STATE OF
WISCONSIN

General Purpose External Financial Statements

For the fiscal year ended June 30, 2015

Scott Walker, Governor

Department of Administration
Scott A. Neitzel, Secretary
Jeffery C. Anderson, Deputy State Controller

Prepared by the State Controller's Office

Table of Contents

	Page
Letter of Transmittal	1
Auditor's Report	3
General Purpose External Financial Statements:	
Management's Discussion and Analysis	7
Basic Financial Statements:	
Statement of Net Position	23
Statement of Activities	24
Balance Sheet - Governmental Funds	26
Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	28
Statement of Net Position - Proprietary Funds	30
Statement of Revenues, Expenses, and Changes in Fund Net Position - Proprietary Funds	32
Statement of Cash Flows - Proprietary Funds	34
Statement of Fiduciary Net Position	38
Statement of Changes in Fiduciary Net Position	39
Notes to the Financial Statements Index	40
Notes to the Financial Statements	42
Required Supplementary Information:	
Postemployment Benefits - State Health Insurance Program	133
State's Proportionate Share of Net Pension Liability or Net Pension (Asset)	134
State's Pension Contributions	135
Infrastructure Assets Reported Using the Modified Approach	136
Budgetary Comparison Schedule - General Fund	138
Budgetary Comparison Schedule - Transportation Fund	139
Notes to Required Supplementary Information	140

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December 17, 2015

The Honorable Scott Walker
The Honorable Members of the Legislature
Citizens of the State of Wisconsin

We are pleased to submit the General Purpose External Financial Statements of the State of Wisconsin for the fiscal year ended June 30, 2015. They are part of the audited Comprehensive Annual Financial Report and present financial information in conformity with generally accepted accounting principles.

The General Purpose External Financial Statements include management's discussion and analysis (MD&A), the basic financial statements, and required supplementary information (RSI).

- MD&A presents a discussion and analysis of the State's financial performance during the fiscal year.
- The basic financial statements include an overview of the government as a whole (excluding the State's fiduciary activities) as well as detailed information on all governmental, proprietary, and fiduciary fund activity. Notes, which are considered part of the basic financial statements, provide additional information and should be used in conjunction with the financial statements.
- RSI includes information on post-employment health insurance benefits, the State's proportionate share of the net pension asset, the State's pension contribution, infrastructure and the budgetary comparison schedule with accompanying notes.

The General Purpose External Financial Statements, as well as the Comprehensive Annual Financial Report, are on file at the office of the State Controller and will benefit users requiring summary information about our State's finances. The Comprehensive Annual Financial Report is available on the Department of Administration's website.

Sincerely,

Scott Neitzel
Secretary

Jeffery C. Anderson, CPA
Deputy State Controller

FORWARD

STATE OF WISCONSIN
Legislative Audit Bureau

Celebrating 50 Years of Service 1966-2016

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Joe Chrisman
State Auditor

Independent Auditor's Report on the Financial Statements and Other Reporting Required by *Government Auditing Standards*

Honorable Members of the Legislature The Honorable Scott Walker, Governor

Report on the Financial Statements

We have audited the accompanying financial statements and the related notes of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the State of Wisconsin, which collectively comprise the State's basic financial statements, as of and for the year ended June 30, 2015, as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management of the State of Wisconsin 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.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements for the following: the Environmental Improvement Fund, which is a major fund and represents 18 percent of the assets and 17 percent of the liabilities of the business-type activities; and the College Savings Program Trust, which represents 4 percent of the assets of the aggregate remaining fund information. Those financial statements were audited by other auditors whose reports have been furnished to us, and our opinions, insofar as they relate to the amounts included for these programs, are based solely on the reports of the other auditors. In addition, we did not audit the financial statements of the discretely presented component units. Our opinion on the aggregate discretely presented component units is based solely upon audit reports, prepared by other auditors and furnished to us, of the Wisconsin Housing and Economic Development Authority, the University of Wisconsin Hospitals and Clinics Authority, and the University of Wisconsin Foundation.

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*, which is 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. The financial statements for the following were audited by other auditors in accordance with these standards: the Environmental Improvement Fund, the College Savings Program Trust, the Wisconsin Housing and Economic Development Authority, and the University of Wisconsin Hospitals and Clinics Authority. The financial statements of the University of Wisconsin Foundation were audited by other auditors in accordance with auditing standards generally accepted in the United States of America, but not in accordance with *Government Auditing Standards.*

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 State'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 State's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of the 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 opinions on these financial statements.

Opinions

In our opinion, based on our audit and the reports of other auditors, the financial statements referred to in the first paragraph present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the State of Wisconsin as of June 30, 2015, and the respective changes in financial position and, where applicable, cash flows for the fiscal year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphases of Matter

As discussed in Note 1C to the basic financial statements, the State implemented Governmental Accounting Standards Board (GASB) Statement Number 68, *Accounting and Financial Reporting for Pensions—an amendment of GASB Statement No. 27*, and GASB Statement Number 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date—an amendment of GASB Statement No. 68*. These statements revise accounting and financial reporting for pensions by state and local government employers. Our opinions are not modified with respect to this matter.

As discussed in Note 20C to the basic financial statements, the Injured Patients and Families Compensation Fund's loss liabilities related to medical malpractice claims are estimates based on recommendations of a consulting actuary. The Fund's Board of Governors and management believe the estimated loss liabilities are reasonable and represent the most probable estimate of the losses the Fund will pay for the claims incurred to date. However, there are inherent uncertainties in estimating the medical malpractice loss liabilities because of the Fund's unlimited liability coverage for economic damages, as well as the extended reporting and settlement periods. These uncertainties make it likely that amounts paid will ultimately differ

from the reported estimated loss liabilities. These differences cannot be quantified. Our opinion for this Fund is 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, the schedule of funding progress for the state retiree health insurance postemployment benefit plan, the schedule of the State's proportionate share of the net pension liability or asset, the schedule of the State's pension contributions, the infrastructure narrative, and the budgetary comparison schedule with related notes, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by GASB, which considers this information to be essential for placing the basic financial statements in an appropriate operational, economic, or historical context. In accordance with auditing standards generally accepted in the United States of America, we have applied certain limited procedures to the required supplementary information that included inquiries of management about the methods of preparing the information. We further compared 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 do so.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we will also issue a report dated December 17, 2015, on our consideration of the State's internal control over financial reporting; 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 used when considering the State's internal control over financial reporting and compliance.

LEGISLATIVE AUDIT BUREAU

Joe Chrisman
State Auditor

December 17, 2015

FORWARD

MANAGEMENT'S DISCUSSION AND ANALYSIS

The *Management's Discussion and Analysis* of the State of Wisconsin's Comprehensive Annual Financial Report (CAFR) presents a discussion and analysis of the State's financial performance during the fiscal year that ended June 30, 2015. It should be read in conjunction with the transmittal letter located at the front of this CAFR, and the State's financial statements, including the note disclosures which are an integral part of the statements, that follow this part of the CAFR.

FINANCIAL HIGHLIGHTS -- PRIMARY GOVERNMENT

Government-wide (Tables 2 and 3 on Pages 10 and 11)

- *Net Position.* The assets plus deferred outflows of resources of the State of Wisconsin exceeded its liabilities plus deferred inflows of resources at the close of Fiscal Year 2015 by $22.0 billion (reported as "net position"). Of this amount, $(8.6) billion was reported as "unrestricted net position". A positive balance in unrestricted net position would represent the amount available to be used to meet a government's ongoing obligations to citizens and creditors.
- *Changes in Net Position.* The State's total net position increased by $1.3 billion in Fiscal Year 2015. Net position of governmental activities increased by $589.1 million or 11.7 percent, while net position of the business-type activities showed an increase of $721.0 million or 13.8 percent.
- *Excess of Revenues over (under) Expenses -- Governmental Activities.* During Fiscal Year 2015, the State's total revenues for governmental activities of $28.2 billion were $1.7 billion more than total expenses (excluding transfers) for governmental activities of $26.5 billion. Of these expenses, $11.9 billion were covered by program revenues. General revenues, generated primarily from various taxes, totaled $16.3 billion.

Fund

- *Governmental Funds -- Fund Balances.* As of the close of Fiscal Year 2015, the State's governmental funds reported combined ending fund balances of $(438.0) million, a decrease of $527.3 million in comparison with the prior year. Of this total amount, $(3.3) billion represents the unassigned fund balances.
- *General Fund -- Fund Balance*. At the end of the current fiscal year, total fund balance was $(1.8) billion, a change of $(413.7) million from a deficit of $(1.4) billion reported in the prior year. The unassigned fund deficit for the General Fund was $(2.4) billion, or (10.5) percent of total General Fund expenditures.

Additional information regarding individual funds begins on Page 15.

Long-term Debt

- The State's total long-term debt obligations (bonds and notes payable) increased by $3.6 million during the current fiscal year which represents the net difference between new issuances, payments and refundings of outstanding debt. Increases in debt resulted from new borrowings in excess of repayments of existing debt. During the year issuances of new general obligations exceeded repayments and refundings of debt by $188.6 million. Offsetting that increase, revenue bond repayments exceeded new issuances by $121.3 million and annual appropriation bonds totaling $63.6 million were repaid. Additional detail regarding these activities begins on Page 20.

OVERVIEW OF THE FINANCIAL STATEMENTS

The Financial Section of this CAFR consists of four parts: (1) **management's discussion and analysis** (this section), (2) **basic financial statements**, (3) additional **required supplementary information,** and (4) optional **other supplementary information.** Parts (2), (3), and (4) are briefly described on the following pages:

Basic Financial Statements

The basic financial statements include two sets of statements that present different views of the State -- the ***government-wide financial statements*** and the ***fund financial statements***. These financial statements also include notes that explain some of the information in the financial statements and provide more detail.

- The *government-wide financial statements* provide a broad view of the State's operations. The statements provide both short-term and long-term information about the State's financial status, which assists in assessing the State's financial condition at the end of the fiscal year.

- The *fund financial statements* focus on individual parts of the State government, reporting the State's operations in greater detail than the government-wide statements. The basic fund financial statements provide more detailed information on the State's most significant funds.

Table 1, below, summarizes the major features of the financial statements.

Table 1
Major Features of State of Wisconsin's Government-wide and Fund Financial Statements

	GOVERNMENT-WIDE STATEMENTS	FUND STATEMENTS		
		Governmental Funds	**Proprietary Funds**	**Fiduciary Funds**
Scope	Entire State government (except fiduciary funds) and the State's component units, reported as follows: • *Governmental Activities* – Most services generally associated with State government fall into this category, including commerce, education, transportation, environmental resources, human relations and resources, general executive, judicial and legislative. • *Business-Type Activities* – Those operations for which a fee is charged to external users for goods and services are reported in this category. • *Discretely Presented Component Units* – These are operations for which the State has financial accountability but that have certain independent qualities. The State's discretely presented component units are discussed in Note 1-B to the financial statements.	These funds report activities of the State that are not proprietary or fiduciary in nature. Most of the basic services provided by the State, which are primarily financed through taxes, intergovernmental revenues, and other nonexchange revenues, are reported as governmental funds. Examples of the State's governmental funds (including the State's three major governmental funds), as reported within their respective fund types, follow: • *General Fund* (major fund) • *Special Revenue:* -- Transportation (major fund) • *Debt Service:* -- Bond Security and Redemption • *Capital Projects:* -- Capital Improvement (major fund) • *Permanent:* -- Common School	The activities the State operates similar to private business. These funds are used to show activities that operate more like those of commercial enterprises. Fees are charged for services provided, both to outside customers and to other units of the State. Examples of the State's proprietary funds, including the State's four major enterprise funds, follow: • *Enterprise:* -- Injured Patients and Families Compensation (major fund) -- Environmental Improvement (major fund) -- University of Wisconsin System (major fund) -- Unemployment Reserve (major fund) -- Lottery • *Internal services:* -- Technology Services -- Facilities Operations and Maintenance	These funds are used to show assets held by the State as trustee or agent for others and cannot be used to support the State's own programs. Examples of the State's fiduciary funds, as reported within their respective fund types, follow: • *Pension and Other Employee Benefit Trust Funds:* -- Wisconsin Retirement System • *Investment Trust:* -- Local Government Pooled Investment • *Private Purpose Trust:* -- College Savings Program Trust • *Agency:* -- Support Collection Trust
Required financial statements	• Statement of net position – Presents all of the government's assets and deferred outflows of resources, and liabilities and deferred inflows of resources, with the difference between the two reported as "net position". Over time, increases or decreases in the state's net position is an indicator of whether its financial health is improving or weakening, respectively. • Statement of activities – Presents a comparison between direct expenses and program revenues for each function of the State's governmental activities and for different identifiable business-type activities of the State.	• Balance sheet • Statement of revenues, expenditures, and changes in fund balances	• Statement of net position • Statement of revenues, expenses and changes in fund net position • Statement of cash flows	• Statement of fiduciary net position • Statement of changes in fiduciary net position Because the State cannot use these assets to finance its operations, fiduciary funds are not included in the government-wide financial statements discussed in the left column.

(Table 1, continued)

Table 1 (Continued)
Major Features of State of Wisconsin's Government-wide and Fund Financial Statements

	GOVERNMENT-WIDE STATEMENTS	FUND STATEMENTS		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
Accounting basis and measurement focus	Accrual accounting and economic resource focus The accrual basis of accounting, which is similar to the methods used by most businesses, takes into account all revenues and expenses associated with the fiscal year even if cash involved has not been received or paid.	Modified accrual accounting and current financial resource focus These statements provide a detailed short-term view of the State's finances that assists in determining whether there will be adequate financial resources available to meet the current needs of the State. Because this information does not encompass the long-term focus of the government-wide statements, reconciliations are provided on the subsequent page of the governmental fund statements.	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset, deferred outflows of resources, liability, deferred inflows of resources information	All assets and liabilities, both financial and capital, and short-term and long-term. Deferred inflows/outflows of resources reported only in limited instances as required by GASB standards.	Only assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets included	All assets and liabilities, both financial and capital, and short-term and long-term	All assets and liabilities, both short-term and long-term
Type of inflow-outflow information	All revenues and expenses during the year, regardless of when cash is received or paid	• Revenues for which cash is received during or soon after the end of the year • Expenditures when goods or services have been received and payment is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid	All revenues and expenses during the year, regardless of when cash is received or paid

Additional Required Supplementary Information

In addition to this Management's Discussion and Analysis, which is required supplementary information, the basic financial statements are followed by a section of required supplemental information that further explains and supports the information in the financial statements. The required supplementary information includes:

- Postemployment Benefits - State Health Insurance Program,
- State's Proportionate Share of the Net Pension Liability or Net Pension Asset,
- State's Pension Contributions,
- Infrastructure Assets Reported Using the Modified Approach, and
- Budgetary Comparison Schedule of the General and the Transportation funds (includes reconciliations between the statutory and GAAP fund balances at fiscal year-end).

Other Supplementary Information

The Other Supplementary Information includes combining financial statements for nonmajor governmental funds, nonmajor enterprise funds, internal service funds and fiduciary funds, each of which are added together and presented in single columns in the basic financial statements.

FINANCIAL ANALYSIS OF THE STATE AS A WHOLE

Tables 2 and 3 present summary information of the State's net position and changes in net position.

Net Position

As presented in Table 2, total assets of the State on June 30, 2015 were $43.6 billion and deferred outflows of resources were $941.8 million, while total liabilities were $22.6 billion and deferred inflows of resources were $31.1 million, resulting in combined net position (government and business-type activities) of $22.0 billion. The largest component of the State's total net position consists of $22.6 billion invested in capital assets (i.e., land, buildings, equipment, infrastructure, and others), less any related debt outstanding that was needed to acquire or construct the assets. Approximately $7.9 billion of net position was restricted by external sources or the State Constitution or Statutes, and was not available to finance the day-to-day operations of the State.

The unrestricted net position, which, if positive, could be used at the State's discretion, showed a negative balance of $(8.6) billion. Therefore, based on this measurement, no funds were available for discretionary purposes. A contributing factor to the negative balance is that governments recognize a liability on the government-wide statement of net position as soon as an obligation is incurred. While financing focuses on when a liability will be paid, accounting is primarily concerned with when a liability is incurred. Accordingly, the State recognizes long-term liabilities (such as general obligation debt, compensated absences, and future benefits and loss liabilities – listed in Note 10 to the financial statements) on the statement of net position. In addition to the effect of reporting long-term liabilities when incurred, the General Fund's total deficit fund balance of $(1.8) billion at year-end, as discussed on Page 15, also contributed to the deficit unrestricted net position reported in the statement of net position.

During Fiscal Year 2015, the State issued $1.5 billion of general obligation bonds, as well as $279.8 million of general obligation long term notes and $105.1 million of general obligation commercial paper, primarily for the acquisition or improvement of land, water, property, highways, buildings, and equipment. At June 30, 2015 general obligation bonds and long term general obligation notes outstanding totaled $7.4 billion, outstanding annual appropriation bonds were $3.1 billion, and outstanding revenue bonds, which are not considered general obligation debt of the State, totaled $3.0 billion.

Table 2
Net Position
(in millions)

	Governmental Activities		Business-type Activities		Total		Total Percentage Change
	2015	2014*	2015	2014*	2015	2014*	2015-2014
Current and Other Assets	$ 6,313.1	$ 6,281.5	$ 8,722.9	$ 7,815.9	$ 15,036.0	$ 14,097.4	6.7 %
Capital Assets	22,364.9	21,236.8	6,235.1	6,216.1	28,600.0	27,453.0	4.2
Total Assets	28,678.0	27,518.3	14,958.0	14,032.1	43,636.1	41,550.3	5.0
Deferred Outflows of Resources	569.7	247.9	372.1	78.6	941.8	326.4	188.5
Long-term Liabilities	11,794.0	11,651.9	3,752.3	3,893.2	15,546.3	15,545.1	0.0
Other Liabilities	6,214.6	6,060.2	826.3	775.7	7,041.0	6,836.0	3.0
Total Liabilities	18,008.6	17,712.2	4,578.6	4,668.9	22,587.2	22,381.1	0.9
Deferred Inflows of Resources	21.3	11.6	9.7	0.6	31.1	12.2	
Net Position:							
Net investment In Capital Assets	18,051.7	17,185.2	4,566.1	4,540.4	22,617.8	21,725.5	4.1
Restricted	2,602.0	1,622.7	5,312.4	4,120.9	7,914.4	5,743.6	37.8
Unrestricted (deficit)	(9,436.0)	(8,765.5)	863.4	779.9	(8,572.6)	(7,985.7)	7.3
Total Net Position	$ 11,217.7	$ 10,042.3	$ 10,741.8	$ 9,441.1	$ 21,959.6	$ 19,483.5	12.7

* Amounts for the prior fiscal year include restatements of prior year's balances, except for those related to the implementation of GASB Statement No. 68.

Changes in Net Position

The revenues and expenses information, as shown in Table 3, was derived from the government-wide statement of activities and reflects how the State's net position changed during the fiscal year. The State earned program revenues of $19.4 billion and general revenues of $16.3 billion for total revenues of $35.7 billion during Fiscal Year 2015. Expenses for the State during Fiscal Year 2015 were $34.4 billion. As a result of the excess of revenues over expenses, the total net position of the State increased $1.3 billion, net of contributions and transfers.

