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**PORTAGE COUNTY, WISCONSIN**

**ANNUAL FINANCIAL REPORT**

**DECEMBER 31, 2012**

**PORTAGE COUNTY, WISCONSIN**  
December 31, 2012

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## INDEPENDENT AUDITORS' REPORT

To the County Board  
Portage County, Wisconsin

### Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Portage County, Wisconsin ("the County") as of and for the year ended December 31, 2012, and the related notes to the financial statements, which collectively comprise the County'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 of America; 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.

### Auditors' 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 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 involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' 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 County'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 County'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, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the County as of December 31, 2012, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

## **Emphasis of Matter**

As described in Note A.4.h, the County has implemented GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position* and GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, for the year ended December 31, 2012. Our opinions are not modified with respect to this matter.

As described in Note D.8., the County recorded a prior period adjustment of \$12,446,380 in the governmental funds statement of revenues, expenditures and changes in fund balance. This adjustment was to correct the presentation of the joint venture investment in the Central Wisconsin Airport. Our opinions are not modified with respect to this matter.

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 10 and budgetary comparison information on pages 58 through 61 be presented to supplement the basic financial statements. Such information, although not 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.

### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the County's basic financial statements. The financial information listed in the table of contents as supplementary information is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The supplementary information is the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

## **Report on Summarized Financial Information**

We have previously audited Portage County's 2011 financial statements, and our report dated July 23, 2012, expressed unmodified opinions on those 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. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2011, is consistent, in all material respects, with the audited financial statements from which it has been derived.

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

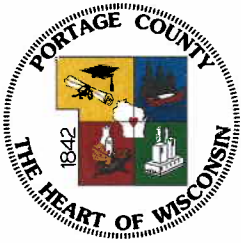
In accordance with *Government Auditing Standards*, we have also issued our report dated July 18, 2013, on our consideration of the County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other 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 County's internal control over financial reporting and compliance.



Certified Public Accountants  
Stevens Point, Wisconsin  
July 18, 2013

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## **MANAGEMENT'S DISCUSSION AND ANALYSIS**



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

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## **Management's Discussion and Analysis**

### **December 31, 2012**

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, 2012. 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 and deferred inflows of resources as of December 31, 2012 by \$163,965,466 (net position). Of this amount, \$51,419,144 (unrestricted net position) may be used to meet the County's ongoing obligations to citizens and creditors, \$21,222,377 are restricted for specific purposes (restricted net position), and \$91,323,945 is the net investment in capital assets.
- The County's total net position increased by \$2,202,302 primarily due actual general fund expenditures being less than budgeted expenditures by \$2,796,920 with positive variances across all categories.
- As of December 31, 2012, the County's governmental funds reported combined fund balances of \$52,168,227, a decrease of \$14,096,011 in comparison with the prior year. Approximately 23% or \$12,004,366 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 position* presents information on all of Portage County's assets, liabilities and deferred inflows and outflows of resources, with the difference 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 Portage County is improving or deteriorating.

The *statement of activities* presents information showing how the County's net position changed during the most recent 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 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 11 - 13 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 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*.

Portage County maintains thirteen (12) 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, and capital improvement fund, 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 14 - 19 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 and County Highway. *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, information technology, 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 and County Highway 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 20 - 25 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 26 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 27 - 57 of this report.

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

**Government-wide Financial Analysis**

**Net Position.** As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the County, assets exceeded liabilities and deferred inflows of resources by \$163,965,466 at the close of 2012.

Portage County's Net Assets (in thousands of dollars)						
	Governmental Activities		Business-type Activities		Totals	
	2012	2011	2012	2011	2012	2011
Current and other assets	\$ 101,294,803	\$ 104,835,291	\$ 7,049,186	\$ 6,232,126	\$ 108,343,989	\$ 111,067,417
Capital assets	88,801,744	86,153,058	9,522,201	10,541,236	98,323,945	96,694,294
<b>Total Assets</b>	<b>190,096,547</b>	<b>190,988,349</b>	<b>16,571,387</b>	<b>16,773,362</b>	<b>206,667,934</b>	<b>207,761,711</b>
Long-term liabilities						
outstanding	9,846,451	13,438,712	3,155,724	3,480,978	13,002,175	16,919,690
Other liabilities	3,815,917	3,503,109	981,561	838,956	4,797,478	4,342,065
<b>Total Liabilities</b>	<b>13,662,368</b>	<b>16,941,821</b>	<b>4,137,285</b>	<b>4,319,934</b>	<b>17,799,653</b>	<b>21,261,755</b>
Deferred Inflows of Resources	23,910,931	23,571,722	991,884	1,165,070	24,902,815	24,736,792
Net Position						
Net investment in						
capital assets	81,801,744	84,928,058	9,522,201	9,155,592	91,323,945	94,083,650
Restricted	21,218,279	23,328,514	4,098	4,098	21,222,377	23,332,612
Unrestricted	49,503,225	42,218,234	1,915,919	2,128,668	51,419,144	44,346,902
<b>Total Net Position</b>	<b>\$ 152,523,248</b>	<b>\$ 150,474,806</b>	<b>\$ 11,442,218</b>	<b>\$ 11,288,358</b>	<b>\$ 163,965,466</b>	<b>\$ 161,763,164</b>

By far the largest portion of the County's net position (56%) 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 position (13%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of *unrestricted net position* (\$51,419,144) may be used to meet the County's ongoing obligations to citizens and creditors.

