

**PORTAGE COUNTY, WISCONSIN**  
**ANNUAL FINANCIAL REPORT**  
**DECEMBER 31, 2015**

**PORTAGE COUNTY, WISCONSIN**  
December 31, 2015

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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, each major fund, and the aggregate remaining fund information of Portage County, Wisconsin ("the County") as of and for the year ended December 31, 2015, 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 auditors consider 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, each major fund, and the aggregate remaining fund information of the County as of December 31, 2015, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparison for the General Fund, the Social Improvement Special Revenue Fund, and the County Roads and Bridges Special Revenue Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Emphasis of Matter***

As discussed in Note D.5, the County implemented GASB Statement No. 68, *Accounting and Financial Reporting for Pensions - An Amendment of GASB Statement No. 27* and Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date - An Amendment of GASB Statement No. 68*. Our opinions are not modified with respect to this matter.

### ***Other Matters***

#### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 10 and the schedules relating to pensions on pages 61 and 62 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 relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States 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 2014 financial statements, and our report dated September 14, 2015, expressed unmodified opinions on those respective financial statements of the governmental activities, the business-type activities, 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, 2014, 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 September 26, 2016, 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  
Wausau, Wisconsin  
September 26, 2016

## **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, 2015**

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, 2015. We encourage readers to consider the information presented here in conjunction with the notes to the financial statements.

**Financial Highlights**

- The assets and deferred outflows of resources of the County exceeded the liabilities and deferred inflows of resources as of December 31, 2015 by \$191,324,602 (net position). Of this amount, \$47,098,520 (unrestricted net position) may be used to meet the County's ongoing obligations to citizens and creditors, \$32,239,527 are restricted for specific purposes (restricted net position), and \$111,986,555 is the net investment in capital assets.
- The County's total net position increased by \$3,732,159 primarily due increased sales tax revenue, department budget savings, continuation of highway infrastructure projects, reduction of long-term obligations, and growth in the County's investment in Central Wisconsin Airport. A cumulative effect of change in accounting principle due to the implementation of GASB Statement No. 68 and GASB Statement No. 71 increased net position by an additional \$9,789,100.
- As of December 31, 2015, the County's governmental funds reported combined fund balances of \$48,680,166, a decrease of \$1,674,895 in comparison with the prior year. Approximately 24% or \$11,634,842 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, 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 (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, debt service, 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, and county roads and bridges fund to demonstrate compliance with the budget.

The basic governmental fund financial statements can be found on pages 14 - 22 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 23 - 28 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 29 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 30 - 60 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 and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$191,324,602 at the close of 2015.

	Portage County's Net Position					
	Governmental Activities		Business-type Activities		Totals	
	2015	2014	2015	2014	2015	2014
Current and other assets	\$ 109,063,233	\$ 104,210,778	\$ 9,097,304	\$ 7,541,629	\$ 118,160,537	\$ 111,752,407
Capital assets	108,338,680	107,933,837	8,472,982	8,698,339	116,811,662	116,632,176
Total Assets	217,401,913	212,144,615	17,570,286	16,239,968	234,972,199	228,384,583
Deferred Outflows of Resources	3,963,166	-	1,095,625	-	5,058,791	-
Long-term liabilities						
outstanding	13,050,137	15,421,269	2,847,960	3,000,059	15,898,097	18,421,328
Other liabilities	5,244,645	4,974,259	915,473	1,156,760	6,160,118	6,131,019
Total Liabilities	18,294,782	20,395,528	3,763,433	4,156,819	22,058,215	24,552,347
Deferred Inflows of Resources	25,988,405	25,452,541	659,768	576,352	26,648,173	26,028,893
Net Position						
Net investment in						
capital assets	103,513,573	101,454,818	8,472,982	8,698,339	111,986,555	110,153,157
Restricted	30,141,433	21,214,052	2,098,094	4,098	32,239,527	21,218,150
Unrestricted	43,426,886	43,627,676	3,671,634	2,804,360	47,098,520	46,432,036
Total Net Position	\$ 177,081,892	\$ 166,296,546	\$ 14,242,710	\$ 11,506,797	\$ 191,324,602	\$ 177,803,343

By far the largest portion of the County's net position (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 position (17%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of *unrestricted net position* (\$47,098,520) may be used to meet the County's ongoing obligations to citizens and creditors.