Table 3
Changes in Net Position
(in millions)

	Governmental Activities		Business-type Activities		Total Primary Government		Total Percentage Change
	2015	2014*	2015	2014*	2015	2014*	2015-2014
Program Revenues:							
Charges for Services	$ 2,258.8	$ 2,309.9	$ 6,974.1	$ 7,051.0	$ 9,232.9	$ 9,360.9	(1.4) %
Operating Grants and Contributions	8,798.9	8,743.3	441.8	711.3	9,240.7	9,454.6	(2.3)
Capital Grants and Contributions	862.3	730.0	37.8	54.4	900.1	784.4	14.7
General Revenues:							
Income Taxes	8,355.7	8,369.7	-	-	8,355.7	8,369.7	(0.2)
Sales and Excise Taxes	5,590.9	5,322.6	-	-	5,590.9	5,322.6	5.0
Public Utility Taxes	368.9	351.7	-	-	368.9	351.7	4.9
Motor Fuel Taxes	1,067.8	1,053.5	-	-	1,067.8	1,053.5	1.4
Other Taxes	477.7	471.1	-	-	477.7	471.1	1.4
Other General Revenues	417.2	386.0	4.4	22.0	421.6	408.0	3.3
Total Revenues	28,198.0	27,737.8	7,458.1	7,838.8	35,656.1	35,576.5	0.2
Program Expenses:							
Commerce	265.4	249.5	-	-	265.4	249.5	6.4
Education	7,068.6	6,405.0	-	-	7,068.6	6,405.0	10.4
Transportation	2,156.8	2,045.5	-	-	2,156.8	2,045.5	5.4
Environmental Resources	468.1	432.1	-	-	468.1	432.1	8.3
Human Relations and Resources	13,083.7	12,599.8	-	-	13,083.7	12,599.8	3.8
General Executive	553.7	594.8	-	-	553.7	594.8	(6.9)
Judicial	127.3	123.6	-	-	127.3	123.6	3.0
Legislative	64.4	63.8	-	-	64.4	63.8	1.1
Tax Relief and Other General Expenditures	1,317.3	1,350.6	-	-	1,317.3	1,350.6	(2.5)
Intergovernmental - Shared Revenue	964.1	960.9	-	-	964.1	960.9	0.3
Interest on Long-term Debt	455.5	487.5	-	-	455.5	487.5	(6.6)
Injured Patients and Families Compensation	-	-	(88.6)	(13.4)	(88.6)	(13.4)	561.7
Environmental Improvement	-	-	48.5	50.0	48.5	50.0	(3.0)
University of Wisconsin System	-	-	4,725.6	4,674.5	4,725.6	4,674.5	1.1
Unemployment Reserve	-	-	628.4	931.1	628.4	931.1	(32.5)
Lottery	-	-	581.2	570.9	581.2	570.9	1.8
Health Insurance	-	-	1,361.7	1,289.7	1,361.7	1,289.7	5.6
Care and Treatment Facilities	-	-	370.8	351.6	370.8	351.6	5.4
Other Business-type	-	-	209.4	194.0	209.4	194.0	7.9
Total Expenses	26,525.1	25,313.1	7,837.0	8,048.5	34,362.1	33,361.6	3.0
Excess (deficiency) before Contributions and Transfers	1,673.0	2,424.7	(379.0)	(209.7)	1,294.0	2,215.0	
Contributions to Term and Permanent Endowments	-	-	4.0	3.1	4.0	3.1	
Contributions to Permanent Fund Principal	12.1	17.3	-	-	12.1	17.3	
Transfers	(1,096.0)	(961.0)	1,096.0	961.0	-	-	
Increase (decrease) in Net Position	589.1	1,481.0	721.0	754.3	1,310.2	2,235.3	
Net Position - Beginning (Prior Year Ending)	10,042.3	8,561.3	9,441.1	8,686.8	19,483.5	17,248.1	
Effect of Implementation of GASB Statement No. 68	586.3	-	579.7	-	1,166.0	-	
Net Position - Beginning (Restated)	10,628.6	8,561.3	10,020.8	8,686.8	20,649.4	17,248.1	
Net Position - Ending	$ 11,217.7	$ 10,042.3	$ 10,741.8	$ 9,441.1	$ 21,959.6	$ 19,483.5	12.7

* Amounts for the prior fiscal year include restatements of prior year's balances, except for those related to the implementation of GASB Statement No. 68.

Governmental Activities

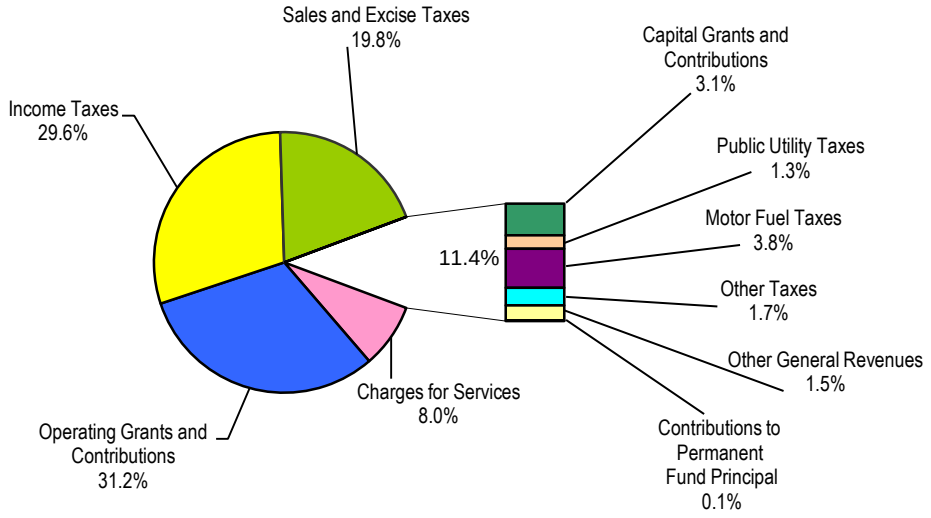
The net position of governmental activities increased $589.1 million in Fiscal Year 2015. Revenues for the governmental activities (including contributions to permanent fund principal) totaled $28.2 billion, while expenses and net transfers totaled $27.6 billion in Fiscal Year 2015.

General and program revenues of governmental activities increased $460.3 million during this fiscal year. Tax revenues increased $292.4 million primarily due to enhanced sales and excise taxes of $268.3 million. Public utility, motor fuel, and other taxes also increased $17.2 million, $14.3 million, and $6.6 million, respectively, while income taxes decreased $14.0 million. In addition, capital grants and operating grants increased $132.3 million and $55.6 million, respectively. Offsetting those increases was a decrease of $51.1 million in charges for services.

The State's governmental activities program expenses increased $1.2 billion during Fiscal Year 2015. Contributing to the increase were education and human relations and resources expenses, which increased $663.6 million and $483.9 million respectively. Education expenses increased because of additional aid payments. Human relations and resources expenses increased because of increased medical assistance payments. Transportation, environmental resources, and commerce expenses increased $111.3 million, $36.0 million, and $15.9 million, respectively. Conversely, general executive, tax relief and other general, and interest expenses decreased $41.2 million, $33.3 million and $31.9 million, respectively.

As shown in Table 4, below, approximately 56.2 percent of revenues from all sources earned came from taxes (sales and excise, income, public utility, motor fuel, and other taxes). Operating grants and contributions represent amounts received from other governments/entities – primarily the federal government. Operating grants and contributions for non-capital purposes provided 31.2 percent of total revenues. Capital grants provided 3.1 percent, charges for services contributed 8.0 percent, and various other revenues provided 1.5 percent of the remaining governmental activity revenue sources.

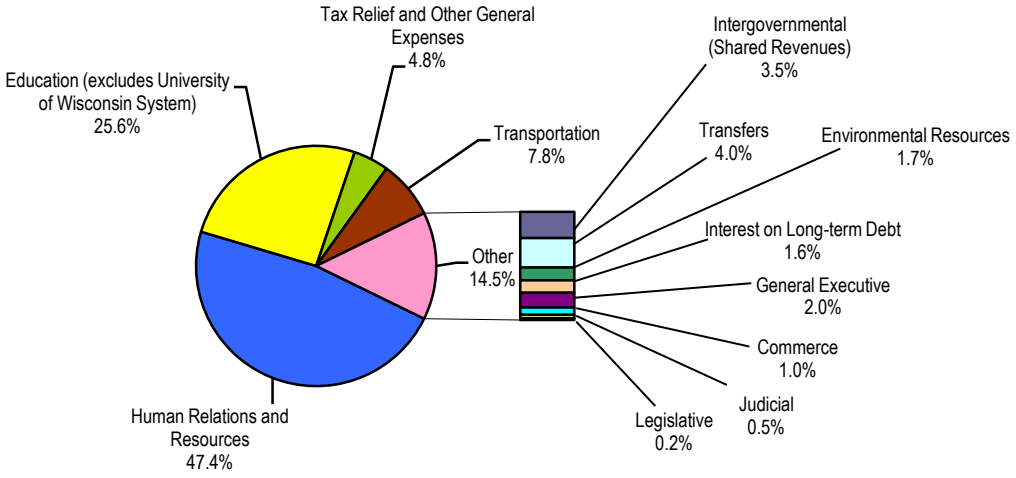
Table 4
Governmental Activities - 2015 Revenues



As shown in Table 5, below, expenses for human relations and resources programs make up the largest portion – 47.4 percent – of total governmental expenses and transfers. Included in this cost function are programs such as Medical Assistance and Temporary Assistance for Needy Families as well as costs for state correctional facilities and services.

Educational expenses, which include various school aids but exclude expenses of the University of Wisconsin System, make up 25.6 percent of total expenses. Tax relief and other general expenses and the municipal and county shared revenue program represent 8.3 percent of the total, while transportation expenses represent 7.8 percent. Net transfers to business-type activities, which include a general purpose revenue subsidy to the University of Wisconsin System, make up 4.0 percent of the total expenses and transfers. Remaining functional expenses totaled 5.3 percent while interest on long-term debt totaled 1.6 percent.

Table 5
Governmental Activities - 2015 Expenses



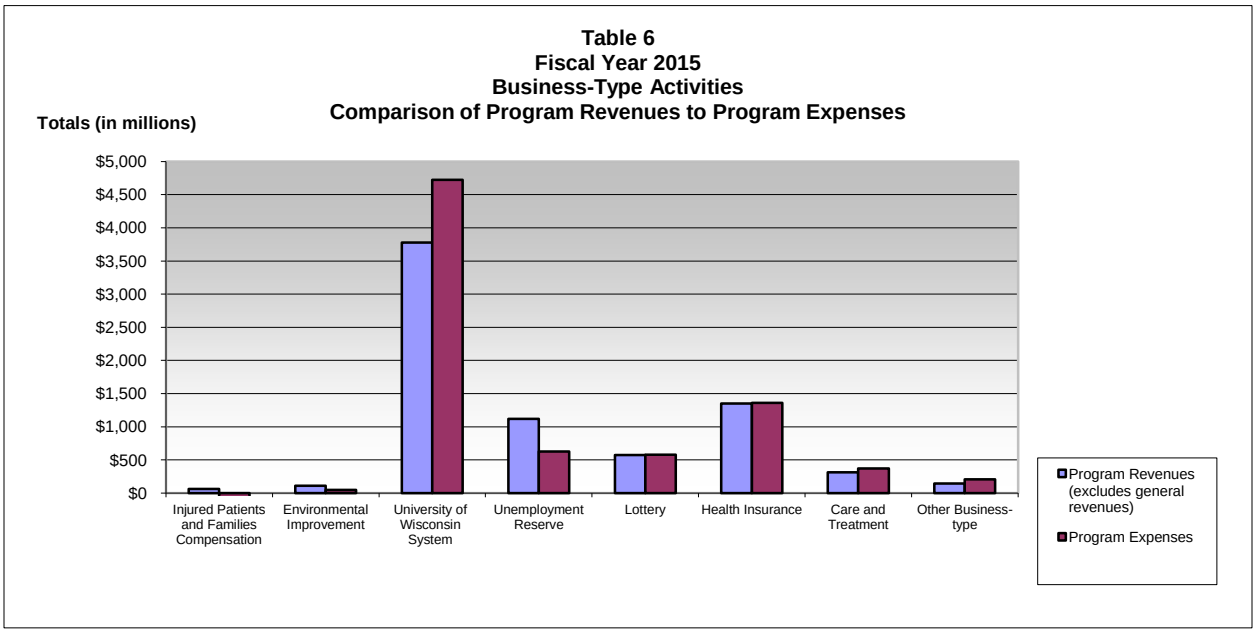
Business-Type Activities

Net position of the State's business-type activities increased $721.0 million in Fiscal Year 2015.

Revenues of business-type activities totaled $7.5 billion for Fiscal Year 2015, a decline of $380.7 million from the prior year. Program revenues consisted of $7.0 billion of charges for services, $441.8 million of operating grants and contributions, and $37.8 million of capital grants and contributions. General revenues, contributions to endowments and permanent fund principal, and net transfers totaled $4.4 million, $4.0 million, and $1.1 billion, respectively.

The total expenses for business-type activities were $7.8 billion a decrease of $211.5 million from the prior fiscal year. The largest decrease in program expenses, $302.7 million, related to decreased benefit expenses for the Unemployment Reserve Fund. Injured Patients and Family Compensation Fund expenses also declined by $75.2 million. Offsetting those decreases was an increase in health insurance program expenses of $72.0 million and University of Wisconsin System program expenses of $51.1 million.

Table 6, below, compares the program revenues and program expenses of the various State business-type activities. This table does not include the transfer in (subsidy) from the General Fund to the University of Wisconsin System or other business-type activities.



FINANCIAL ANALYSIS OF THE STATE'S INDIVIDUAL FUNDS

Governmental Funds

At the end of Fiscal Year 2015, the State's governmental funds reported a negative combined fund balance of $(438.0) million. Funds with significant changes in fund balance are discussed below:

General Fund

The General Fund is the chief operating fund of the State. At June 30, 2015, the State's General Fund reported a total fund deficit of $(1.8) billion. The net change in fund balance during Fiscal Year 2015 was $(413.7) million, in contrast to $370.8 million in Fiscal Year 2014. Major revenue, expenditure and other sources/uses contributing to the change in fund balance are as follows:

Revenues

Revenues of the General Fund totaled $24.6 billion in Fiscal Year 2015, an increase of $310.2 million from Fiscal Year 2014. Factors contributing to this change included the following:

- Revenues from taxes increased $265.6 million. The most significant increase relates to sales taxes, which increased $267.8 million or 5.0 percent from Fiscal Year 2014. Sales tax revenue increases were driven by increased consumer expenditures of taxable goods. Income taxes decreased $25.8 million or 0.3 percent from Fiscal Year 2014. Tax withholding from wages and salaries comprises the largest component of income taxes. Increases in wages and salaries earned during the fiscal year resulted in increased income tax revenues. However, these increases were offset by an update to the income tax withholding tables that went into effect April 1, 2014.
- Intergovernmental revenues (i.e. federal assistance) increased $68.7 million in Fiscal Year 2015. Human relations and resources programs (e.g. Medicaid) reported increased revenues of $46.9 million. Because costs are split between federal and State sources, revenues associated with Medicaid related programs increase as costs increase.

Expenditures

Expenditures of the General Fund totaled $23.2 billion in Fiscal Year 2015, an increase of $1.2 billion from Fiscal Year 2014. Factors contributing to the change include the following:

- Education expenditures increased $657.2 million. Under 2013 Wisconsin Act 145, the Wisconsin Technical College System Board distributed an additional $406.0 million to school districts during Fiscal Year 2015. Moreover, 2013 Wisconsin Act 20 provided $74.1 million and $63.5 in increased spending authority for general and per pupil school aids, respectively. Beginning in Fiscal Year 2015, the per pupil aid program provided $150 per pupil up from $75 per pupil in Fiscal Year 2014.
- Human relations and resources expenditures grew $478.3 million, primarily as a result of medical assistance costs. This growth is mostly attributed to the implementation of the Badger Care Reform Waiver in April of 2014, which increased the number of childless adults enrolled in the Medicaid Program. The implementation increased costs for all of Fiscal Year 2015 compared to just the last quarter of the prior fiscal year.

Other Financing Sources and Uses

Other financing sources/uses totaled a net $(1.8) billion in Fiscal Year 2015, compared to $(1.8 billion) in Fiscal Year 2014. The components of this included the following:

- Transfers out of the General Fund totaled $1.9 billion, a decrease of $123.6 million from the prior year.
    - The general purpose revenue (GPR) supplement comprises a large portion of the transfers out and is provided to various enterprise funds. The supplement totaled $983.5, decrease of $16.6 million from the prior year. The University of Wisconsin System, which receives the majority of the GPR supplement, received $896.6 million in Fiscal Year 2015, a decrease of $22.1 million.

- Transfers out to the Transportation Fund were $171.4 million in Fiscal Year 2015, an increase of $135.7 million. Under the requirements of 2013 Wisconsin Act 20, the General Fund made a one-time transfer of $133.3 million in Fiscal Year 2015.
- Transfers out to the Capital Improvement Fund totaled $7.4 thousand in Fiscal Year 2015 compared to $152.8 million in Fiscal Year 2014. Because debt was rolled over during the year, certain debt service payments did not need to be made. As such, transfers to the Capital Improvement Fund did not need to be made.

- Transfers in to the General Fund decreased $78.8 million (from $148.7 million in Fiscal Year 2014 to $69.9 million in Fiscal Year 2015) as a result of decreased lapses. A one-time, budgeted transfer of $58.3 million from the University of Wisconsin System for the higher education grant program was made in Fiscal Year 2014.

Note 9D provides additional information on transfers in and out of the General Fund.

As of June 30, 2015, the General Fund reported an unassigned fund balance deficit of $(2.4) billion. This compares to a General Fund unassigned fund balance deficit of $(2.0) billion as of June 30, 2014. A deficit unassigned fund balance represents the excess of the liabilities of the General Fund over its assets and nonspendable, restricted, and committed fund balance accounts.

General Fund Budgetary Highlights

Differences between the original budget and the final amended budget were significant and included a $4.8 billion increase in appropriations. Contributing to the variance is the fact that several of the State's programs and various transfers (see the items denoted with *, below) are not included in the original budget. In addition, numerous adjustments to spending estimates were needed as the year progressed because of changing circumstances (spending needs can change dramatically over a one-year period). The largest variances occurred in the following appropriations (in millions):

Program	Variance
Food Stamps, Electronic Benefit Transfer*	$ 1,200.0
Federal Aid Medical Assistance	708.5
UW System, General Program Operations (part of Statutory General Fund)	419.0
Medical Assistance Program Benefits	160.0
Education Federal Aids; Local Aid	100.2

Actual charges to appropriations (expenditures) were $3.9 billion below the final budgeted estimates. Large positive expenditure variances were reported in the Medical Assistance Federal Aid ($588.9 million) and the UW System Federal Aid ($247.8 million) appropriations.

During the past fiscal year, the budgetary-based fund balance decreased $341.2 million for the statutory General Fund, in part, because of increased expenditures for education and human relations and resources. Net transfers from other funds totaled $(102.4) million in Fiscal Year 2015 compared to $47.4 million in the prior fiscal year.

Transportation Fund

In Fiscal Year 2015, the Transportation Fund's fund balance increased $86.3 million from $691.2 million to $777.5 million. A constitutional amendment that passed during Fiscal Year 2015 restricted use of state resources deposited into the Fund for state transportation purposes. As such, $743.9 million of restricted fund balance is reported for Fiscal Year 2015, compared to $26.7 million last year. Fund balance created by state resources was reported as committed prior to Fiscal Year 2015.

Revenues of the Fund increased $139.0 million, to a total of $2.6 billion. Intergovernmental revenues, which are primarily from federal sources, increased $126.9 million to a total of $973.0 million. The State Highway Rehabilitation appropriation, which is federally-funded, reported higher expenditures as a result of increased spending authorized by 2013 Wisconsin Act 20. The timing of projects also impacted spending in the appropriation. Therefore, associated intergovernmental revenues also increased.

Expenditures of the Fund were funded primarily with motor fuel taxes, intergovernmental, and license and permit revenue sources, as well as interfund transfers in. Expenditures increased $117.4 million to $2.6 billion in Fiscal Year 2015 compared to $2.4 billion in the prior year. In addition to the expenditures reported in the Transportation Fund, long term debt-funded transportation expenditures of $127.0 million and $208.3 million were reported in the Capital Improvement Fund and Transportation Revenue Bonds Fund, respectively. Transportation-related expenditures of these two funds increased $65.2 million and $18.8 million, respectively in the current year.

Transfers in to the Transportation Fund increased $135.7 million from the prior year to $193.6 million. 2013 Wisconsin Act 20 required a one-time transfer in the biennium of $133.3 million from the General Fund to the Transportation Fund. Transfers out of the Fund increased $14.3 million from the prior year to $124.0 million. Transfers out for debt service payments to the Bond Security and Redemption Fund increased by $17.0 million in Fiscal Year 2015.

Capital Improvement Fund

Fund balance of the Capital Improvement Fund decreased $56.9 million from $(678.8) million to $(735.7) million. Assets of the Fund, which are comprised of cash and receivables, increased $45.9 million to $68.8 million. Short-term notes payable and amounts owed to the Transportation Fund for reimbursement of transportation-related projects comprise the majority of Fund liabilities. Liabilities totaled $804.5 million, an increase of $102.8 million from the prior year.

Three issues of long-term debt totaling $560.5 million were made during Fiscal Year 2015, an increase of $337.8 million from the prior fiscal year. During the year, debt and premium proceeds funded $371.8 million of capital outlay expenditures in the Fund, an increase of $37.9 million. Capital outlay expenditures reflect capital assets, such as buildings and highways, which were either in progress or completed during the fiscal year and will be used on a long-term basis. Debt proceeds also funded $174.5 million of maintenance and repair expenditures on state owned assets that are reported as functional expenditures. Transportation related functional costs increased to $127.0 million, an increase of $65.2 million from the prior year, and comprised 72.7 percent of functional expenditures reported in the Fund.

Transfers In to the Capital Improvement Fund for debt service payments on outstanding notes payable decreased $160.0 million to $17.2 million. The decrease occurred because debt was rolled over in Fiscal Year 2015 reducing the amount of the debt service payments. Transfers Out of the Capital Improvement Fund, which are also funded from debt proceeds, increased $57.9 million to $185.9 million, because more debt was issued and subsequently distributed to proprietary funds.

Proprietary Funds

Proprietary funds provide the same type of information found in the government-wide financial statements but in more detail. Significant changes to balances of major proprietary funds from Fiscal Year 2014 to Fiscal Year 2015 include the following:

Environmental Improvement

Fund net position of the Environmental Improvement Fund increased $67.7 million to $2.0 billion. Total assets of the Fund increased by $2.8 million while liabilities decreased by $68.3 million. Loans to local governments increased by $29.2 million to a total of $2.0 billion. Conversely, liabilities decreased to $763.9 million as a result of a $67.7 million reduction in revenue bonds and notes payable that remained outstanding as of June 30, 2015.

Operating income of the Fund, which is comprised primarily of interest on loans, increased by $1.6 million to $13.6 million in Fiscal Year 2015. Non-operating revenue decreased by $3.0 million due to a reduction in investment income which declined by $8.2 million to $4.6 million. This reduction in investment income was offset by an increase of $4.6 million in federal grant funds to $55.8 million.

