102,989	\$ 17,594,122	\$ 19,200,742	\$ 26,583,170	\$ 30,303,731
Operating grants and contributions	14,233,786	11,073,237	758,202	889,346	14,991,988	11,962,583
Capital grants and contributions	2,016,645	662,000	8,724	13,537	2,025,369	675,537
General Revenues						
Property taxes	23,733,133	23,619,414	1,528,765	1,530,448	25,261,898	25,149,862
Other taxes	5,160,552	5,004,539	-	-	5,160,552	5,004,539
Grants and contributions not restricted to specific programs	2,862,170	2,713,083	-	-	2,862,170	2,713,083
Other	1,638,692	2,500,489	177,242	157,472	1,815,934	2,657,961
Total Revenues	58,634,026	56,675,751	20,067,055	21,791,545	78,701,081	78,467,296
Expenses						
General government	10,157,640	9,097,695	-	-	10,157,640	9,097,695
Public safety	13,254,896	12,964,125	-	-	13,254,896	12,964,125
Public works	6,878,051	7,597,035	-	-	6,878,051	7,597,035
Health and human services	16,347,590	17,375,773	-	-	16,347,590	17,375,773
Culture and recreation	3,777,110	3,244,412	-	-	3,777,110	3,244,412
Conservation and development	2,115,419	3,014,077	-	-	2,115,419	3,014,077
Interest on long-term debt	193,947	313,691	-	-	193,947	313,691
Health care center	-	-	9,272,617	9,276,206	9,272,617	9,276,206
Solid waste	-	-	1,817,068	2,210,066	1,817,068	2,210,066
County highway	-	-	8,367,112	10,356,892	8,367,112	10,356,892
Total Expenses	52,724,653	53,606,808	19,456,797	21,843,164	72,181,450	75,449,972
Change in Net Assets	5,909,373	3,068,943	610,258	(51,619)	6,519,631	3,017,324
Prior year adjustment	-	(57,583)	-	-	-	(57,583)
Net Assets - January 1	144,565,433	141,554,073	10,678,100	10,729,719	155,243,533	152,283,792
Net Assets - December 31	\$ 150,474,806	\$ 144,565,433	\$ 11,288,358	\$ 10,678,100	\$ 161,763,164	\$ 155,243,533