**Change in net position.** Governmental activities increased the County's net position by \$3,229,326 thereby accounting for 87% of the total growth in net position of the County. A cumulative effect of change in accounting principle due to the implementation of GASB 68 and 71 increased total net position by an additional \$9,879,100. Key elements of this increase are as follows:

Portage County's Change in Net Position						
	Governmental Activities		Business-type Activities		Totals	
	2015	2014	2015	2014	2015	2014
<b>Revenues</b>						
<b>Program Revenues</b>						
Charges for services	\$ 9,840,994	\$ 11,302,086	\$ 19,691,191	\$ 21,593,292	\$ 29,532,185	\$ 32,895,378
Operating grants and contributions	13,417,635	12,262,013	872,779	690,812	14,290,414	12,952,825
Capital grants and contributions	396,482	-	87,984	28,102	484,466	28,102
<b>General Revenues</b>						
Property taxes	25,409,002	25,020,513	576,352	642,683	25,985,354	25,663,196
Other taxes	6,138,410	5,784,929	-	-	6,138,410	5,784,929
Grants and contributions not restricted to specific programs	2,383,670	2,440,806	-	-	2,383,670	2,440,806
Other	1,148,810	3,739,095	67,278	256,661	1,216,088	3,995,756
<b>Total Revenues</b>	<b>58,735,003</b>	<b>60,549,442</b>	<b>21,295,584</b>	<b>23,211,550</b>	<b>80,030,587</b>	<b>83,760,992</b>
<b>Expenses</b>						
General government	9,386,607	9,010,482	-	-	9,386,607	9,010,482
Public safety	14,510,231	15,292,200	-	-	14,510,231	15,292,200
Public works	9,129,752	8,406,678	-	-	9,129,752	8,406,678
Health and human services	17,319,375	17,378,816	-	-	17,319,375	17,378,816
Culture and recreation	3,343,263	3,734,076	-	-	3,343,263	3,734,076
Conservation and development	1,671,892	1,841,935	-	-	1,671,892	1,841,935
Interest on long-term debt	144,557	341,771	-	-	144,557	341,771
Health care center	-	-	8,364,983	9,436,001	8,364,983	9,436,001
Solid waste	-	-	2,179,248	1,941,266	2,179,248	1,941,266
County highway	-	-	10,248,520	12,287,286	10,248,520	12,287,286
<b>Total Expenses</b>	<b>55,505,677</b>	<b>56,005,958</b>	<b>20,792,751</b>	<b>23,664,553</b>	<b>76,298,428</b>	<b>79,670,511</b>
<b>Change in Net Position</b>	<b>3,229,326</b>	<b>4,543,484</b>	<b>502,833</b>	<b>(453,003)</b>	<b>3,732,159</b>	<b>4,090,481</b>
<b>Cumulative effect of change in accounting principle</b>	<b>7,556,020</b>	<b>-</b>	<b>2,233,080</b>	<b>-</b>	<b>9,789,100</b>	<b>-</b>
<b>Net Position - January 1</b>	<b>166,296,546</b>	<b>161,753,062</b>	<b>11,506,797</b>	<b>11,959,800</b>	<b>177,803,343</b>	<b>173,712,862</b>
<b>Net Position - December 31</b>	<b>\$ 177,081,892</b>	<b>\$ 166,296,546</b>	<b>\$ 14,242,710</b>	<b>\$ 11,506,797</b>	<b>\$ 191,324,602</b>	<b>\$ 177,803,343</b>