Injured Patients and Families Compensation

Fund net position of the Injured Patients and Families Compensation Fund increased by $152.4 million from $580.9 million to $733.3 million at June 30, 2015. Total assets of the Fund, which increased $42.2 million to $1.2 billion, are primarily comprised of investments. Fund liabilities, which decreased by $110.1 million to $490.4 million, are comprised primarily of actuarially-determined future benefits and loss liabilities of $486.0 million.

Operating revenue of the Fund consisted of assessment income which decreased by $3.5 million (9.4 percent) to $33.6 million. The reduced revenue resulted from a 10.0 percent decrease in assessment rates and changes in the number of participating providers. Non-operating income consists solely of investment and interest income which decreased by $55.6 million to $30.2 million due to a decline in investment performance during the year.

Fund operating expenses consist primarily of benefit expenses. Benefit expenses, which are determined by an actuary, were negative $89.4 million for Fiscal Year 2015 compared to negative $14.3 million the prior year. Benefit payments totaled $21.1 million an increase of $3.9 million from Fiscal Year 2014 payments of $17.2 million.

Unemployment Reserve

Fund net position of the Unemployment Reserve Fund increased by $489.8 million from $329.4 million to $819.2 million at June 30, 2015. Benefit expenses decreased $312.6 million from $931.1 million to $618.5 million in Fiscal Year 2015, a decrease of 33.6 percent. The decrease in benefit expenses is the result of the average unemployment rate falling from 6.13 percent during Fiscal Year 2014 to 4.98 percent during Fiscal Year 2015. While revenues of the Fund decreased, expenses also declined and the federal advance had been paid off in Fiscal Year 2014 resulting in an improved net position.

Operating revenues decreased by $359.9 million from $1.5 billion to $1.1 billion in Fiscal Year 2015. Federal aids decreased by $146.4 million from $153.0 million to $6.6 million because emergency federal benefit programs ended in December 2013. Employer contributions decreased $196.0 million to $1.1 billion a decrease of 15.7 percent.

Because the Fund had an advance outstanding with the federal government for more than three consecutive years, in 2014 the federal government recovered a portion of the advance by reducing the employers' federal unemployment tax credit by 0.9 percent. The revenue generated was credited to the Fund as contributions and used to repay the advance. In 2015, the Fund repaid the advance in full eliminating the reduction to the employers' federal unemployment tax credit and the additional contributions to the Fund.

University of Wisconsin System

Fund net position increased by $64.7 million to $6.7 billion. Assets, which consist primarily of capital assets and cash, increased $384.9 million to $8.9 billion. Liabilities consist mostly of bonds and short term payables, and increased by $58.7 million to $2.4 billion.

Operating revenues of the University of Wisconsin System increased $31.3 million or approximately 0.9 percent to $3.4 billion. Student tuition, and federal grants and contracts of $1.2 billion and $902.6 million, respectively, comprise 61.0 percent of operating revenues. Student tuition and fees increased by $30.9 million (2.7 percent) while increases of $15.8 million and $8.5 million were reported for sales and services of educational activities and other operating revenues, respectively. Conversely, revenues decreased by $16.5 million (1.8 percent), $3.9 million (1.0 percent), and $2.6 million (1.3 percent), for federal grants and contracts, sales and services of auxiliary enterprises, and local and private grants and contracts, respectively. Operating expenses increased $66.1 million or 1.4 percent. Personal services increased by $49.3 million (1.7 percent). Depreciation and supplies and services expenses also increased by $16.9 million and $12.5 million, respectively while scholarships and fellowships expense declined $13.9 million.

Transfers in to the University of Wisconsin System increased by $49.2 million to a total of $1.1 billion in Fiscal Year 2015. The general purpose revenue supplement received from the State's General Fund, which comprises the majority of the amount transferred in, was $896.6 million a decrease of $22.1 million. The Capital Improvement Fund also transferred $179.9 million of bond and note proceeds to the University of Wisconsin System an increase of $83.9 million from the prior year.

GOVERNMENT-WIDE CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At the close of Fiscal Year 2015, the State had $28.6 billion invested in capital assets, net of accumulated depreciation of $5.6 billion. This represents an increase of $1.2 billion, or 4.3 percent, from Fiscal Year 2014. Depreciation charges totaled $131.2 million and $307.4 million for governmental and business-type activities, respectively, in Fiscal Year 2015. The details of these assets are presented in Table 7, below. Additional information about the State's capital assets is presented in Note 7 to the financial statements.

Table 7
Capital Assets, Net of Depreciation, as of June 30
(in millions)

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2015	2014	2015	2014	2015	2014
Land and Land Improvements	$ 2,770	$ 2,666	$ 171	$ 170	$ 2,941	$ 2,836
Buildings and Improvements	1,328	1,333	4,277	4,226	5,605	5,559
Library Holdings	76	75	1,145	1,139	1,221	1,214
Machinery and Equipment	320	311	328	334	648	645
Infrastructure	14,975	14,018	-	-	14,975	14,018
Construction and Software in Progress	2,896	2,775	313	347	3,209	3,122
Totals	$ 22,365	$ 21,177	$ 6,235	$ 6,216	$ 28,600	$ 27,393

The major capital asset additions completed or acquired during Fiscal Year 2015 included the:

- Kenwood IRC – UW-Milwaukee ($77.4 million),
- Freshwater Science Addition – UW-Milwaukee ($51.3 million),
- Multi-Building Energy Construction – UW-Madison ($16.8 million), and
- Multi-Building Energy Conservation – UW-Madison ($15.4 million).

In addition to these completed projects, construction and software in progress as of June 30, 2015 for governmental and business-type activities totaled $2.9 billion and $313.3 million, respectively. A list of those projects is provided in Note 7. The State's continuing or proposed major capital projects for Fiscal Year 2015 and future years include:

- I-94 North South Freeway Project (completion in 2022) $1.7 billion,
- Zoo Interchange (completion in 2021) $1.7 billion,
- US 41 Winnebago and Brown Counties (completion in 2016) $1.5 billion,
- St. Croix Crossing (completion in 2018) $647 million,
- Hoan Bridge (completion in 2017) $251 million,
- Verona Road (completion in 2019) $247.6 million,
- Southeast Mega Zoo (completion date pending) $200 million,
- Highway 12 Lake Delton to Sauk City (completion in 2018) $195 million,
- Renovation and Remodeling of the Charter Street Heating Plant (completion in 2016) $248 million,
- Hill Farms Building A&B Replacement (completion in 2018) $195 million,
- Microbial Science Building – UW-Madison (completion in 2016) $122 million,
- Memorial Theater Wing Renovation (completion in 2016) $117 million, and
- Biochemistry II Building – UW-Madison (completion in 2016) $112 million.

Debt Administration

The State of Wisconsin Building Commission, an agency of the State, is empowered by law to consider, act upon, authorize, issue and sell all debt obligations of the State. The total general obligation debt outstanding for the State as of June 30, 2015 was $7.4 billion, as shown in Table 8. During Fiscal Year 2015, $1.5 billion of general obligation bonds and $279.8 million of general obligation long term notes were issued to provide for the acquisition or improvement of land, water, property, highways, buildings, equipment, or facilities for public purposes or to refund outstanding bonds. Of the bonds and long term notes issued in the current year, $605.8 million was to be used for University of Wisconsin System academic and self-amortizing facilities; $490.4 million for transportation projects, $268.5 million for environmental programs, $140.6 million for correctional facilities and $323.1 million for various other projects.

In Fiscal Year 2004, the State issued $1.8 billion of annual appropriation bonds to pay the State's unfunded accrued prior service (pension) liability and its unfunded accrued liability for sick leave conversion credits. In Fiscal Year 2009, the State issued $1.5 billion of annual appropriation bonds to purchase the future right, title, and interest in the Tobacco Settlement Revenues (TSRs) from Badger Tobacco Asset Securitization Corporation (BTASC) as well as pay any issuance expenses. As of June 30, 2015, $3.1 billion of these bonds were outstanding.

Chapter 18 of the Wisconsin Statutes authorizes the State to issue revenue obligations. These obligations, which are not general obligation debt of the State, are secured by a pledge of revenues or property derived from the operations of a program funded by the issuance of the obligations. Revenue bonds of the primary government totaled $3.0 billion outstanding at June 30, 2015, as shown in Table 8. These bonds included $2.2 billion of Transportation Revenue Bonds, $69.1 million of Petroleum Inspection Revenue Bonds, and $758.7 million of Environmental Improvement Revenue Bonds.

Table 8
Outstanding Debt as of June 30, 2015 and 2014
(in millions)

	Governmental Activities		Business-Type Activities		Total	
	2015	2014	2015	2014	2015	2014
General obligations:						
Bonds and long term notes	$5,850.3	$5,653.2	$1,599.2	$1,607.7	$7,449.5	$7,260.9
Annual appropriation bonds	3,112.1	3,175.8	--	--	3,112.1	3,175.8
Revenue bonds	2,236.4	2,290.1	758.7	826.4	2,995.1	3,116.5
Totals	$11,198.9	$11,119.0	$2,357.9	$2,434.1	$13,556.8	$13,553.1

Article VIII of the Wisconsin Constitution and Wis. Stat. Sec. 18.05 limit the amount of general obligation bond debt the State can contract in total and in any calendar year. In total, debt cannot exceed five percent of the value of all taxable property in the State. The amount of debt contracted in any calendar year is limited to the lesser of three-quarters of one percent of the aggregate value of taxable property or five percent of the aggregate value of taxable property less net indebtedness at January 1.

At June 30, 2015, State of Wisconsin general obligation fixed rate bonds had a rating of AA from Fitch Ratings, AA from Kroll Bond Rating Agency, Aa2 from Moody's Investors Services, and AA from Standard and Poor's Rating Services. General obligation variable notes had a rating of F1+ from Fitch Investors Services, L.P, P-1 from Moody's, and A-1+ from Standard and Poor's Corporation.

Detailed information about the State's long-term debt activity is presented in Note 11 to the financial statements.

INFRASTRUCTURE -- MODIFIED APPROACH

The State reports infrastructure (i.e., roads, bridges, and buildings considered an ancillary part of roads) as capital assets. Infrastructure assets exclude right-of-way costs. The State has elected to report its infrastructure assets (11,200 centerline miles of roads and 5,200 bridges with a combined value of $14.9 billion) using the modified approach. Under this method, infrastructure assets are not required to be depreciated if the State manages its eligible infrastructure assets using an asset management system designed to maintain and preserve these assets at a condition level established and disclosed by the State.

All infrastructure assets constructed prior to July 1, 2000 have been recorded at estimated historical cost. Historical cost was determined by calculating current costs of a similar asset and deflating that cost, using the Federal Highway Administration's composite index for federal-aid highway construction, to the estimated average construction date. All infrastructure assets constructed after July 1, 2000 have been recorded at historical cost.

In order to adequately serve the traveling public and support the State economy, it is the State's policy to ensure at least 85 percent of the state-owned roads and bridges are in good or fair condition. As of June 30, 2015, 92.7 percent of the roads and 96.8 percent of bridges were in good or fair condition, consistent with State policies. This compares to 91.7 percent of the roads and 96.7 percent of bridges as of June 30, 2014.

For the fiscal year ended June 30, 2015, actual maintenance and preservation costs for the State's road network were $643.3 million, or $39.9 million more than the estimated amount. On the same date, actual maintenance and preservation costs for the State's bridge network were $164.4 million, or $107.3 million more than the estimated amount. In developing estimated costs at the beginning of the fiscal year, it is difficult to predict the types of projects that will actually incur costs during the year. In addition, the State of Wisconsin, Department of Transportation's multi-year contracting process, allowing encumbrances to carry forward, makes a comparison of actual to estimated amounts difficult since expenditures for the current year may have been budgeted and committed to a project in prior years.

ECONOMIC FACTORS

During calendar year 2014, the Wisconsin economy continued its expansion.

Wisconsin employment continued to grow throughout 2014. According to the federal Bureau of Labor Statistics, total nonfarm employment in Wisconsin increased 1.1 percent in 2012, 1.0 percent in 2013 and 1.3 percent during 2014. This performance generally followed national employment trends. Nationally, employment grew 1.7 percent in both 2012 and 2013 and grew 1.9 percent in 2014.

More recently, Wisconsin's growth in employment has accelerated. Between September 2014 and September 2015, Wisconsin employment has increased 1.9 percent. Nationally, employment is up 2.0 percent over the same period. However, Wisconsin's seasonally adjusted unemployment rate in September 2015 was 4.3 percent, well below the 5.1 percent national unemployment rate.

Reflecting the continuing recovery, Wisconsin's state nominal gross domestic product increased 2.9 percent in 2014, slightly trailing the national growth rate of 3.9 percent. Wisconsin's 2014 growth was slightly below the growth rates in 2013 and 2012 of 4.3 percent and 3.5 percent, respectively. These figures compare with the 50-state total gross domestic product increases of 4.2 percent in 2012 and 3.8 percent in 2013. Since 2007, Wisconsin's gross domestic product increased by a similar magnitude to the national average at 20.1 percent compared to 20.3 percent nationally.

Steady growth in output has caused personal incomes to expand. Wisconsin personal income grew 4.3 percent, 1.0 percent and 3.7 percent in 2012, 2013 and 2014, respectively. Nationally, personal income grew 5.1 percent, 1.2 percent and 4.4 percent in the same years. On a per capita basis, Wisconsin's income performance is similar to the nation's. Per capita income in Wisconsin increased by 4.0 percent, 0.6 percent and 3.4 percent in 2012, 2013 and 2014, respectively. This compares to growth of 4.3 percent, 0.4 percent and 3.6 percent in the same years nationally. Relative to the national average, Wisconsin per capita income has remained in approximately the same range for the past three years at 95.9 percent,

96.2 percent and 96.0 percent of the national average in 2012, 2013 and 2014, respectively. This represents an improvement from 2008 when Wisconsin per capita income was only 94.9 percent of the national average.

Wisconsin's statewide total property value increased again in 2015 for the second straight year following five years of declines from 2009 through 2013. The recovery in values has been broad-based, reflecting improvements in all major sectors. In 2014, overall property values increased 2.5 percent, residential real estate values rose 2.3 percent and commercial real estate values increased 0.6 percent. In 2015, total property value increased 2.4 percent, with residential property value growing at 2.3 percent. In addition, commercial real estate and manufacturing values both increased 3.2 percent. Manufacturing values have now increased in four consecutive years.

CONTACTING THE STATE'S FINANCIAL MANAGEMENT

This financial report is designed to provide Wisconsin's citizens, taxpayers, customers, investors and creditors with a general overview of the State's finances and to demonstrate the State's accountability for the money it receives. Questions about this report or requests for additional financial information should be addressed to: State of Wisconsin, State Controller's Office, 101 E. Wilson Street, 5th Floor, Madison, WI 53707 or by email to: DOAWebMaster@wi.gov.

Some state agencies, such as the Department of Employee Trust Funds and the University of Wisconsin, issue stand-alone audited financial statements. The information contained in those statements may vary from this document due to scope and application of generally accepted accounting principles. Questions about how to obtain the separately issued financial statements should be directed to individual agencies or to the State Controller’s Office.

The State’s component units issue their own separate audited financial statements. These statements may be obtained by directly contacting the component unit through their administrative offices identified in Note 1-B.

* * * *

State of Wisconsin

Statement of Net Position
June 30, 2015

(In Thousands)

	Primary Government			
	Governmental Activities	Business-Type Activities	Totals	Component Units
Assets				
Cash and Cash Equivalents	$ 1,280,709	$ 3,080,370	$ 4,361,079	$ 508,021
Investments	534,981	1,965,665	2,500,646	775,260
Cash and Investments with Other Component Units	-	-	-	212,348
Receivables (net of allowance)	3,487,848	3,105,588	6,593,436	1,729,482
Internal Balances	71,210	(71,210)	-	-
Inventories	52,916	50,615	103,530	17,555
Prepaid Items	100,841	82,809	183,650	11,679
Capital Leases Receivable - Component Units	-	199	199	-
Restricted and Limited Use Assets:				
Cash and Cash Equivalents	313,198	140,100	453,298	188,835
Investments	127,902	-	127,902	3,036,954
Net Pension Asset	324,103	362,760	686,863	78,998
Other Assets	19,386	6,047	25,433	84,173
Capital Assets:				
Depreciable	1,542,982	4,614,968	6,157,950	479,200
Nondepreciable:				
Infrastructure	14,975,412	-	14,975,412	-
Other	5,846,542	1,620,122	7,466,664	300,727
Total Assets	28,678,030	14,958,033	43,636,062	7,423,233
Deferred Outflows of Resources	569,677	372,119	941,796	125,500
Liabilities				
Accounts Payable and Other Accrued Liabilities	1,258,492	353,759	1,612,252	282,106
Due to Other Governments	2,268,469	40,298	2,308,768	48,341
Tax Refunds Payable	1,139,109	-	1,139,109	-
Tax and Other Deposits	51,301	23,898	75,199	73,822
Amounts Held in Trust by Component Unit for Other Component Units	-	-	-	282,500
Amounts Held in Trust by Component Unit for Others	-	-	-	33,206
Unearned Revenue	343,708	301,585	645,293	839
Interest Payable	112,797	14,392	127,189	11,379
Short-term Notes Payable	882,332	92,382	974,714	-
Other Liabilities	158,435	-	158,435	51,778
Long-term Liabilities:				
Current Portion	973,261	359,553	1,332,814	66,787
Noncurrent Portion	10,820,713	3,392,724	14,213,437	1,753,777
Total Liabilities	18,008,617	4,578,592	22,587,209	2,604,535
Deferred Inflows of Resources	21,340	9,713	31,054	4,439
Net Position				
Net Investment in Capital Assets	18,051,739	4,566,086	22,617,825	352,377
Restricted for:				
Human Relations and Resources	112,342	-	112,342	-
Conservation Related	83,278	-	83,278	-
General Executive	152,017	-	152,017	-
Transportation	743,949	-	743,949	-
Debt Service	70,528	-	70,528	-
Capital Projects	-		-	
Unemployment Compensation	-	819,177	819,177	-
Environmental Improvement	-	1,977,236	1,977,236	-
Permanent Trusts:				
Expendable	18,579	287,343	305,922	12,263
Nonexpendable	1,024,567	194,517	1,219,083	2,501
Future Benefits	-	971,745	971,745	34,041
Pensions	324,103	362,760	686,863	78,998
Other Purposes	72,609	699,621	772,230	3,422,296
Unrestricted	(9,435,962)	863,361	(8,572,601)	1,037,283
Total Net Position	$ 11,217,748	$ 10,741,847	$ 21,959,595	$ 4,939,758

The notes to the financial statements are an integral part of this statement.

Statement of Activities
For the Fiscal Year Ended June 30, 2015

(In Thousands)

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants, Contributions and Restricted Interest	Program Revenues: Capital Grants, Contributions and Restricted Interest
Primary Government:				
Governmental Activities:				
Commerce	$ 265,440	$ 261,754	$ 14,537	$ -
Education	7,068,625	17,428	1,002,733	-
Transportation	2,156,820	741,921	123,051	852,643
Environmental Resources	468,101	226,774	87,901	156
Human Relations and Resources	13,083,675	658,599	7,338,748	9,476
General Executive	553,662	248,223	167,692	-
Judicial	127,336	49,346	537	-
Legislative	64,429	1,694	-	-
Tax Relief and Other General Expenses	1,317,319	-	63,669	-
Intergovernmental - Shared Revenue	964,113	53,056	-	-
Interest on Debt	455,540	-	-	-
Total Governmental Activities	26,525,060	2,258,796	8,798,868	862,275
Business-type Activities:				
Injured Patients and Families Compensation	(88,594)	33,551	30,182	-
Environmental Improvement	48,513	52,542	60,403	-
University of Wisconsin System	4,725,625	3,440,837	308,299	30,568
Unemployment Reserve	628,386	1,106,579	12,181	-
Lottery	581,226	574,746	(1,260)	-
Health Insurance	1,361,734	1,338,486	11,413	-
Care and Treatment Facilities	370,751	303,932	2,690	5,430
Other Business-type	209,358	123,388	17,895	1,793
Total Business-type Activities	7,837,000	6,974,061	441,804	37,791
Total Primary Government	$ 34,362,060	$ 9,232,857	$ 9,240,672	$ 900,066
Component Units:				
Housing and Economic Development Authority	$ 250,652	$ 103,031	$ 171,528	$ -
Health Care Liability Insurance Plan	(418)	1,728	1,385	-
University Hospitals and Clinics Authority	1,418,595	1,502,970	-	4,471
University of Wisconsin Foundation	291,565	99,991	380,492	7,580
Wisconsin Economic Development Corp	38,423	245	60,842	-
Total Component Units	$ 1,998,817	$ 1,707,965	$ 614,247	$ 12,051

General Revenues:
- Dedicated for General Purposes:
  - Income Taxes
  - Sales and Excise Taxes
  - Public Utility Taxes
  - Other Taxes
- Motor Fuel/Other Taxes Dedicated for Transportation
- Other Dedicated Taxes
- Interest and Investment Earnings
- Miscellaneous

Contributions to Term and Permanent Endowments
Contributions to Permanent Fund Principal
Transfers

Total General Revenues, Contributions, and Transfers

Change in Net Position
Net Position - Beginning

Net Position - Ending

The notes to the financial statements are an integral part of this statement.

Net (Expense) Revenue and Changes in Net Position			
Primary Government			
Governmental Activities	Business-Type Activities	Total	Component Units
$ 10,851		$ 10,851	
(6,048,465)		(6,048,465)	
(439,205)		(439,205)	
(153,270)		(153,270)	
(5,076,852)		(5,076,852)	
(137,747)		(137,747)	
(77,453)		(77,453)	
(62,735)		(62,735)	
(1,253,649)		(1,253,649)	
(911,057)		(911,057)	
(455,540)		(455,540)	
(14,605,121)		(14,605,121)	
	$ 152,326	152,326	
	64,433	64,433	
	(945,920)	(945,920)	
	490,375	490,375	
	(7,740)	(7,740)	
	(11,835)	(11,835)	
	(58,698)	(58,698)	
	(66,283)	(66,283)	
-	(383,343)	(383,343)	
(14,605,121)	(383,343)	(14,988,464)	
			$ 23,907
			3,532
			88,846
			196,498
			22,664
			335,447
8,355,665	-	8,355,665	-
5,590,876	-	5,590,876	-
368,867	-	368,867	-
286,310	-	286,310	-
1,067,773	-	1,067,773	-
191,437	-	191,437	-
9,715	4,354	14,069	11,944
407,453	39	407,492	8,204
-	3,994	3,994	104
12,133	-	12,133	-
(1,095,969)	1,095,969	-	-
15,194,262	1,104,356	16,298,618	20,252
589,141	721,013	1,310,154	355,699
10,628,608	10,020,834	20,649,441	4,584,059
$ 11,217,748	$ 10,741,847	$ 21,959,595	$ 4,939,758

Balance Sheet - Governmental Funds
June 30, 2015

(In Thousands)

	General	Transportation	Capital Improvement	Nonmajor Governmental	Total Governmental
Assets and Deferred Outflows of Resources					
Assets:					
Cash and Cash Equivalents	$ 337,427	$ 424,102	$ 67,114	$ 429,734	$ 1,258,376
Investments	770	-	-	534,211	534,981
Receivables (net of allowance):					
Taxes	1,166,819	99,592	-	22,265	1,288,676
Loans to Local Governments	-	-	-	364,437	364,437
Other Loans Receivable	18,759	14,974	-	-	33,732
Other Receivables	577,310	11,298	19	62,536	651,163
Due from Other Funds	220,766	372,136	1,626	73,380	667,907
Interfund Receivables	83,687	-	-	-	83,687
Due from Other Governments	852,024	212,599	-	17,763	1,082,386
Inventories	19,137	28,355	-	1,250	48,742
Prepaid Items	74,172	5,182	-	14,993	94,347
Restricted and Limited Use Assets:					
Cash and Cash Equivalents	-	-	-	313,198	313,198
Investments	-	-	-	127,902	127,902
Other Assets	19,380	-	-	6	19,386
Total Assets	3,370,249	1,168,237	68,759	1,961,674	6,568,920
Deferred Outflows of Resources	-	142	-	-	142
Total Assets and Deferred Outflows of Resources	$ 3,370,249	$ 1,168,380	$ 68,759	$ 1,961,674	$ 6,569,062
Liabilities, Deferred Inflows of Resources, and Fund Balances					
Liabilities:					
Accounts Payable and Other Accrued Liabilities	$ 996,795	$ 191,292	$ 10,212	$ 18,555	$ 1,216,854
Due to Other Funds	306,192	39,270	147,609	121,398	614,470
Due to Component Units	8	-	-	-	8
Due to Other Governments	2,145,488	121,587	-	1,395	2,268,469
Tax Refunds Payable	1,136,897	1,642	-	570	1,139,109
Tax and Other Deposits	35,525	175	-	15,601	51,301
Unearned Revenue	302,403	36,759	-	4,543	343,705
Interest Payable	-	-	-	48,379	48,379
Advances from Other Funds	685	-	-	6,222	6,907
Short-term Notes Payable	-	-	646,664	215,253	861,917
Revenue Bonds and Notes Payable	-	-	-	222,630	222,630
Total Liabilities	4,923,993	390,724	804,486	654,547	6,773,749
Deferred Inflows of Resources	225,665	169	-	7,443	233,277
Fund Balances:					
Nonspendable	92,916	33,537	-	1,039,829	1,166,282
Restricted	284,480	743,949	-	225,853	1,254,283
Committed	280,280	-	-	169,206	449,486
Unassigned	789,412	-	(735,727)	(135,204)	(81,518)
Total Fund Balances	1,447,088	777,486	(735,727)	1,299,685	2,788,532
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	$ 6,596,746	$ 1,168,380	$ 68,759	$ 1,961,674	$ 9,795,559

(Continued)

Balance Sheet - Governmental Funds
June 30, 2015

(Continued)

			Total Governmental
Reconciliation to the Statement of Net Position:			
Total Fund Balances - Governmental Funds (from previous page)		$	2,788,532
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds:			
Infrastructure	14,975,412		
Other Capital Assets	8,441,727		
Accumulated Depreciation	(1,384,814)		
			22,032,324
Other long-term assets and deferred outflows and inflows of resources that are not available to pay for current period expenditures and, therefore, are not recognized in the funds.			709,507
Deferred outflows of resources used to accumulate decreases in fair values of hedging derivatives that are not reported in the governmental funds.	158,435		
Derivative instruments (interest rate swaps) that also are not reported in the governmental funds.	(158,435)		
			0
Some of the State's revenues will be collected after year-end but are not available soon enough to pay for the current period's expenditures and, therefore, are not recognized in the funds.			233,275
Internal service funds are used by management to charge the costs of certain activities, such as telecommunications and insurance, to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the Statement of Net Position.			15,852
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the fund statements. These liabilities, however, are included in the Statement of Net Position.			
Revenue Bonds Payable	(2,013,792)		
Appropriation Bonds Payable	(3,112,148)		
General Obligation Bonds and Notes Payable	(5,689,648)		
Accrued Interest on Bonds	(64,418)		
Capital Leases	(74,547)		
Installment Contracts	(898)		
Compensated Absences	(153,499)		
Pollution Remediation	(7,490)		
Claims and Judgments	(555)		
Other Postemployment Benefits Liability	(218,251)		
			(11,335,245)
Net Position of Governmental Activities as reported on the Statement of Net Position (See page 23)		$	14,444,245

The notes to the financial statements are an integral part of this statement.

Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds
For the Fiscal Year Ended June 30, 2015

(In Thousands)

	General	Transportation	Capital Improvement	Nonmajor Governmental	Total Governmental
Revenues:					
Taxes					
Income	$ 8,351,846	$ -	$ -	$ -	$ 8,351,846
Sales and Excise	5,593,303	-	-	-	5,593,303
Public Utility	368,867	-	-	-	368,867
Other General Purpose	286,315	-	-	-	286,315
Motor Fuel	-	1,067,795	-	-	1,067,795
Other Dedicated	-	-	-	191,617	191,617
Intergovernmental	8,462,977	973,023	-	79,238	9,515,239
Licenses and Permits	789,412	493,954	-	625,923	1,909,289
Charges for Goods and Services	290,768	16,407	-	20,694	327,870
Investment and Interest Income	8,334	376	108	40,503	49,321
Fines and Forfeitures	41,864	640	-	17,384	59,889
Gifts and Donations	9,319	6	-	14,142	23,467
Miscellaneous:					
Tobacco Settlement	126,185	-	-	-	126,185
Other	255,348	17,596	2,096	12,825	287,865
Total Revenues	24,584,538	2,569,797	2,204	1,002,326	28,158,866
Expenditures:					
Current Operating:					
Commerce	196,091	-	3,796	70,614	270,500
Education	6,983,648	-	4,565	43,097	7,031,310
Transportation	10,108	1,975,023	126,957	219	2,112,307
Environmental Resources	113,772	-	21,445	319,488	454,705
Human Relations and Resources	12,944,112	-	10,119	24,642	12,978,873
General Executive	488,077	-	165	97,924	586,166
Judicial	125,856	-	-	208	126,064
Legislative	64,291	-	-	-	64,291
Tax Relief and Other General	1,308,789	-	7,474	1,400	1,317,664
Intergovernmental - Shared Revenue	911,113	-	-	53,000	964,113
Capital Outlay	81,777	590,495	371,828	229,328	1,273,428
Debt Service:					
Principal	-	-	-	610,503	610,503
Interest	-	-	199	516,802	517,001
Other Expenditures	-	-	291	5,498	5,788
Total Expenditures	23,227,634	2,565,518	546,838	1,972,722	28,312,713
Excess of Revenues Over (Under) Expenditures	1,356,905	4,279	(544,634)	(970,396)	(153,847)
Other Financing Sources (Uses):					
Long-term Debt Issued	-	-	560,458	-	560,458
Long-term Debt Issued - Refunding Bonds	-	-	-	1,065,490	1,065,490
Payments for Refunded Bonds	-	-	-	(280,790)	(280,790)
Payments to Refunding Bond Escrow Agent	-	-	-	(927,779)	(927,779)
Premium on Bonds	-	-	95,641	150,387	246,028
Transfers In	69,945	193,629	17,242	951,943	1,232,759
Transfers Out	(1,881,411)	(124,002)	(185,869)	(131,235)	(2,322,517)
Capital Lease Acquisitions	40,324	1,511	-	-	41,836
Installment Purchase Acquisitions	178	-	232	-	409
Total Other Financing Sources (Uses)	(1,770,964)	71,139	487,704	828,017	(384,105)
Net Change in Fund Balances	(414,060)	75,417	(56,931)	(142,379)	(537,952)
Fund Balances, Beginning of Year	(1,365,725)	691,172	(678,796)	1,442,651	89,302
Increase (Decrease) in Inventories	376	10,897	-	(587)	10,686
Fund Balances, End of Year	$ (1,779,409)	$ 777,486	$ (735,727)	$ 1,299,685	$ (437,965)

(Continued)

Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds
For the Fiscal Year Ended June 30, 2015

(Continued)

			Total Governmental
Reconciliation to the Statement of Activities:			
Net Change in Fund Balances (from previous page)		$	(537,952)
Inventories, which are recorded under the purchases method for governmental fund reporting, are reported under the consumption approach on the Statement of Activities. As a result of this change, the Increase (Decrease) in Reserve for Inventories on the fund statement has been reclassified as functional expenses on the government-wide statement.			10,686
Governmental funds report the acquisition or construction of capital assets as expenditures, while governmental activities report depreciation expense to allocate the cost of these assets over their estimated useful life. Donated assets are set up at fair value with a corresponding amount of revenue recognized. In the current period, these amounts are:			
Capital Outlay/Functional Expenditures	1,272,967		
Depreciation Expense	(104,957)		
Grants and Contributions (Donated Assets)	156		
			1,168,166
In the Statement of Activities, only the gain/(loss) on the sale/disposal of capital assets is reported, while in the governmental funds, any proceeds from the sale increases financial resources. Thus, the change in net position differs from the change in fund balance by the cost of the capital assets sold/disposed.			(56,191)
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.			1,617
Bond proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Position. Repayment of bond principal is reported as an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position.			
Bonds Issued	(1,625,948)		
Payments for Refunded Bonds	280,790		
Payments to Refunding Bond Escrow Agent	927,779		
Repayment of Bond Principal	610,503		
Bond Premium	(246,028)		
Prepaid Bond Insurance Costs (Amortization)	(31)		
			(52,936)
Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.			
Net Decrease (increase) in Accrued Interest	81,206		
Decrease (increase) in Capital Leases	(27,922)		
Decrease (increase) in Installment Contracts	928		
Decrease (increase) in Compensated Absences	(587)		
Decrease (increase) in Claims and Judgments	8,698		
Change in net pension assets, net pension liabilties, and pension-related deferred outflows and inflows of resources	6,267		
Decrease (increase) in Postemployment Benefit Liabilities	(10,988)		
			57,601
Internal service funds are used by management to charge the costs of certain activities, such as insurance and telecommunications to individual funds. The net revenue (expense) of the internal service funds is reported with governmental activities.			(1,849)
Changes in Net Position of Governmental Activities as reported on the Statement of Activities (See page 25)		$	589,141

The notes to the financial statements are an integral part of this statement.

Statement of Net Position
Proprietary Funds
June 30, 2015

(In Thousands)

	Business-type Activities - Enterprise Funds			
	Injured Patients and Families Compensation	Environmental Improvement	University of Wisconsin System	Unemployment Reserve
Assets				
Current Assets:				
Cash and Cash Equivalents	$ 19,015	$ 365,403	$ 1,536,784	$ 512,284
Investments	45,670	45,551	-	-
Loans to Local Governments (net of allowance)	-	177,338	-	-
Other Loans Receivable (net of allowance)	-	-	29,718	-
Other Receivables (net of allowance)	10,457	234	104,446	283,395
Due from Other Funds	-	3	22,559	433
Due from Component Units	-	-	5,002	-
Interfund Receivables	-	-	-	-
Due from Other Governments	-	8,806	89,787	2,875
Inventories	2	-	41,103	-
Prepaid Items	7	20	75,496	-
Capital Leases Receivable - Component Units	-	-	56	-
Other Assets	-	-	-	-
Total Current Assets	75,152	597,355	1,904,950	798,987
Noncurrent Assets:				
Investments	1,109,153	176,611	442,478	-
Loans to Local Governments (net of allowance)	-	1,861,527	-	-
Other Loans Receivable (net of allowance)	-	-	166,666	-
Other Receivables	-	-	1,551	65,191
Prepaid Items	-	134	-	-
Advances to Other Funds	-	6,222	-	-
Capital Leases Receivable - Component Units	-	-	142	-
Restricted and Limited Use Assets:				
Cash and Cash Equivalents	38,356	98,781	-	2,963
Net Pension Asset	68	82	330,167	-
Other Assets	-	-	-	-
Depreciable Capital Assets (net of accumulated depreciation)	872	-	4,408,900	-
Nondepreciable Capital Assets	-	-	1,597,085	-
Total Noncurrent Assets	1,148,449	2,143,357	6,946,988	68,154
Total Assets	1,223,600	2,740,712	8,851,938	867,141
Deferred Outflows of Resources	70	14,460	284,451	-
Total Assets and Deferred Outflows of Resources	$ 1,223,670	$ 2,755,173	$ 9,136,389	$ 867,141
Liabilities				
Current Liabilities:				
Accounts Payable and Other Accrued Liabilities	$ 1,966	$ 150	$ 198,921	$ 10,562
Due to Other Funds	163	1,264	53,393	2,146
Due to Component Units	-	-	1,503	-
Interfund Payables	-	-	-	-
Due to Other Governments	-	224	2,559	35,256
Tax and Other Deposits	-	-	1,791	-
Unearned Revenue	2,093	-	171,606	-
Interest Payable	-	2,888	10,687	-
Short-term Notes Payable	-	-	89,863	-
Current Portion of Long-term Liabilities:				
Future Benefits and Loss Liabilities	64,042	-	-	-
Capital Leases	-	-	4,565	-
Compensated Absences	20	57	60,379	-
General Obligation Bonds and Notes Payable	-	-	70,858	-
Revenue Bonds and Notes Payable	-	59,935	-	-
Total Current Liabilities	68,284	64,518	666,123	47,964
Noncurrent Liabilities:				
Accounts Payable and Other Accrued Liabilities	-	-	-	-
Due to Other Governments	-	575	-	-
Noncurrent Portion of Long-term Liabilities:				
Future Benefits and Loss Liabilities	421,997	-	-	-
Capital Leases	-	-	32,201	-
Compensated Absences	45	28	69,349	-
Other Postemployment Benefits	50	29	248,443	-
General Obligation Bonds and Notes Payable	-	-	1,422,077	-
Revenue Bonds and Notes Payable	-	698,781	-	-
Total Noncurrent Liabilities	422,092	699,413	1,772,070	-
Total Liabilities	490,376	763,931	2,438,193	47,964
Deferred Inflows of Resources	1	1	9,130	-
Net Position:				
Net Investment in Capital Assets	872	-	4,386,421	-
Restricted for Unemployment Compensation	-	-	-	819,177
Restricted for Environmental Improvement	-	1,977,236	-	-
Restricted for Expendable Trusts	-	-	287,343	-
Restricted for Nonexpendable Trusts	-	-	194,517	-
Restricted for Future Benefits	732,353	-	-	-
Restricted for Pensions	68	82	330,167	-
Restricted for Other Purposes	-	-	621,193	-
Unrestricted	-	13,923	869,425	-
Total Net Position	733,293	1,991,241	6,689,065	819,177
Total Liabilities, Deferred Inflows of Resources, and Net Position	$ 1,223,670	$ 2,755,173	$ 9,136,389	$ 867,141

The notes to the financial statements are an integral part of this statement.

Business-type Activities - Enterprise Funds		Governmental Activities - Internal Service Funds
Nonmajor Enterprise	Totals	
$ 646,884	$ 3,080,370	$ 22,333
6,070	97,291	-
391	177,729	-
2,758	32,476	-
105,342	503,875	1,094
63,330	86,324	37,316
-	5,002	-
79,677	79,677	-
8,772	110,239	124
9,509	50,615	4,172
7,152	82,675	548
-	56	-
355	355	-
930,242	4,306,685	65,586
140,132	1,868,374	-
2,142	1,863,669	-
57,157	223,822	-
212	66,954	-
-	134	494
685	6,907	-
-	142	-
-	140,100	-
32,443	362,760	-
5,691	5,691	583,122
205,197	4,614,968	288,558
23,037	1,620,122	44,053
466,696	10,773,644	916,227
1,396,938	15,080,330	981,813
73,138	372,119	8,103
$ 1,470,076	$ 15,452,449	$ 989,916
$ 105,741	$ 317,340	$ 11,388
36,572	93,537	16,171
-	1,503	-
39,612	39,612	44,075
1,685	39,724	1,145
22,107	23,898	-
127,886	301,585	-
817	14,392	1,098
2,520	92,382	20,415
85,262	149,304	44,205
319	4,884	6,971
5,501	65,957	1,521
8,616	79,473	14,529
-	59,935	-
436,637	1,283,526	161,517
25,210	25,210	-
-	575	-
363,169	785,167	62,835
124	32,325	17,754
8,007	77,429	3,277
30,802	279,324	3,305
97,621	1,519,697	146,121
-	698,781	-
524,933	3,418,509	233,291
961,570	4,702,034	394,808
581	9,713	830
178,793	4,566,086	129,140
-	819,177	-
-	1,977,236	-
-	287,343	-
-	194,517	-
239,393	971,745	-
32,443	362,760	5,842
78,428	699,621	-
(21,133)	862,216	(117,984)
507,925	10,740,701	16,998
$ 1,470,076	$ 15,452,449	$ 412,636
Total Net Position Reported Above	$ 10,740,701	
Adjustment to Reflect the Consolidation of Internal Service Activities Related to Enterprise Funds	1,145	
Net Position of Business-type Activities	$ 10,741,847	

Statement of Revenues, Expenses, and Changes in Fund Net Position - Proprietary Funds For the Fiscal Year Ended June 30, 2015

(In Thousands)

	Business-type Activities - Enterprise Funds			
	Injured Patients and Families Compensation	Environmental Improvement	University of Wisconsin System	Unemployment Reserve
Operating Revenues:				
Charges for Goods and Services	$ 33,551	$ -	$ -	$ -
Participant and Employer Contributions	-	-	-	1,053,619
Tuition and Fees	-	-	1,169,244	-
Federal Grants and Contracts	-	-	902,602	-
Local and Private Grants and Contracts	-	-	204,338	-
Sales and Services of Educational Activities	-	-	327,804	-
Sales and Services of Auxiliary Enterprises	-	-	401,821	-
Sales and Services to UW Hospital Authority	-	-	64,379	-
Investment and Interest Income	-	33,641	-	-
Interest Income Used as Security for Revenue Bonds	-	18,870	-	-
Miscellaneous:				
Federal Aid for Unemployment Insurance Program	-	-	-	6,594
Reimbursing Financing Revenue	-	-	-	45,905
Other	-	31	332,325	6,278
Total Operating Revenues	33,551	52,542	3,402,513	1,112,396
Operating Expenses:				
Personal Services	290	4,458	3,034,292	-
Supplies and Services	399	3,222	1,160,409	-
Lottery Prize Awards	-	-	-	-
Scholarships and Fellowships	-	-	135,765	-
Depreciation	78	-	290,407	-
Benefit Expense	(89,360)	-	-	618,545
Interest Expense	-	31,301	-	-
Other Expenses	-	-	31,449	9,841
Total Operating Expenses	(88,594)	38,980	4,652,322	628,386
Operating Income (Loss)	122,145	13,562	(1,249,810)	484,010
Nonoperating Revenues (Expenses):				
Operating Grants	-	55,812	-	-
Investment and Interest Income	30,182	1,135	4,740	5,587
Investment Income Used as Security for Revenue Bonds	-	3,464	-	-
Gain (Loss) on Disposal of Capital Assets	-	-	(17,381)	-
Interest Expense	-	-	(55,886)	-
Gifts and Donations	-	-	304,934	-
Miscellaneous Revenues	-	-	38,325	777
Other Expenses:				
Property Tax Credits	-	-	-	-
Grants Disbursed	-	(9,533)	-	-
Federal Settlement	-	-	-	-
Other	-	-	-	-
Total Nonoperating Revenues (Expenses)	30,182	50,879	274,733	6,365
Income (Loss) Before Contributions and Transfers	152,326	64,441	(975,077)	490,375
Capital Contributions	-	-	30,568	-
Additions to Endowments	-	-	3,994	-
Transfers In	-	11,307	1,100,735	-
Transfers Out	(15)	(8,012)	(95,491)	(629)
Change in Net Position	152,311	67,736	64,729	489,746
Total Net Position, Beginning of Year	580,982	1,923,506	6,624,336	329,431
Total Net Position, End of Year	$ 733,293	$ 1,991,241	$ 6,689,065	$ 819,177

The notes to the financial statements are an integral part of this statement.

Business-type Activities - Enterprise Funds		Governmental Activities - Internal Service Funds
Nonmajor Enterprise	Totals	
$ 936,148	$ 969,699	$ 264,324
1,396,534	2,450,153	-
-	1,169,244	-
-	902,602	-
-	204,338	-
-	327,804	-
-	401,821	-
-	64,379	-
4,150	37,791	-
-	18,870	-
-	6,594	-
-	45,905	-
1,186	339,819	22,192
2,338,018	6,939,019	286,516
307,930	3,346,970	45,626
198,995	1,363,024	147,030
342,441	342,441	-
-	135,765	-
16,867	307,353	26,196
1,469,513	1,998,698	56,525
3,988	35,288	-
13,642	54,931	-
2,353,375	7,584,470	275,377
(15,358)	(645,451)	11,139
3,616	59,429	178
29,373	71,018	-
-	3,464	-
(25)	(17,406)	141
(1,657)	(57,542)	(7,517)
456	305,390	-
2,798	41,900	1,355
(165,193)	(165,193)	-
(2,570)	(12,103)	-
-	-	(1,840)
(194)	(194)	(55)
(133,395)	228,762	(7,738)
(148,753)	(416,689)	3,401
7,223	37,791	-
-	3,994	-
109,827	1,221,869	5,321
(21,754)	(125,900)	(10,624)
(53,456)	721,066	(1,902)
561,381	10,019,635	18,900
$ 507,925	$ 10,740,701	$ 16,998

Change in Net Position Reported Above	$ 721,066
Consolidation Adjustment of Internal Services Activities Related to Enterprise Funds	(53)
Change in Net Position of Business-Type Activities	$ 721,013

Statement of Cash Flows - Proprietary Funds
For the Fiscal Year Ended June 30, 2015

(In Thousands)

	Business-type Activities - Enterprise Funds			
	Injured Patients and Families Compensation	Environmental Improvement	University of Wisconsin System	Unemployment Reserve
Cash Flows from Operating Activities:				
Cash Receipts from Customers	$ 34,397	$ -	$ -	$ 1,066,114
Cash Payments to Suppliers for Goods and Services	(529)	(3,136)	(1,154,881)	-
Cash Payments to Employees for Services	(278)	(3,990)	(3,044,971)	-
Tuition and Fees	-	-	1,189,658	-
Grants and Contracts	-	-	1,114,169	-
Cash Payments for Lottery Prizes	-	-	-	-
Cash Payments for Loans Originated	-	(203,391)	(36,166)	-
Collection of Loans	-	174,171	36,850	-
Interest Income	-	52,415	-	-
Cash Payments for Benefits	(21,057)	-	-	(653,036)
Sales and Services of Educational Activities	-	-	327,236	-
Sales and Services of Auxiliary Enterprises	-	-	412,803	-
Sales and Services to UW Hospital Authority	-	-	65,105	-
Scholarships and Fellowships	-	-	(135,765)	-
Other Operating Revenues	-	31	350,464	97,018
Other Operating Expenses	-	-	-	(10,275)
Other Sources of Cash	-	-	-	-
Other Uses of Cash	-	-	-	-
Net Cash Provided (Used) by Operating Activities	12,533	16,100	(875,499)	499,820
Cash Flows from Noncapital Financing Activities:				
Operating Grants Receipts	-	56,173	-	-
Grants Disbursed	-	(9,533)	-	-
Repayment of Bonds and Notes	-	(58,400)	-	-
Interest Payments	-	(37,532)	-	-
Property Tax Credit Payments	-	-	-	-
Noncapital Gifts and Grants	-	-	308,928	-
Interfund Loans Received	-	-	-	-
Interfund Loans Repaid	-	-	-	-
Interfund Borrowings to Other Funds	-	-	-	-
Transfers In	-	11,307	1,127,661	-
Transfers Out	(15)	(8,012)	(91,095)	(619)
Student Direct Lending Receipts	-	-	735,807	-
Student Direct Lending Disbursements	-	-	(736,411)	-
Other Cash Inflows from Noncapital Financing Activities	-	-	29,871	34,097
Other Cash Outflows from Noncapital Financing Activities	-	(3)	-	(33,320)
Net Cash Provided (Used) by Noncapital Financing Activities	(15)	(46,000)	1,374,762	158
Cash Flows from Capital and Related Financing Activities:				
Proceeds from Issuance of Debt	-	-	257,314	-
Capital Contributions	-	-	157,515	-
Repayment of Bonds and Notes	-	-	(383,634)	-
Interest Payments	-	-	(139,536)	-
Transfers In	-	-	-	-
Capital Lease Obligations	-	-	(350)	-
Proceeds from Sale of Capital Assets	-	-	-	-
Payments for Purchase of Capital Assets	(279)	-	(310,180)	-
Other Cash Inflows from Capital Financing Activities	-	-	37,929	-
Other Cash Outflows from Capital Financing Activities	-	-	-	-
Net Cash Provided (Used) by Capital and Related Financing Activities	(279)	-	(380,942)	-
Cash Flows from Investing Activities:				
Proceeds from Sale and Maturities of Investment Securities	72,178	7,768	114,805	-
Purchase of Investment Securities	(129,240)	(31)	(106,433)	-
Cash Payments for Loans Originated	-	-	-	-
Collection of Loans	-	-	-	-
Investment and Interest Receipts	33,491	8,753	11,345	5,587
Net Cash Provided (Used) by Investing Activities	(23,571)	16,490	19,717	5,587
Net Increase (Decrease) in Cash and Cash Equivalents	(11,333)	(13,410)	138,039	505,566
Cash and Cash Equivalents, Beginning of Year	68,703	477,594	1,398,745	9,682
Cash and Cash Equivalents, End of Year	$ 57,371	$ 464,185	$ 1,536,784	$ 515,247

Business-type Activities - Enterprise Funds		Governmental Activities -
Nonmajor Enterprise	Totals	Internal Service Funds
$ 2,293,933	$ 3,394,443	$ 263,240
(143,750)	(1,302,296)	(142,609)
(309,940)	(3,359,179)	(42,304)
-	1,189,658	-
-	1,114,169	-
(334,380)	(334,380)	-
(49)	(239,606)	-
16,827	227,848	-
5,218	57,633	-
(1,356,965)	(2,031,058)	(54,521)
-	327,236	-
-	412,803	-
-	65,105	-
-	(135,765)	-
28,694	476,206	21
(47,532)	(57,807)	(137)
14,356	14,356	22,361
-	-	(4,253)
166,410	(180,635)	41,797
1,745	57,918	-
(2,686)	(12,218)	-
(15,230)	(73,630)	-
(4,063)	(41,595)	(8)
(166,433)	(166,433)	-
-	308,928	-
2,253	2,253	1,231
(3,946)	(3,946)	(1,826)
(79,603)	(79,603)	-
101,367	1,240,335	5,321
(21,753)	(121,494)	(10,567)
-	735,807	-
-	(736,411)	-
459	64,427	96
(17,112)	(50,434)	(6)
(205,001)	1,123,904	(5,761)
6,221	263,535	35,286
7,215	164,730	-
(6,180)	(389,813)	(46,947)
(1,882)	(141,418)	(8,442)
8,393	8,393	-
(367)	(717)	(4,003)
31	31	506
(27,708)	(338,166)	(18,502)
513	38,442	1,119
(546)	(546)	-
(14,309)	(395,530)	(40,982)
7,636	202,388	-
(2,771)	(238,476)	-
(183)	(183)	-
223	223	-
33,247	92,422	-
38,151	56,374	-
(14,749)	604,113	(4,945)
661,633	2,616,358	27,279
$ 646,884	$ 3,220,470	$ 22,333

(Continued)

Statement of Cash Flows - Proprietary Funds
For the Fiscal Year Ended June 30, 2015

(Continued)

	Business-type Activities - Enterprise Funds			
	Injured Patients and Families Compensation	Environmental Improvement	University of Wisconsin System	Unemployment Reserve
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operations:				
Operating Income (Loss)	$ 122,145	$ 13,562	$ (1,249,810)	$ 484,010
Adjustment to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:				
Depreciation	78	-	290,407	-
Provision for Uncollectible Accounts	-	-	-	(4,711)
Operating Income (Investment Income) Classified as Investing Activity	-	(29,316)	-	-
Operating Expense (Interest Expense) Classified as Noncapital Financing Activity	-	31,301	-	-
Miscellaneous Nonoperating Income (Expense)	-	-	-	-
Changes in Assets, Deferred Outflows, Liabilities, and Deferred Inflows:				
Decrease (Increase) in Receivables	79	-	86,842	29,792
Decrease (Increase) in Due from Other Funds	-	133	207	69
Decrease (Increase) in Due from Component Units	-	-	726	-
Decrease (Increase) in Due from Other Governments	-	-	(6,468)	922
Decrease (Increase) in Inventories	1	-	1,492	-
Decrease (Increase) in Prepaid Items	-	19	(3,190)	-
Decrease (Increase) in Net Pension Assets and Related Deferred Outflows	(2)	4	(64,561)	-
Decrease (Increase) in Other Assets	-	-	-	-
Increase (Decrease) in Accounts Payable and Other Accrued Liabilities	1,161	66	47,698	(3,297)
Increase (Decrease) in Due to Other Funds	43	334	(4,851)	494
Increase (Decrease) in Due to Component Units	-	-	(147)	-
Increase (Decrease) in Due to Other Governments	-	(2)	(2,761)	(7,459)
Increase (Decrease) in Tax and Other Deposits	-	-	-	-
Increase (Decrease) in Unearned Revenue	(545)	-	7,145	-
Increase (Decrease) in Interest Payable	-	-	-	-
Increase (Decrease) in Compensated Absences	(19)	-	(1,458)	-
Increase (Decrease) in Net Pension Liabilities and Related Deferred Inflows	1	1	7,793	-
Increase (Decrease) in Postemployment Benefits	7	(1)	15,437	-
Increase (Decrease) in Future Benefits and Loss Liabilities	(110,417)	-	-	-
Total Adjustments	(109,612)	2,538	374,311	15,810
Net Cash Provided (Used) by Operating Activities	$ 12,533	$ 16,100	$ (875,499)	$ 499,820
Noncash Investing, Capital and Financing Activities:				
Assets Acquired through Capital Leases	$ -	$ -	$ 1,222	$ -
Lottery Prize Annuity Investment Liability	-	-	-	-
Net Change in Unrealized Gains and Losses	4,291	4,540	(33,375)	-
Other	(7,294)	9,306	1,930	-

The notes to the financial statements are an integral part of this statement.

Business-type Activities - Enterprise Funds		Governmental Activities - Internal Service Funds
Nonmajor Enterprise	Totals	
$ (15,358)	$ (645,451)	$ 11,139
16,867	307,353	26,196
(495)	(5,206)	-
(243)	(29,559)	-
3,988	35,288	-
2,249	2,249	(1,639)
9,103	125,817	1,121
(26,318)	(25,909)	(2,206)
-	726	-
375	(5,171)	1
179	1,671	(151)
97,152	93,981	2,090
(1,514)	(66,073)	(297)
1,295	1,295	-
26,049	71,677	(2,583)
8,088	4,108	5,450
-	(147)	-
(153)	(10,375)	(41)
1,632	1,632	-
5,359	11,959	-
-	-	-
(93)	(1,570)	500
369	8,164	74
1,886	17,329	140
35,993	(74,425)	2,004
181,768	464,815	30,658
$ 166,410	$ (180,635)	$ 41,797
$ 77	$ 1,299	$ 24,330
2,142	2,142	-
(1,329)	(25,873)	-
705	4,647	69

Statement of Fiduciary Net Position
June 30, 2015

(In Thousands)

	Pension and Other Employee Benefit Trust	Investment Trust	Private-Purpose Trust	Agency
Assets				
Cash and Cash Equivalents	$ 2,683,753	$ 2,828,661	$ 53,282	$ 33,087
Securities Lending Collateral	833,501	-	-	-
Prepaid Items	28,077	-	1	-
Receivables (net of allowance):				
Prior Service Contributions Receivable	33,239	-	-	-
Benefits Overpayment Receivable	2,865	-	-	-
Due from Other Funds	71,046	-	46	1,151
Due from Component Units	136	-	-	-
Interfund Receivables	334,900	-	-	-
Due from Other Governments	110,956	-	8,484	863
Due from Employers	-	-	-	16,169
Interest and Dividends Receivable	233,038	-	-	-
Investment Sales Receivable	527,889	-	-	-
Other Receivables	3,949	-	18,851	1,602
Total Receivables	1,318,017	-	27,381	19,785
Investments:				
Fixed Income	27,139,271	-	-	-
Stocks	50,725,324	-	-	-
Options	(1,616)	-	-	-
Financial Futures Contracts and Swaps	(353)	-	-	-
Limited Partnerships	10,554,585	-	-	-
Preferred Securities	221,385	-	-	-
Convertible Securities	3,779	-	-	-
Real Estate	1,017,433	-	-	-
Investments of Private Purpose Trust Funds	-	-	3,907,357	-
Investments of Agency Funds	-	-	-	60
Multi-asset Investments	3,906,834	-	-	-
External Investment Pool	608,031	-	-	-
Foreign Currency Contracts	(10,916)	-	-	-
Total Investments	94,163,756	-	3,907,357	60
Capital Assets	2,411	-	-	-
Other Assets	-	-	10	307,136
Total Assets	99,029,515	2,828,661	3,988,032	$ 360,067
Deferred Outflows of Resources	-	-	10	
Liabilities				
Accounts Payable and Other Accrued Liabilities	65,203	-	8,495	$ 34,662
Reverse Repurchase Agreements	820,516	-	-	-
Securities Lending Collateral Liability	833,501	-	-	-
Annuities Payable	314,945	-	-	-
Due to Other Funds	105,686	117	496	-
Interfund Payables	334,974	-	79,603	-
Tax and Other Deposits	-	-	-	325,405
Future Benefits and Loss Liabilities	-	-	4,957	-
Short Sales of Securities	473,539	-	-	-
Investment Payable	309,109	-	-	-
Unearned Revenue	1,100	-	58	-
Compensated Absences Payable	2,367,897	-	-	-
Total Liabilities	5,626,471	117	93,608	$ 360,067
Net Position				
Held in Trust for Pension Benefits, Pool Participants and Other Purposes	$ 93,403,044	$ 2,828,544	$ 3,894,434	

The notes to the financial statements are an integral part of this statement.

Statement of Changes in Fiduciary Net Position
For the Year Ended June 30, 2015

(In Thousands)

	Pension and Other Employee Benefit Trust	Investment Trust	Private-Purpose Trust
Additions			
Contributions:			
Employer Contributions	$ 1,097,371	$ -	$ -
Employee Contributions	944,480	-	-
Other	-	-	32
Total Contributions	2,041,850	-	32
Deposits	-	9,287,670	449,602
Premiums	-	-	212,508
Federal Subsidy	-	-	17,200
Investment Income:			
Net Appreciation (Depreciation) in Fair Value of Investments	3,167,373	-	-
Interest	665,878	-	-
Dividends	1,354,765	-	-
Securities Lending Income	28,453	-	-
Other	221,680	-	-
Investment Income of Investment, Private Purpose, and Other Employee Benefit Trust Funds	180,456	13,161	117,935
Less:			
Investment Expense	(356,811)	(511)	(6,584)
Securities Lending Rebates and Fees	(2,407)	-	-
Investment Income Distributed to Other Funds	(190,690)	-	-
Net Investment Income	5,068,697	12,649	111,350
Interest on Prior Service Receivable	2,133	-	-
Miscellaneous Income	464	-	150
Total Additions	7,113,144	9,300,320	790,842
Deductions			
Retirement Benefits and Refunds:			
Retirement, Disability, and Beneficiary	4,497,680	-	-
Separations	34,401	-	-
Total Retirement Benefits and Refunds	4,532,081	-	-
Distributions	27,939	9,057,587	327,387
Other Benefit Expense	347,255	-	238,482
Administrative Expense	28,727	118	11,431
Miscellaneous Expense	-	-	-
Transfers Out	-	-	437
Total Deductions	4,936,001	9,057,705	577,737
Net Increase (Decrease)	2,177,143	242,615	213,105
Net Position - Beginning of Year	91,225,902	2,585,930	3,681,329
Net Position - End of Year	$ 93,403,044	$ 2,828,544	$ 3,894,434

The notes to the financial statements are an integral part of this statement.

Notes To The Financial Statements

Index

Page

Summary of Significant Accounting Policies

Note 1. Summary of Significant Accounting Policies..... 42
- A. Basis of Presentation..... 42
- B. Financial Reporting Entity..... 42
- C. Government-wide and Fund Financial Statements..... 44
- D. Measurement Focus, Basis of Accounting, and Financial Statement Presentation..... 44
- E. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Net Position/Fund Balances..... 46
  1. Cash and Cash Equivalents..... 46
  2. Investments..... 47
  3. Mortgage and Other Loans..... 47
  4. Forestation State Tax..... 47
  5. Interfund Assets/Liabilities..... 47
  6. Inventories and Prepaid Items..... 48
  7. Capital Assets..... 48
  8. Restricted and Limited Use Assets..... 48
  9. Local Assistance Aids..... 49
  10. Long-term Debt Obligations..... 49
  11. Compensated Absences..... 50
  12. Unearned Revenue..... 50
  13. Self-Insurance..... 50
  14. Deferred Outflows of Resources and Deferred Inflows of Resources..... 51
  15. Fund Balance Classification and Restricted Net Position..... 51

Explanation of Certain Differences Between Governmental Fund Statements and Government-Wide Statements

Note 2. Detailed Reconciliation of the Government-wide and Fund Statements..... 54
- A. Explanation of Differences Between the Balance Sheet - Governmental Funds and the Statement of Net Position.. 54
- B. Explanation of Differences Between the Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds and the Statement of Activities..... 56

Stewardship and Compliance

Note 3. Budgetary Control..... 58

Note 4. Deficit Fund Balance/Fund Net Position, Restricted Net Position, Budget Stabilization Arrangement, Minimum Fund Balance Policy, and Fund Balance of Governmental Funds..... 58

Detailed Disclosures Regarding Assets and Revenues

Note 5. Deposits and Investments..... 60
- A. Deposits..... 60
  1. Primary Government..... 60
- B. Investments..... 61
  1. Primary Government..... 61
  2. State Investment Fund..... 75
  3. Lottery Investments and Related Future Prize Obligations..... 77

Note 6. Receivables and Net Revenues..... 79
- A. Receivables..... 79
- B. Net Revenues..... 79

Note 7. Capital Assets..... 80

Note 8. Endowments..... 84

Note 9. Interfund Receivables, Payables and Transfers..... 85
- A. Due from/to Other Funds..... 85
- B. Interfund Receivables/Payables..... 86
- C. Advances to/from Other Funds..... 86
- D. Interfund Transfers..... 87

Page

Detailed Disclosures Regarding Liabilities and Expenses/Expenditures

Note 10. Changes in Long-term Liabilities 88

Note 11. Bonds, Notes and Other Debt Obligations 90
- A. General Obligation Bonds 90
- B. General Obligation Long-term Notes 93
- C. Annual Appropriation Bonds 93
- D. Revenue Bonds 96
- E. Refundings, Exchanges and Early Extinguishments 98
- F. Short-term Financing 99
- G. Certificates of Participation 100
- H. Arbitrage Rebate 101
- I. Moral Obligation Debt 101
- J. Credit Agreements 102

Note 12. Lease Commitments and Installment Purchases 103
- A. Capital Leases 103
- B. Operating Leases 104
- C. Installment Purchases 104

Note 13. Pollution Remediation Obligations 105

Note 14. Retirement Plan 106

Note 15. Milwaukee Retirement System 109

Note 16. Postemployment Benefits - State Health Insurance Program 110

Note 17. Other Postemployment Benefit (OPEB) Plans 112

Note 18. Public Entity Risk Pools Administered by the Department of Employee Trust Funds 115
- A. Description of Funds 115
- B. Accounting Policies for Risk Pools 115
- C. Unpaid Claims Liabilities 116
- D. Trend Information 116

Note 19. Self-Insurance 117

Note 20. Insurance Funds 118
- A. Local Government Property Insurance Fund 118
- B. State Life Insurance Fund 119
- C. Injured Patients and Families Compensation Fund 120

Other Note Disclosures

Note 21. Deferred Outflows of Resources and Deferred Inflows of Resources 122

Note 22. Segment Information and Condensed Financial Data 124

Note 23. Component Units - Condensed Financial Information 125

Note 24. Restatements of Beginning Fund Balances/Net Positions and Other Changes 126
- A. Fund Statements - Governmental Funds 126
- B. Fund Statements - Proprietary Funds 126
- C. Fund Statements - Fiduciary Funds 127
- D. Government-wide Statements 127

Note 25. Litigation, Contingencies and Commitments 128
- A. Litigation and Contingencies 128
- B. Commitments 129

Note 26. Subsequent Events 130

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Basis of Presentation

The accompanying basic financial statements have been prepared in conformity with generally accepted accounting principles (GAAP) for governments as prescribed by the Governmental Accounting Standards Board (GASB).

B. Financial Reporting Entity

For GAAP purposes, the State of Wisconsin includes all funds, elected offices, departments and agencies of the State, as well as boards, commissions, authorities and universities. The State has also considered all potential "component units" for which it is financially accountable, and other affiliated organizations for which the nature and significance of their relationship, including their ongoing financial support, with the State are such that exclusion would cause the State's financial statements to be misleading or incomplete.

The decision to include a potential component unit in the State's reporting entity is based on the criteria set forth in GASB Statement No. 14, *The Financial Reporting Entity,* GASB Statement No. 39*, Determining Whether Certain Organizations Are Component Units, an amendment of GASB Statement No. 14,* and GASB Statement No. 61, *The Financial Reporting Entity: Omnibus, an amendment of GASB Statements No. 14 and No. 34.* GASB Statement No. 14 criteria include the ability to appoint a voting majority of an organization's governing body and (1) the ability of the State to impose its will on that organization or (2) the potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the State. GASB Statement No. 39 provisions relate to separately legal, tax-exempt organizations and include: (1) the economic resources received or held are entirely or almost entirely for the direct benefit of the State, (2) the State is entitled to, or has the ability to otherwise access, a majority of the economic resources received or held by the separate organization, and (3) the economic resources received or held by an individual organization that the State is entitled to, or has the ability to otherwise access, are significant to the State. GASB Statement No. 61 modifies certain requirements for inclusion in the financial reporting entity, especially in regards to the fiscal dependency criterion where a financial benefit or burden relationship is now required. It also amends the "blending" criteria for component units and clarifies the reporting of equity interests in legally separate organizations.

Based upon the application of the criteria contained in GASB Statement No. 14, as amended by GASB Statement No. 39, the Wisconsin Public Broadcasting Foundation, Inc. is reported as a blended component unit; and the Wisconsin Housing and Economic Development Authority, the Wisconsin Health Care Liability Insurance Plan, the University of Wisconsin Hospital and Clinics Authority, the Wisconsin Economic Development Corporation and the University of Wisconsin Foundation, are presented as discrete component units, as discussed below.

Complete financial statements of the individual component units that issue separate statements can be obtained from their respective administrative offices:

Wisconsin Public Broadcasting Foundation Inc.
Wisconsin Educational Communications Board
3319 West Beltline Highway
Madison, WI 53713
http://www.ecb.org

Wisconsin Housing and Economic Development Authority
201 West Washington Avenue, Suite 700
Madison, WI 53703
http://www.wheda.com

Wisconsin Health Care Liability Insurance Plan
Office of the Commissioner of Insurance
125 South Webster Street
Madison, WI 53703
http://oci.wi.gov

University of Wisconsin Hospital and Clinics Authority
301 South Westfield Road
Madison, WI 53717
http://www.uwhealth.org

Wisconsin Economic Development Corporation
201 West Washington Avenue
Madison, Wisconsin 53703
http://inwisconsin.com

University of Wisconsin Foundation
1848 University Avenue
Madison, WI 53726-4090
https://www.supportuw.org

Blended Component Unit

Blended component units are entities that are legally separate from the State, but are so intertwined with the State that they are, in substance, the same as the State. The blended component unit serves or benefits the primary government. They are reported as part of the State and blended into the appropriate funds.

Wisconsin Public Broadcasting Foundation, Inc. – The Wisconsin Public Broadcasting Foundation, Inc. (Foundation), created in 1983 by the Wisconsin Legislature, is a private, non-stock, nonprofit Wisconsin Corporation, wholly owned by the Wisconsin Educational Communications Board (ECB), a unit of the State. The Foundation solicits funds in the name of, and with the approval of, the ECB. The Foundation's funds are managed by a five-member board of trustees consisting of the executive director of the ECB and four members of the ECB board. The Foundation is reported as a special revenue fund.

Discretely Presented Component Units

Discretely presented component units are entities which are legally separate from the State, but are financially accountable to the State, whose relationship with the State is such that exclusion would cause the State's financial statements to be misleading or incomplete. The Wisconsin Housing and Economic Development Authority, the Wisconsin Health Care Liability Insurance Plan, the University of Wisconsin Hospital and Clinics Authority, the Wisconsin Economic Development Corporation and the University of Wisconsin Foundation are reported in a separate column and in separate rows in the government-wide statements to emphasize that they are legally separate.

Wisconsin Housing and Economic Development Authority – The Wisconsin Housing and Economic Development Authority (Authority) was established by the Wisconsin Legislature in 1972 to help meet the housing needs of Wisconsin's low and moderate income citizens. The State has significantly expanded the scope of services of the Authority by adding programs that include financing for farmers and for economic development projects. While the Authority receives no State tax dollars for its bond-supported programs and the State is not liable on bonds the Authority issues, the State has the ability to impose its will on the Authority through legislation. The State appoints the Authority's Board. The Authority reports on a June 30 fiscal year-end.

Wisconsin Health Care Liability Insurance Plan – The Wisconsin Health Care Liability Insurance Plan (Plan) was established by rule of the Commissioner of Insurance of the State of Wisconsin to provide health care liability insurance and liability coverage normally incidental to health care liability insurance to eligible health care providers in the State. Eight out of 13 members of the Board of Directors are appointed by the Governor, and the State has the ability to impose its will upon the Plan. The Plan reports on a fiscal year ended December 31.

University of Wisconsin Hospital and Clinics Authority – The University of Wisconsin Hospital and Clinics Authority (Hospital) is a not-for-profit academic medical center. The Hospital operates an acute-care hospital with 566 beds, numerous specialty clinics, and six intensive care units with a total of 83 beds, and it provides comprehensive health care to patients, education programs, research and community service. Prior to June 1996, the Hospital was a unit of the University of Wisconsin-Madison. In June 1996, in accordance with legislation enacted by the State Legislature, the Hospital was restructured as a Public Authority, a public body corporate and politic created by State statutes. The State appoints a majority of the Hospital's Board of Directors and a financial benefit/burden relationship exists between the Hospital and the State. The Hospital reports on a June 30 fiscal year-end.

The legislation that created the Hospital Authority also provided, among other things, for the Board of Regents of the University of Wisconsin System to execute various agreements with the Hospital. These agreements include an Affiliation Agreement, a Lease Agreement, a Conveyance Agreement and a Contractual Services Agreement and Operating and Service Agreement.

The Affiliation Agreement requires the Hospital to continue to support the educational, research and clinical activities of the University of Wisconsin-Madison, which are administered by the Hospital. Under the terms of a Lease Agreement, the Hospital leases facilities which were occupied by the Hospital as of June 29, 1996. Under a Conveyance Agreement, certain assets and liabilities related to the Hospital were identified and transferred to the Hospital effective July 1, 1996. Subject to the Contractual Services Agreement and Operating and Service Agreement between the Board of Regents and the Hospital, the two parties have entered into contracts for the continuation of services in support of programs and operations.

Wisconsin Economic Development Corporation-The Wisconsin Economic Development Corporation (WEDC) is a legally separate body corporate and politic. The WEDC's primary purpose is economic development activities in the State. The State appoints a majority of the WEDC's Board, has the ability to impose its will on the WEDC, and a financial benefit/burden relationship exists. The WEDC reports on a fiscal year ended June 30.

University of Wisconsin Foundation – The University of Wisconsin Foundation (the Foundation) is a legally separate, tax-exempt component unit of the State. The Foundation acts primarily as a fund-raising organization to supplement the resources that are available to the University of Wisconsin-Madison and several other units of the University of Wisconsin System (a fund of the State) in support of its programs. These include scientific, literary, athletic and educational program purposes. Although the State does not control the timing or amount of receipts from the

Foundation, the majority of resources, or income thereon, that the Foundation holds and invests, are restricted to the activities of the University of Wisconsin-Madison and other units of the University of Wisconsin System by the donors. Because these restricted resources held by the Foundation can only be used by, or for the benefit of, the University of Wisconsin-Madison and several other units of the University of Wisconsin System, the Foundation is considered a component unit of the State. The Foundation reports on a fiscal year ended December 31.

Related Organizations

These related organizations are excluded from the reporting entity because the State's accountability does not extend beyond appointing a voting majority of the organization's board members. Financial statements are available from the respective organizations.

Wisconsin Health and Educational Facilities Authority – a public body politic and corporate that provides financing for capital expenditures and refinancing of indebtedness for Wisconsin health care and educational institutions.

Bradley Center Sports and Entertainment Corporation – a public body politic and corporate that operates the Bradley Center.

Fox River Navigational System Authority – created under Chapter 237 as a public body corporate and politic to oversee the Fox River navigational system after the federal government (the U.S. Army Corps of Engineers) transferred the system to the State.

Health Insurance Risk-Sharing Plan Authority – created under 2005 Wisconsin Act 74, Chapter 149, to assume all administrative responsibilities of the health insurance risk-sharing plan.

C. Government-wide and Fund Financial Statements

The *government-wide* financial statements consist of the statement of net position and the statement of activities.

These statements report information on all activities, except for fiduciary activities, of the primary government and its component units. The statement of net position and the statement of activities distinguish between the governmental and business-type activities of the State. Governmental activities are generally financed through taxes, intergovernmental revenues and other nonexchange revenues. Business-type activities are generally financed in whole or in part by fees charged to external parties for goods and services. The focus of the government-wide statements is the primary government. A separate column on the statement of net position and the statement of activities reports activities for all discretely presented component units.

The *fund* financial statements provide detailed information on all governmental, proprietary and fiduciary funds. Separate columns are presented for all major governmental and enterprise funds. Nonmajor governmental and enterprise funds are aggregated and presented as a single column on the respective governmental or proprietary statements. Internal service funds are exempt from the major fund reporting requirements and are aggregated and ultimately reported as a single column on the proprietary statements. Fiduciary funds are also exempt from major fund reporting and are aggregated by fund type and ultimately reported as single columns on the fiduciary statements.

In Fiscal Year 2015, the State implemented GASB Statement 68 *Accounting and Financial Reporting for Pensions* and GASB Statement 71 *Pension Transition for Contributions Made Subsequent to the Measurement Date.* These statements address accounting and financial reporting by employers for pensions that are provided to the employees of state and local governmental employers through pension plans that are administered through trusts. These statements establish standards for measuring and recognizing any pension liability or asset, deferred outflows of resources, deferred inflows of resources, and expense/expenditures. For defined benefit pensions, these statements identify the methods and assumptions that should be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service.

D. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The *government-wid*e statement of net position and statement of activities, as well as the *proprietary and fiduciary fund* statements, are reported using the economic resources measurement focus and the accrual basis of accounting. With this measurement focus, all assets, deferred outflows of resources, liabilities, and deferred inflows of resources associated with the operation of these funds are included on the statement of net position. Under the accrual basis, revenues are recorded when earned and expenses are recorded when the related liability is incurred.

In the University of Wisconsin System's enterprise fund, revenues and expenses of an academic term that spans two fiscal years are recognized in two years based on a proration of summer session days.

In reporting the financial activity of its enterprise funds and business-type activities, the State applies all applicable GASB pronouncements.

Most of the funds included in the State's Comprehensive Annual Financial Report are presented on a fiscal year ended June 30. However, because funds of the Department of Employee Trust Funds (DETF) are administered on a calendar year basis, they are presented on a fiscal year ended December 31. Funds

reported as of December 31 include: Wisconsin Retirement System, Accumulated Sick Leave, Duty Disability, Reimbursed Employee Expense, Local Retiree Life Insurance, Retiree Life Insurance, Milwaukee Retirement System, Retiree Health Insurance, Local Retiree Health Insurance, Income Continuation Insurance, Long-term Disability Insurance, Health Insurance, and Life Insurance.

As a result of the differences in timing, transactions between funds with different fiscal year ends may result in inconsistencies in amounts reported as due to/due from other funds or as interfund transfers. Similar differences may occur in amounts reported as due to/from component units.

The University of Wisconsin Foundation and Wisconsin Health Care Liability Insurance Plan are reported as component units. The Foundation financial statements are prepared using accounting standards promulgated by the Financial Accounting Standards Board as they apply to not-for-profit corporations. The Plan financial statements are prepared using prescribed statutory accounting practices included in the National Association of Insurance Commissioner's Accounting Practices and Procedures Manual. Statutory accounting practices vary somewhat from United States GAAP but are expected to be immaterial.

Governmental fund financial statements are accounted for using the current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net available financial resources.

Governmental funds are reported on the modified accrual basis of accounting. This basis of accounting recognizes revenues generally when they become measurable and available to pay current reporting period liabilities. For this purpose, the State considers tax revenues to be available if they are collected within 60 days of the end of the current fiscal year end. Other revenues are considered to be available if received within one year after the fiscal year end except for tobacco settlement revenues for which just one-half of revenues expected to be received within one year are recognized. Material revenue sources susceptible to accrual include individual and corporate income taxes, sales taxes, public utility taxes, motor fuel taxes and federal revenues.

Expenditures and related liabilities are recognized when obligations are incurred as a result of the receipt of goods and services. However, expenditures related to debt service, compensated absences, and claims and judgments, are recorded only when payment is due.

The State reports the following major funds:

Major Governmental Funds

- *General Fund* – the primary operating fund of the State, accounts for all financial transactions except those required to be accounted for in another fund.
- *Transportation Fund* – a special revenue fund, accounts for the proceeds from motor fuel taxes, vehicle registrations, licensing fees, and federal and local governments which are used to supply and support safe, efficient and effective transportation in Wisconsin.
- *Capital Improvement Fund* - a capital projects fund, accounts for the proceeds received from general obligation bonds and notes, and associated interest earnings. Resources of the fund are used for the acquisition or construction of major capital facilities and for repair and maintenance projects.

Major Enterprise Funds

- *Injured Patients and Families Compensation Fund* – accounts for the program to provide excess medical malpractice insurance for Wisconsin health care providers. The revenues to finance this insurance are primarily derived from assessments charged to health care providers.
- *Environmental Improvement Fund* – accounts for financial resources generated and used for clean water projects. Federal capitalization grants, interest earnings, revenue bond proceeds, and general obligation bond proceeds are its primary funding sources.
- *University of Wisconsin System Fund* – accounts for the 13 universities, 13 two-year colleges, the University of Wisconsin Extension and System Administration.
- *Unemployment Reserve Fund* – accounts for unemployment contributions made by employers, federal program receipts, benefit payment recoveries and unemployment benefits paid to laid off workers in the State.

In addition, the State reports the following fund types:

Governmental Funds

- *Special Revenue Funds* – account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects. Examples include the Conservation Fund and the Petroleum Inspection Fund.
- *Debt Service Funds* – account for and report financial resources that are restricted, committed, or assigned to expenditure for principal and interest. Financial resources that are being accumulated for future principal and interest are also reported in debt service funds.

- *Capital Projects Funds* – 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 or that will be held in trust for individuals, private organizations, or other governments).

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

Proprietary Funds

- Enterprise Funds – account for the activities for which fees are charged to external users for goods or services. Examples include the Lottery Fund and the Veterans Trust Fund.

- *Internal Service Funds* – account for the operations of State agencies which provide goods or services to other State units or other governments on a cost-reimbursement basis. These services include technology, fleet management, financial, facilities management, and risk management. Additional goods and services are provided by the inmate work experience program, Badger State Industries.

Fiduciary Funds

- *Pension and Other Employee Benefit Trust Funds* – used to account for resources that are required to be held in trust for members and beneficiaries for public employee retirement or other benefit plans e.g. Wisconsin Retirement System and duty disability.

- *Investment Trust Funds* – account for assets invested on a commingled basis by the State on behalf of other governmental entities e.g. local government pooled investments.

- *Private-purpose Trust Funds* – account for all other trust arrangements which benefit individuals, private organizations, or other governments e.g. the state-sponsored college savings program.

- *Agency Funds* – account for those assets for which the State acts solely in a custodial capacity e.g. the collection and disbursement of court-ordered child support payments.

Amounts reported as program revenues on the government-wide statement of activities include (a) charges for services – amounts received from customers or applicants who purchase, use or directly benefit from the goods, services or privileges provided by the State; including interest earnings from various loan funds/ component units, (b) program-specific operating grants, contributions, and restricted interest, and (c) program-specific capital grants, contributions, and restricted interest. General revenues consist of taxes and all other revenues that do not meet the definition of program revenues. Special items, if any, are significant transactions or events within the control of management that are either unusual in nature or infrequent in occurrence.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. This includes all internal service fund activity, as well as other internal allocations. Exceptions to this general rule are certain charges between various functions of the government, whose elimination would distort the direct costs and program revenues reported for the various functions concerned.

The revenues and expenses shown on the proprietary fund statements are identified as either operating or nonoperating. Operating revenues and expenses generally result from providing goods and services in connection with a proprietary fund's primary mission. The State's enterprise funds are involved in many diverse fields including patient care, insurance programs, loan programs, the University of Wisconsin System, employee benefit plans, and the lottery. The internal service funds provide services and goods to other State agencies and departments.

A significant portion of operating revenues for the proprietary funds is recorded under charges for goods and services. In the case of the State's loan program enterprise funds, investment and interest income is an important component of operating revenue. Operating revenues of the University of Wisconsin include tuition and fees, certain grants and contracts resulting from exchange transactions, and sales and services of educational activities and auxiliary enterprises. In regards to the employee benefit plans, the primary operating revenue source is participant and employer contributions. Operating expenses for the proprietary funds include the costs of sales and services, benefit expenses, administration expenses and depreciation on capital assets. All revenues and expenses not related to a fund's primary purpose are reported as nonoperating.

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

E. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Net Position/Fund Balances

1. Cash and Cash Equivalents

Cash balances of most funds are deposited with the Department of Administration where the available balances beyond immediate needs are pooled in the State Investment Fund for short-term investment purposes. Balances pooled are restricted to legally stipulated investments valued consistent with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*. Cash balances

not controlled by the Department of Administration may be invested where permitted by statute.

Cash and cash equivalents, reported on the balance sheet and statement of cash flows, include bank accounts, petty cash, cash in transit, short-term investments with an original maturity of three months or less such as certificates of deposit, money market certificates and repurchase agreements and individual funds' shares in the State Investment Fund.

GASB Statement No. 40, *Deposit and Investment Risk Disclosures*, requires disclosure of risks associated with deposit and investment balances and the policies applied to mitigate such risks. Specific disclosures are included in Note 5, Deposits and Investments.

2. Investments

The State may invest in direct obligations of the United States and Canada, securities guaranteed by the United States, certificates of deposit issued by banks in the United States and solvent financial institutions in the State, commercial paper and nonsecured corporate notes and bonds, bankers acceptances, participation agreements, privately placed bonds and mortgages, common and preferred stock and other securities approved by applicable sections of the Wisconsin Statutes, bond resolutions, and various trust indentures (see Note 5 to the financial statements).

Generally, investments of the primary government are reported at fair value consistent with the provisions of GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*. Typically, fair value information is determined using quoted market prices. However, when quoted market prices are not available for certain securities, fair values are estimated through techniques such as discounted future cash flows, matrix pricing and multi-tiers.

There are a certain number of securities carried at cost. Certain non-public or closely held stocks are carried at cost since no independent quotation is available to price these securities. Further, certain investment agreements are reported on a cost basis because the State cannot readily determine whether these agreements meet the definition of interest-earning investment contracts as defined by GASB Statement No. 31. However, the impact on the financial statements is immaterial.

Under Wisconsin Statutes, the investment earnings of certain Permanent Funds are assigned to other funds. The following table shows the funds earning the investment income and the ultimate recipients of that income:

Fund Generating Investment Income	Fund Receiving Investment Income
Agricultural College	University of Wisconsin System
Normal School	General Fund and University of Wisconsin System
University	University of Wisconsin System
Benevolent	General Fund

3. Mortgage and Other Loans

Mortgage loans of the Veterans Mortgage Loan Repayment Fund and the Veterans Trust Fund programs, business-type activities, are stated at the outstanding loan balance less an allowance for doubtful accounts.

4. Forestation State Tax

The State levies an annual tax of two-tenths of one mill for each dollar of the assessed valuation of the property in the State, as described in Wis. Stat. Sec. 70.58. This tax is levied for the purpose of acquiring, preserving and developing the forests of the state; for forest crop law and county forest law administration and aid payments; and for the acquisition, purchase and development of forests. The proceeds of the tax are paid to the Conservation Fund.

This tax, the only property tax levied by the State, is levied to each county on or before the fourth Monday in August of each year on assessed valuation as of January 1 of that year. The tax is due and payable January 31 or on the due dates established through an installment option permitted under Wis. Stat. Sec. 74.12.

Consistent with the requirements of GASB Interpretation No. 5, Property Tax Revenue Recognition in Governmental Funds, collections received July 1 through August 31 that were due but unpaid at June 30 are accrued.

5. Interfund Assets/Liabilities

During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. The balance sheet or statement of net position for proprietary and fiduciary funds classifies these receivables and payables as "Due from Other Funds" or "Due to Other Funds." Short-term interfund loans are classified as "Interfund Receivables" or "Interfund Payables." Long-term interfund loans are classified as "Advances to Other Funds" and "Advances from Other Funds".

Balances that exist between the primary government and component units are classified as “Due to/from Primary

Government" and, correspondingly, "Due to/from Component Units".

Amounts reported in the funds as interfund assets/liabilities are eliminated in the governmental and business-type columns of the Statement of Net Position, except for the net residual amount due between governmental and business-type activities which is shown as internal balances.

6. Inventories and Prepaid Items

Inventories of governmental and proprietary funds are valued at cost, which approximates market, using the first-in/first-out, last in/first out, or weighted-average method. The costs of governmental fund-type inventories are recorded as expenditures when purchased rather than when consumed.

Inventories of the University of Wisconsin System held by central stores are valued at average cost, fuels are valued at market, and other inventories held by individual institutional cost centers are valued using a variety of cost flow assumptions that, for each type of inventory, are consistently applied from year to year.

Prepaid items reflect payments for costs applicable to future accounting periods.

The fund balances of governmental funds are reported as nonspendable for inventories and prepaid items, except in cases where prepaid items are offset by unearned revenues, to indicate that these accounts do not represent expendable available financial resources.

7. Capital Assets

Capital assets, which include property, plant, equipment, intangibles, land and infrastructure assets (roads, bridges, and buildings considered an ancillary part of roads), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Assets of the primary government, other than infrastructure and land purchased for the construction of infrastructure assets, are capitalized when they have a unit cost of $5,000 or more (except for a collection of library resources that must have a cumulative value equal to or greater than $5.0 million and software purchased by the University of Wisconsin System) and a useful life of two or more years. In addition, internally generated intangible assets are capitalized only if costs are equal to or are greater than $1.0 million.

Purchased or constructed capital assets are valued at cost or estimated historical cost if actual historical cost is not practicably determinable. Donated capital assets are recorded at their fair value at the time received.

The State has elected to report infrastructure assets (roads, bridges and buildings considered an ancillary part of roads) using the modified approach. Under this method infrastructure assets are not required to be depreciated if the State manages its eligible infrastructure assets using an asset management system designed to maintain and preserve its infrastructure assets at a condition level established and disclosed by the State. All infrastructure assets constructed prior to July 1, 2000 have been recorded at estimated historical cost. The estimated historical cost was determined by calculating the current cost of a similar asset and deflating that cost using the Federal Highway Administration's composite index for federal aid highway construction to the estimated average construction date. All infrastructure assets constructed after July 1, 2000 have been recorded at historical cost. The costs of maintenance and preservation that do not add to the asset's capacity or efficiency are not capitalized. Interest incurred during construction is not capitalized.

Exhaustible capital assets of the primary government generally are depreciated on the straight-line method over the asset's useful life. Select buildings of the University of Wisconsin System are depreciated using the componentized method over the estimated useful life of the related assets. Depreciation expense is recorded in the government-wide financial statements, as well as in the proprietary fund statements. There is no depreciation recorded for land, construction in process, infrastructure, and certain other capital assets including the State Capitol and Executive Residence and associated furnishings, defined as inexhaustible. Generally, estimated useful lives are as follows:

Buildings and improvements	6 - 40 years
Equipment, machinery and furnishings	3 - 15 years

Collections of works of art, historical treasures, and similar assets, which are on public display, used in furtherance of historical education, or involved in advancement of artistic or historical research, are not capitalized unless these collections were already capitalized at June 30, 1999. Collections range from memorabilia on display in the Wisconsin Veterans Museum, the Wisconsin Historical Society Museum and other museums to buildings such as the Villa Louis Mansion and the Fur Trade Museum located at the Villa Louis historical site. In addition, works of art or historical treasures on display in the various State office buildings, as well as statues on display outside the State Capitol, also are not capitalized.

8. Restricted and Limited Use Assets

Assets that are required to be held and/or used as specified in Wisconsin statutes, bond indentures, bond resolutions, trustee agreements, board resolutions, and donor specifications have been reported as Restricted and Limited Use Assets.

9. Local Assistance Aids

Municipal and County Shared Revenue Program

Through the Municipal and County Shared Revenue Program, the State distributes general revenues collected from general State tax sources to municipal and county governments to be used for providing local government services. State statutes require that payment to local governments be made during July and November.

At June 30, 2015, the State was liable to various local governments for unpaid shared revenue aid. To measure the amount of the program allocable to the State's fiscal year, the amount is prorated over portions of recipient local governments' calendar fiscal years that are within the State's fiscal year. The result is that a liability of $442.0 million representing one-half of the total appropriated amount is reported at June 30, 2015 as Due to Other Governments.

State Property Tax Credit Program

At June 30, 2015, the State was liable to various taxing jurisdictions for the school levy, the first dollar, and the lottery property tax credits paid through the State Property Tax Credit Program.

The school levy tax credit provides property tax relief in the form of State credits on individual property tax bills.

The first dollar tax credit was first established for property taxes levied in 2008, and payable in 2009. This credit is allowed on every taxable real estate parcel containing an improvement in the state.

Under the lottery property tax credit, owners of property used as a primary residence receive a tax credit equal to the school property tax on a portion of the dwelling's value.

State statutes require that payment to local taxing jurisdictions for the school levy and first dollar tax credits be made during July. Although the state property tax credit is calculated on the property tax levy for school purposes, the State's July payment is paid to an administering municipality who treats the payment the same as other tax collections and distributes the collections to the various tax levying jurisdictions (e.g., cities, towns, and school districts).

The portion of the liability payable to school districts for the school levy and first dollar tax credits represents the amount of the July payment earned over the school districts' previous fiscal year ended June 30. Since the entire school districts' portion of the July payment occurs within the State's fiscal year, 100 percent of the July payment relating to the school taxing jurisdictions' levy is reported as a liability at June 30, 2015.

The portion of the liability payable to general government for the school levy and first dollar tax credits represents the amount of the July payment prorated over the portion of the local governments' calendar year which is within the State's fiscal year. The result is that 50 percent of the July payment based on the general government taxing jurisdictions' levy is reported as a liability at June 30, 2015.

The aggregated State Property Tax Credit Program liability of $670.3 million is reported in the General Fund as Due to Other Governments. Of that amount, $559.5 million relates to the school levy tax credit and $110.8 million relates to the first dollar tax credit.

The lottery property tax credit is accounted for in the Lottery Fund, an enterprise fund that records revenues and expenses on the accrual basis. The State pays municipal treasurers for lottery credits who distribute the moneys to the various taxing jurisdictions. For credits reducing the calendar year 2015 property tax bills, the State made this payment in March 2015. A portion of the State's March payment distributed to the general government taxing jurisdictions applies to their fiscal year that ends on December 31. Therefore, part of the March distribution represents an expense of the State in Fiscal Year 2015, while the remaining portion represents advanced payments. The resulting deferred outflow of resources reported within the Lottery Fund totals $41.8 million at June 30, 2015.

State Aid for Exempt Computers

The Aid for Exempt Computers compensates local governments for tax base lost due to the property tax exemption for computers, software and related equipment. Aid payments are calculated using a procedure that results in an aid amount equal to the amount of taxes that would be paid if the property were taxable. Payments to local governments are made on the fourth Monday in July.

At June 30, 2015, the State was liable to various local governments and other taxing jurisdictions for unpaid exempt computer aid payments of $60.2 million.

10. Long-term Debt Obligations

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt is reported as a liability net of the applicable bond premium or discount. Bond premiums and discounts are deferred and amortized using the effective interest rate method on a prospective basis beginning in Fiscal Year 2004, except for the annual appropriation bonds that are amortized ratably over the life of the obligations to which they relate.

In the fund financial statements, governmental fund types recognize flows for bond premiums and discounts, as well as issuance costs, during the current period. The face amount of the

debt issued is reported as other financing sources. Premiums and discounts are reported as other financing sources and other financing uses, respectively. Issuance costs are reported as other debt service expenditures for governmental fund types, and non-operating expenses for proprietary fund types.

On the government-wide financial statements, bond premiums and discounts related to the Transportation Revenue Bonds and the Petroleum Inspection Fee Obligation Revenue Bonds (which finance programs in a capital projects fund and a special revenue fund, respectively) are amortized ratably over the life of the obligations to which they relate. Results from the use of this method do not vary materially from those that would be obtained by use of the effective interest rate method.

11. Compensated Absences

Consistent with the compensated absences reporting standards of GASB Statement No. 16, *Accounting for Compensated Absences,* an accrual for certain salary-related payments associated with annual leave and an accrual for a certain portion of sick leave is included in the compensated absences liability at year end.

Annual Leave

Full-time employees' annual leave days are credited on January 1 of each calendar year in general at a minimum of 15 or 13 days per year, depending on Fair Labor Standards Act (FLSA) status. There is no requirement to use annual leave. However, unused leave is lost unless approval to carry over the unused portion is obtained from the employing agency. Generally, compensatory time accumulates for eligible employees for hours worked in excess of forty hours per week. In general, each full-time employee is eligible for four and one-half personal holidays each calendar year, provided the employee is in pay status for at least one day in the year. If a holiday occurs on a Saturday, employees receive leave time proportional to their working status to use at their discretion.

The State's compensated absence liability at June 30 consists of accumulated unpaid annual leave, compensatory time, personal holiday hours, and Saturday/legal hours earned and vested during January through June. The liability is reported in the government-wide, proprietary fund types and fiduciary funds.

Sick Leave

Full-time employees earn sick leave at a rate of five hours per pay period. Unused sick leave is accumulated from year to year without limit until termination or retirement. Accumulated sick leave is not paid. However, at employee retirement the accumulated sick leave may be converted to pay for the retiree's health insurance premiums. The State accumulates resources to pay for the expected health insurance premiums of retired employees. The portion of the health insurance obligation funded through the sick leave conversion and accumulated resources are presented in the Accumulated Sick Leave Fund, a pension and other employee benefit trust fund.

12. Unearned Revenue

In both the government-wide and fund financial statements unearned revenue represents amounts for which asset recognition criteria have been met, but not revenue recognition criteria. Unearned revenue arises when resources are received by the State before it has a legal claim to them, such as when grant moneys are received prior to the incurrence of qualifying expenditures. In subsequent periods, when revenue recognition criteria are met, or when the State has a legal claim to the resources, the liability for unearned revenue is removed and revenue is recognized.

Unearned revenue of the University of Wisconsin System consists of payments received but not earned at June 30, 2015, primarily for summer session tuition, tuition and room deposits for the next fall term, advance ticket sales for upcoming intercollegiate athletic events, and amounts received from grant and contract sponsors that have not yet been earned under the terms of the agreement.

13. Self-Insurance

Consistent with the requirements of GASB Statement No. 10, *Accounting and Financial Reporting for Risk Financing and Related Insurance Issues,* the State's risk management activities are reported in an internal service fund, and the claims liabilities associated with that fund are reported therein.

The State's policy is generally not to purchase commercial insurance for the risk of losses to which it is exposed. Instead, State management believes it is more economical to manage its own risks internally. The Risk Management Fund, an internal service fund, is used to pay for losses incurred by any State agency and for administrative costs incurred to manage a state-wide risk management program. These losses include damage to property owned by the agencies, personal injury or property damage liabilities incurred by a State officer, agent or employee, and worker's compensation costs for State employees. A limited amount of insurance is purchased to limit the exposure to catastrophic losses. Annually, a charge is allocated to each agency for its proportionate share of the estimated cost attributable to the program per Wis. Stat. Sec. 16.865(8).

14. Deferred Outflows of Resources and Deferred Inflows of Resources

Deferred outflows of resources are a consumption of net assets by the government that is applicable to a future reporting period. Deferred inflows of resources are an acquisition of net assets by the government that is applicable to a future reporting period. The events associated with the outflows and inflows of resources have already occurred. Under GASB standards, however, the recognition of those outflows and inflows as expenses or expenditures and revenues are deferred until the future periods to which the outflows and inflows are applicable. GASB standards identify circumstances under which deferred outflows of resources and deferred inflows of resources must be reported. The reporting of deferred inflows and outflows are only allowable under those circumstances.

As applicable, the State reports deferred outflows of resources or deferred inflows of resources in the Statement of Net Position for governmental activities and business-type activities and for proprietary and fiduciary fund types as follows:

A decrease or increase in the fair value of derivative instruments classified as effective hedges is presented as a deferred outflow or deferred inflow of resources, respectively, with an off-setting liability or asset, as applicable.

Gains on refunded debt (i.e. the reacquisition price is less than the net carrying amount of the old debt) are reported as deferred inflows, while losses on refunded debt (i.e. the reacquisition price is greater than the net carrying amount of the old debt) are reported as deferred outflows. Both are amortized to interest expense over the remaining life of the old bonds or the life of the new bonds, whichever is shorter.

Differences between expected and actual pension experience with regard to economic and demographic factors in the measurement of the total pension liability for the State's proportionate share are reported as deferred inflows or deferred outflows of resources. They are amortized using a systematic and rational method over a closed period equal to the average of the expected remaining service lives of all active and inactive employees provided with pensions through the pension plan.

Changes of assumptions about future economic or demographic factors, or of other inputs in the measurement of the total pension liability for the State's proportionate share, are reported as deferred inflows or deferred outflows of resources. They are amortized using a systematic and rational method over a closed period equal to the average of the expected remaining service lives of all active and inactive employees provided with pensions through the pension plan.

Differences between projected and actual earnings on the State's proportionate share of pension plan investments are reported as deferred inflows or deferred outflows of resources and amortized using a systematic and rational method over a closed five-year period.

Changes in the State's proportionate share of the net pension liability since the prior measurement date, and differences between actual and proportionate share of contributions are reported as deferred inflows or deferred outflows of resources. They are amortized using a systematic and rational method over a closed period equal to the average expected remaining service lives of all active and inactive employees provided with pensions through the pension plan.

Contributions to the pension plan from the State subsequent to the measurement date of the collective net pension liability and before the end of the State's fiscal year end are reported as deferred outflows of resources.

State resources transmitted to an entity before time requirements are met, but after all other eligibility requirements have been met, are reported as a deferred outflow of resources.

Federal or other entities' resources transmitted to the State before time requirements are met, but after all other eligibility requirements have been met, are reported as deferred inflows of resources.

Further, governmental fund types may report deferred inflows of resources for unavailable revenue, such as derived nonexchange revenue transactions (e.g. sales tax, income tax, assessments on earnings and consumption, etc.). These inflows are not deferred in the government-wide financial statements; rather, they are recognized as revenue.

15. Fund Balance Classification and Restricted Net Position

Fund Balance Classification

In the fund financial statements, governmental funds report fund balance classifications that comprise a hierarchy based primarily on the extent to which the state is bound to honor constraints on the specific purposes for which amounts in those funds can be spent. Fund balance is reported as restricted when constraints placed on the use of the resources are either externally imposed by creditors, grantors, contributors, or laws or regulations of other governments; or, imposed by law through constitutional provisions or enabling legislation.

Amounts that may be used only for specific purposes, pursuant to constraints imposed by passage of a bill by both houses of the legislature that is signed into law by the governor, are reported as committed fund balance. Those committed amounts cannot be used for any other purpose unless a bill passes both houses of the legislature and is signed by the governor to remove or change the specified use. Passage of a bill by both houses of the

legislature and signing of the bill by the governor is the highest level action that results in committed fund balance.

Amounts that are constrained by the state's intent to be used for specific purposes, but are neither restricted nor committed, are classified as assigned fund balances. Intent is expressed by state officials to whom the state has delegated the authority to assign amounts to be used for specific purposes. Unassigned fund balance represents fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the general fund. Nonspendable fund balances include amounts that cannot be spent because they are either not in spendable form or are legally or contractually required to be maintained intact.

When both restricted and unrestricted resources are available for use it is the State's policy to use restricted resources first, and then unrestricted as they are needed. The state has not established a policy for use of unrestricted fund balance. Under the provisions of GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, if a government does not establish a policy for its use of unrestricted fund balance amounts, committed amounts would be reduced first, followed by assigned amounts, and then unassigned amounts.

Restricted Net Position

Restricted Net Position, presented in the government-wide and proprietary funds statement of net position are reported when constraints placed on use are either (1) externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments, or (2) imposed by law through constitutional provisions or enabling legislation. Enabling legislation authorizes the government to assess, levy, charge, or otherwise mandate payment of resources (from external resource providers) and includes a legally enforceable requirement that those resources be used only for the specific purposes stipulated in the legislation. Unrestricted net position may be used at the State's discretion but may have limitations on use based on State statutes.

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NOTE 2. DETAILED RECONCILIATION OF THE GOVERNMENT-WIDE AND FUND STATEMENTS

A. Explanation of Differences Between the Balance Sheet – Governmental Funds and the Statement of Net Position

During the year ended June 30, 2015, the following adjustments and reclassifications were necessary to reconcile the information from the fund-based Balance Sheet – Governmental Funds to the amounts presented in the governmental activities section of the Statement of Net Position (in thousands). The differences result primarily from the long-term economic focus of the Statement of Net Position compared to the current financial focus of the Balance Sheet – Governmental Funds.

	Total Governmental Funds	Long-term Assets and Liabilities (1)	Internal Service Funds (2)	Reclassifications and Eliminations (3)	Total Amount for Statement of Net Position
Assets:					
Cash and Cash Equivalents	$ 1,258,376	$ -	$ 22,333	$ -	$ 1,280,709
Investments	534,981	-	-	-	534,981
Receivables (net of allowance):					
Taxes	1,288,676	-	-	(1,288,676)	-
Loans to Local Governments	364,437	-	-	(364,437)	-
Other Loans Receivable	33,732	-	-	(33,732)	-
Other Receivables	651,163	3,305	1,217	2,832,163	3,487,848
Due from Other Funds	667,907	-	37,316	(705,223)	-
Interfund Receivables	83,687	-	-	(83,687)	-
Due from Other Governments	1,082,386	-	-	(1,082,386)	-
Internal Balances	-	-	(1,145)	72,355	71,210
Inventories	48,742	2	4,172	-	52,916
Prepaid Items	94,347	5,453	1,042	-	100,841
Restricted Assets:					
Cash and Cash Equivalents	313,198	-	-	-	313,198
Investments	127,902	-	-	-	127,902
Net Pension Asset	-	318,261	5,842	-	324,103
Other Assets	19,386	-	0	-	19,386
Depreciable Capital Assets	-	1,254,424	288,558	-	1,542,982
Infrastructure	-	14,975,412	-	-	14,975,412
Other Non-depreciable Capital Assets	-	5,802,489	44,053	-	5,846,542
Total Assets	6,568,920	22,359,345	403,388	(653,623)	28,678,030
Deferred Outflows of Resources	142	561,431	8,103	-	569,677
Total Assets and Deferred Outflows	$ 6,569,062	$ 22,920,777	$ 411,490	$ (653,623)	$ 29,247,706
Liabilities:					
Accounts Payable and Other Accrued Liabilities	1,216,854	-	13,630	28,008	1,258,492
Due to Other Funds	614,470	-	60,246	(674,716)	-
Due to Component Units	8	-	-	(8)	-
Due to Other Governments	2,268,469	-	-	-	2,268,469
Tax Refunds Payable	1,139,109	-	-	-	1,139,109
Tax and Other Deposits	51,301	-	-	-	51,301
Unearned Revenue	343,705	2	-	-	343,708
Interest Payable	48,379	64,418	-	-	112,797
Advances from Other Funds	6,907	-	-	(6,907)	-
Short-term Notes Payable	861,917	-	20,415	-	882,332
Other Liabilities	-	158,435	-	-	158,435
Long-term Liabilities:					
Current Portion	222,630	683,405	67,226	-	973,261
Noncurrent Portion	-	10,587,422	233,291	-	10,820,713
Total Liabilities	6,773,749	11,493,683	394,808	(653,623)	18,008,617
Deferred Inflows of Resources	233,277	(212,767)	830	-	21,340
Fund Balances/Net Position	(437,965)	11,639,861	15,852	-	11,217,748
Total Liabilities, Deferred Inflows, and Fund Balances/Net Position	$ 6,569,062	$ 22,920,777	$ 411,490	$ (653,623)	$ 29,247,706

(1) Long-term asset and liability differences arise because governmental funds focus only on short-term financing (that is, resources that will be available to pay for current period expenditures). In contrast, the Statement of Net Position has a long-term economic focus and reports on all capital and financial resources.

(2) The adjustment for internal service funds reflects the reclassification of these funds for the government-wide statement. The assets and liabilities of these funds are reported as proprietary activities on the fund statements, but are included as governmental activities on the Statement of Net Position.

(3) Various reclassifications are necessary due to the differing level of detail needed on each of the statements. Eliminations are done on the Statement of Net Position to minimize the grossing-up effect on assets and liabilities within the governmental and business-type activities columns of the primary government. The net residual amounts due between governmental and business-type activities are shown as internal balances.

B. Explanation of Differences Between the Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds and the Statement of Activities

During the year ended June 30, 2015, the following adjustments and reclassifications were necessary to reconcile the information from the fund-based Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds to the amounts presented in the governmental section of the Statement of Activities (in thousands). The differences result primarily from the long-term economic focus of the Statement of Activities compared to the current financial focus of the Statement of Revenues, Expenditures, and Changes in Fund Balance – Governmental Funds.

	Total Governmental Funds	Long-term Revenues and Expenses (1)	Capital-Related Items (2)
Revenues:			
Taxes			
Income Taxes	$ 8,351,846	$ 3,820	$ -
Sales & Excise Taxes	5,593,303	(2,427)	-
Public Utility Taxes	368,867	-	-
Other Taxes	286,315	(5)	-
Motor Fuel (Transportation) Taxes	1,067,795	(22)	-
Other Dedicated Taxes	191,617	(179)	-
Intergovernmental	9,515,239	-	-
Operating Grants	-	-	-
Capital Grants	-	-	156
Licenses and Permits	1,909,289	-	-
Charges for Goods and Services	327,870	430	-
Investment and Interest Income	49,321	-	-
Fines and Forfeitures/Contributions to Permanent Fund	59,889	-	-
Gifts and Donations	23,467	-	-
Miscellaneous:		-	(7,503)
Tobacco Settlement	126,185	-	-
Other	287,865	-	-
Total Revenues	28,158,866	1,617	(7,347)
Expenditures/Expenses:			
Current Operating:			
Commerce	270,500	186	711
Education	7,031,310	(31)	5,199
Transportation	2,112,307	(294)	55,383
Environmental Resources	454,705	84	13,095
Human Relations and Resources	12,978,873	(115)	67,953
General Executive	586,166	(20,658)	10,448
Judicial	126,064	(46)	1,317
Legislative	64,291	213	-
Tax Relief and Other General Expenditures	1,317,664	-	-
Intergovernmental - Shared Revenue	964,113	-	-
Capital Outlay	1,273,428	-	(1,273,428)
Debt Service:			
Principal	610,503	-	-
Interest and Other Charges	522,789	2,111	-
Total Expenditures/Expenses	28,312,713	(18,550)	(1,119,323)
Excess of Revenues Over (Under) Expenditures/Expenses	(153,847)	20,167	1,111,975
Other Financing Sources (Uses):			
Net Transfers	(1,089,758)	-	-
Long-term Debt Issued	1,625,948	-	-
Premium/Discount on Bonds	246,028	-	-
Payments for Refunded Bonds	(280,790)	-	-
Payments to Refunding Bond Escrow Agent	(927,779)	-	-
Capital Lease Acquisitions	41,836	(41,836)	-
Installment Purchase Acquisitions	409	(409)	-
Total Other Financing Sources (Uses)	(384,105)	(42,245)	-
Net Change in Fund Balance/Net Position	(537,952)	$ (22,078)	$ 1,111,975
Change in Inventories	10,686		
Net Change for the Year	$ (527,267)		

(1) Long-term revenue differences arise because governmental funds report revenues only when they are considered "available," while government-wide statements report revenues when earned. Long-term expense differences arise because governmental funds report operating expenses (including interest) using the modified accrual basis of accounting, while government-wide statements report using the accrual basis of accounting.

(2) Capital-related adjustments consist of the difference between proceeds for the sales of capital assets and the gain or loss from the sales of capital assets, and from the difference between capital outlay expenditures recorded in the governmental funds and depreciation expense recorded in the government-wide statements.

(3) The adjustment for internal service funds reflects the elimination of these funds from the government-wide statement, which is accomplished by charging/refunding additional amounts to participating governmental activities to completely offset the internal service funds' cost for the year.

Internal Service Funds (3)	Long-term Debt Transactions (4)	Eliminations (5)	Revenue/Expense Reclassifications (6)	Total Amount for Statement of Activities
$ -	$ -	$ -	$ -	$ 8,355,665
-	-	-	-	5,590,876
-	-	-	-	368,867
-	-	-	-	286,310
-	-	-	-	1,067,773
-	-	-	-	191,437
-	-	-	(9,515,239)	-
-	-	(769,968)	9,568,836	8,798,868
-	-	852,643	9,476	862,275
-	-	-	(1,909,289)	-
(7,983)	-	(18,566)	1,957,045	2,258,796
0	-	-	(39,606)	9,715
-	-	-	(47,755)	12,133
-	-	-	(23,467)	-
-	-	-	414,957	407,453
-	-	-	(126,185)	-
-	-	-	(287,865)	-
(7,982)	-	64,109	907	28,210,170
(86)	-	(5,804)	(67)	265,440
(1,568)	-	33,756	(40)	7,068,625
(1,708)	2,041	-	(10,908)	2,156,820
(594)	-	-	811	468,101
(5,420)	(90)	48,919	(6,446)	13,083,675
(9,504)	-	(12,762)	(28)	553,662
-	-	-	-	127,336
(74)	-	-	-	64,429
-	-	-	(345)	1,317,319
-	-	-	-	964,113
-	-	-	-	(0)
-	(610,503)	-	-	-
7,517	(83,215)	-	6,337	455,540
(11,437)	(691,767)	64,109	(10,685)	26,525,060
3,454	691,767	0	11,593	1,685,110
(5,304)	-	-	(907)	(1,095,969)
-	(1,625,948)	-	-	-
-	(246,028)	-	-	-
-	280,790	-	-	-
-	927,779	-	-	-
-	-	-	-	-
-	-	-	-	-
(5,304)	(663,408)	-	(907)	(1,095,969)
$ (1,849)	$ 28,359	$ 0	10,685	589,141
			(10,686)	-
			$ (0)	$ 589,141

(4) Long-term debt transaction differences consist of bond proceeds and principal repayments reported as other financing sources and expenditures in governmental funds, but as increases and decreases in liabilities in the government-wide statements.

(5) Intra-entity activity within the same function is eliminated to remove the grossing up of both direct expenses and program revenues within that category.

(6) Revenue and expense reclassifications are necessary due to the differing level of detail needed on each of the statements. In addition, the Statement of Activities focuses on program revenue, which has been redefined from the traditional revenue source categories.

NOTE 3. BUDGETARY CONTROL

The legal level of budgetary control for Wisconsin is at the function, agency, program, appropriation-level. Supplemental appropriations require the approval of the Joint Finance Committee of the Legislature. Routine adjustments, such as pay plan supplements and rent increases, are distributed by the Division of Executive Budget and Finance from non-agency specific appropriations authorized by the Legislature. Various supplemental appropriations were approved during the year and have been incorporated into the budget figures.

The budgetary comparison schedule and related disclosures for the General and Transportation funds are reported as Required Supplementary Information. This schedule presents the original budget, the final budget and actual data of the current period. The related disclosures describe the budgetary practices of the State, as well as, provide a detailed reconciliation between the General and Transportation funds' equity balance on the budgetary basis compared to the GAAP basis as shown on the governmental fund statements.

NOTE 4. DEFICIT FUND BALANCE/FUND NET POSITION, RESTRICTED NET POSITION, BUDGET STABILIZATION ARRANGEMENT, MINIMUM FUND BALANCE POLICY, AND FUND BALANCE OF GOVERNMENTAL FUNDS

A. Deficit Fund Balance/Fund Net Position

In addition to the General and Capital Improvement Funds, funds reporting a deficit fund balance or net position at June 30, 2015 are (in thousands):

Special Revenue:		
Petroleum Inspection	$	39,022
Dry Cleaner Environmental Response		6,088
Land Information		175
Capital Projects:		
Transportation Revenue Bonds		89,860
Enterprise:		
Northern Developmental Disabilities Center		15,314
Local Government Property Insurance		5,852
Long Term Disability Insurance		89,176
Internal Service:		
Risk Management		97,864
Private-Purpose Trust:		
Retiree Health Insurance		65,381

B. Restricted Net Position

GASB Statement No. 46, *Net Assets Restricted by Enabling Legislation*, which amends GASB Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments,* provides guidance for determining when net assets have been restricted to a particular use by the passage of enabling legislation and how those net assets should be reported in financial statements when there are changes in the circumstances surrounding such legislation. Net position restricted by enabling legislation was as follows on June 30, 2015 (in thousands):

Governmental Activities:	
Net Position Restricted by Enabling Legislation	366,924
Business-type Activities:	
Net Position Restricted by Enabling Legislation	575,664

C. Budget Stabilization Arrangement

Wisconsin Statutes 25.60 establishes a stabilization arrangement for monies to be set aside for use if General Fund revenues are less than projected and expenditures exceed budgeted amounts. Wisconsin Statues 16.518 provides for the automatic transfer of 50.0 percent of the excess of General Fund tax revenues over tax estimates to be deposited into a stabilization appropriation. However, the transfer may not be made if the stabilization balance is at least equal to 5.0 percent of estimated General Fund expenditures for the fiscal year. Further, the transfer may not reduce the General Fund balance below the required statutory balance. In addition to the transfer described, under Wisconsin Statutes 16.72(4) net proceeds from the sale of supplies, materials and equipment are also to be deposited into the stabilization appropriation except as otherwise provided by law.

Wisconsin Statutes 16.50(7) provides that if the secretary of the Department of Administration determines that previously authorized expenditures under the biennial budget act will exceed revenues in the current or forthcoming fiscal year by more than one-half of one percent of the estimated general purpose revenue appropriations for that fiscal year, he or she shall immediately notify the governor, the presiding officers of each house of the legislature and the joint committee on finance. Following such notification, the governor shall submit a bill containing recommendations for correcting the imbalance between projected revenues and authorized expenditures, including a recommendation as to whether moneys should be transferred from the budget stabilization appropriation to the General Fund.

Beyond the requirements noted above, 2013 Wisconsin Act 145, prohibited transfers from the General Fund to the budget stabilization appropriation in Fiscal Year 2015. The balance of the budget stabilization arrangement as of June 30, 2015 was $280.3 million.

D. Minimum Fund Balance

Wisconsin Statutes 20.003(4) establishes a minimum General Fund balance. Under the statutes, no bill directly or indirectly affecting general purpose revenues as defined in Wisconsin Statues 20.001(2)(a) may be enacted by the legislature if the bill would cause the estimated General Fund balance on June 30 of any fiscal year to be an amount equal to or less than the amount specified for that fiscal year. The minimum required balance for the fiscal year ending June 30, 2015 was $65.0 million.

E. Fund Balance for Governmental Funds

Governmental funds reported the following categories of fund balance as of June 30, 2015 (in thousands):

	General	Transportation	Capital Improvement	Nonmajor Governmental	Total Governmental
Nonspendable for:					
Inventory, Prepaid and Long-term Receivables	92,916	33,537	-	16,243	142,695
Legal or Contractual Purposes (Permanent Fund Principal)	-	-	-	1,023,586	1,023,586
Restricted for:					
Commerce	3,435	-	-	32	3,467
Education	14,554	-	-	37,095	51,649
Transportation	-	743,949	-	-	743,949
Environmental Resources	1,691	-	-	83,278	84,970
Human Relations and Resources	112,342	-	-	24,926	137,267
General Executive	152,017	-	-	9,720	161,737
Judicial	38	-	-	-	38
Tax Relief and Other General Expenditures	403	-	-	-	403
Intergovernmental - Shared Revenue	-	-	-	274	274
Debt Service	-	-	-	70,528	70,528
Committed to:					
Commerce	-	-	-	38,267	38,267
Education	-	-	-	315	315
Environmental Resources	-	-	-	72,579	72,579
Human Relations and Resources	-	-	-	23,467	23,467
General Executive	-	-	-	15,110	15,110
Judicial	-	-	-	84	84
Tax Relief and Other General Expenditures	280,280	-	-	-	280,280
Capital Projects	-	-	-	19,385	19,385
Unassigned	(2,437,085)	-	(735,727)	(135,204)	(3,308,015)
Total Fund Balance	(1,779,409)	777,486	(735,727)	1,299,685	(437,965)

NOTE 5. DEPOSITS AND INVESTMENTS

The State maintains a short-term investment "pool", the State Investment Fund, for the State, its agencies and departments, and certain other public institutions which elect to participate. The investment "pool" is managed by the State of Wisconsin Investment Board (the Board) which is further authorized to carry out investment activities for certain enterprise, trust and agency funds. A small number of State agencies and the University of Wisconsin System also carry out investment activities separate from the Board.

A. Deposits

Deposits include cash and cash equivalents on deposit in banks or other financial institutions, and nonnegotiable certificates of deposit. The majority of the State's deposits are under the control of the Department of Administration. The Department of Administration maintains multiple accounts with an agreement with the bank that allows an overdraft in one account if the overdraft is offset by balances in other accounts.

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 State's policy regarding custodial credit risk is detailed in Chapter 34 of the State Statutes. In brief, any federal or state bank, credit union or savings bank may be designated a public depository. A surety bond may be required. The State's insured deposits are covered by the Federal Deposit Insurance Corporation (FDIC) and an appropriation for losses on public deposits. In the event of loss, the division of banking makes payments up to $400,000 per depositor for the excess of the payments made by the Federal Deposit Insurance Corporation or the Wisconsin Credit Union Savings Insurance Corporation. Payments are made, until the funds available in the appropriation are exhausted, in the order in which satisfactory proofs of loss are received by the State's Department of Financial Institutions.

1. Primary Government

As of June 30, 2015, $350.7 million of the primary government's bank balance of $378.4 million was exposed to custodial credit risk as follows (in millions):

Uninsured and uncollateralized	$	350.7

Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of a deposit. Deposits in foreign currency at June 30, 2015 are immaterial. The primary government does not have a formal policy specifically related to foreign currency risk.

The State's Unemployment Reserve Fund had $513.8 million on deposit with the U.S. Treasury. This amount is presented as Cash and Cash Equivalents and is not included in the carrying amount of deposits nor is it categorized according to risk because it is neither a deposit with a financial institution nor an investment.

B. Investments

1. Primary Government

Wisconsin Statutes, program policy provisions, appropriate governing boards, and general resolutions contained in revenue bond indenture documents define the types of securities authorized as appropriate investments and the conditions for making investment transactions.

Investments of the State are managed by various portfolios. For disclosure purposes, the following investment portfolios are discussed separately:

- Primary government, excluding the University of Wisconsin System, the Wisconsin Retirement System and the State Investment Fund. The primary government portfolios include Various Funds managed by the State of Wisconsin Investment Board consisting of the following:
  -- Local Government Property Insurance Fund (LGPIF)
  -- State Life Insurance Fund (SLF)
  -- Injured Patients and Families Compensation Fund (IPFCF)
  -- Historical Society Fund
  -- Tuition Trust Fund
- University of Wisconsin System (UWS)
- Wisconsin Retirement System (WRS)
- State Investment Fund (SIF) -- functions as the State's cash management fund by "pooling" the idle cash balances of all State funds and other public institutions. Investments of the SIF are discussed in section B2 of this note disclosure.

Primary Government *(excluding the University of Wisconsin System (UWS), the Wisconsin Retirement System (WRS), and the State Investment Fund (SIF))*

For the primary government, except for the Various Funds discussed later, permitted investments include: direct general obligations of the United States of America and obligations (including obligations of any federal agency or corporation) for which the payment of the principal and interest are unconditionally guaranteed by the full faith and credit of the United States; bonds or other obligations of any state or the United States of America or of any agency, instrumentality or local governmental unit of any such state including the State of Wisconsin; bonds, debentures, participation certificates, notes or similar evidences of indebtedness of any of the Federal Financing Bank, Federal Home Loan Bank System, Federal Farm Credit Bank, Federal National Mortgage Association, Federal Home Loan Mortgage Corporation, Resolution Funding Corporation, Government National Mortgage Association, Student Loan Marketing Association or Tennessee Valley Authority; public housing bonds issued by public agencies or municipalities; commercial paper; interest-bearing time deposits, certificates of deposit or other similar banking arrangements; shares of a diversified open-end management investment company; repurchase agreements; common and preferred stock; bankers acceptances; corporate commercial paper; bonds issued by a local district created under Wisconsin Act 229; and investment agreements with a bank, bank holding company, insurance company or other financial institution.

The State of Wisconsin Investment Board (SWIB or the Board) has control of the investment and collection of principal, interest, and dividends of all monies invested of the Local Government Property Insurance Fund (LGPIF), the State Life Insurance Fund (SLF), the Injured Patients and Families Compensation Fund (IPFCF), the Historical Society Trust Fund, and the Tuition Trust Fund, which are collectively known as the “Various Funds”.

Wisconsin Statutes allow investments of the LGPIF in direct obligations of the United States and Canada, securities guaranteed by the United States, unsecured notes of financial and industrial issuers, Yankee/Euro dollar issues, and certificates of deposit issued by banks in the United States, including solvent financial institutions in Wisconsin.

Permitted classes of investments of the SLF and the IPFCF include bonds of government units or of corporations, loans secured by mortgages, preferred or common stocks, real property and other investments not specifically prohibited by statute.

Funds available for the Historical Society Trust Fund are managed with an investment objective of maintaining a diversified portfolio of high quality publicly issued equities and fixed income obligations providing long-term growth in capital and income generation.

The Board is directed to invest moneys held in the Tuition Trust Fund in investments with maturities and liquidity that are appropriate for the needs of the fund as reported by the State Department of Administration.

University of Wisconsin System (UWS)

The University of Wisconsin System (UWS) investment policies and guidelines are governed and authorized by the Board of Regents. The current approved asset allocation policy for long-term funds sets a general target of 35.0 percent marketable equities, 30.0 percent fixed income, and 35.0 percent alternatives. The approved asset allocation for intermediate term funds is 15.0 percent marketable equities, 70.0 percent fixed income, 10.0 percent alternatives and 5.0 percent cash. These target allocations were last affirmed/approved by the Board of Regents in December 2014.

Wisconsin Retirement System (WRS)

All assets of the WRS are invested by the State of Wisconsin Investment Board (the Board). The WRS consists of shares in the Core Retirement Investment Trust and the Variable Retirement Investment Trust.

The investments of the Core Retirement Investment Trust consist of a diversified portfolio of securities. Wis. Stat. Sec. 25.182 authorizes the Board to manage the Core Retirement Investment Trust in accordance with "prudent investor" standard of responsibility as described in Wis. Stat. Sec. 25.15(2) which requires that the Board manage the funds with the diligence, skill and care that a prudent person acting in a similar capacity and with the same resources would use in managing a large public pension fund.

Investments of the Variable Retirement Investment Trust are authorized under Wis. Stat. Sec. 25.15 and 25.17. Wis. Stat. Sec. 25.17(5) states assets of the Variable Retirement Investment Trust shall be invested primarily in equity securities which shall include common stocks, real estate or other recognized forms of equities whether or not subject to indebtedness, including securities convertible into common stocks and securities of corporations in the venture capital stage. The Variable Retirement Investment Trust consists primarily of common stock and bonds convertible into common stock, although, because of existing conditions in the securities market, there may temporarily be other types of investments.

Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations.

Primary Government *(excluding the University of Wisconsin System (UWS), the Wisconsin Retirement System (WRS), and the State Investment Fund (SIF)*

The primary government, except for the Various Funds discussed later, follows Wisconsin Statutes, program policy provisions, appropriate governing boards, and general resolutions contained in revenue bond indenture documents limits investments in public housing bonds issued by public agencies or municipalities, the State of Wisconsin, interest-bearing time deposits, certificates of deposit or other similar banking arrangement, shares of a diversified open-end management investment company repurchase agreements and investment agreements to a rating no lower than the rating assigned to the bonds. Investments in all other permitted debt securities are required to bear the highest rating available from each nationally recognized rating agency. In addition, credit risk of certain funds such as the Retiree Life Insurance Fund is minimized by monitoring portfolio diversification by asset class, creditor and industry and by complying with investment limitations governed by insurance laws and regulations.

Investment credit quality ratings as of June 30, 2015, from Standard and Poor's, Moody's Investors Service, and Fitch Ratings are presented below and at the top of the next page using the Standard and Poor's rating scale (in millions):

Primary Government
(excluding the Various Funds, UWS, WRS and SIF)

Credit Quality Ratings	Fair Value
AAA	$ 259.4
AA	839.2
A	29.9
Not Rated	1,477.2
Total	$ 2,605.7

The Various Funds' investment guidelines generally require that issues be rated "A-" or better at the time of purchase based on the minimum credit ratings as issued by Nationally Recognized Statistical Rating Organizations (NRSROs). IPFCF guidelines provide that, at the time of purchase, at least 80 percent of the bond portfolio must be rated "A3/A-" or better, using the lower of split ratings.

The following schedule displays the credit ratings at June 30, 2015, for the Various Funds (fair values in millions):

	Various Funds			
	SLF	IPFCF	Historical Society	Tuition Trust
AAA	$ 1.1	$ 15.7	$ --	$ --
AA	46.2	425.6	--	3.2
A	38.8	336.1	--	0.1
BBB	24.0	149.8	--	0.3
BB	0.6	5.3	--	--
Bond Fund (Not Rated)	--	--	3.3	--
Totals	$ 110.6	$ 932.6	$ 3.3	$ 3.6

University of Wisconsin System (UWS)

The UWS currently holds below investment grade securities within commingled vehicles representing 6.5 percent of total assets of the Long Term Fund and 5.7 percent of total assets of the Intermediate Term Fund. In addition, actively-managed, investment grade fixed income separate accounts must maintain an average portfolio quality of AA by Standard & Poor's and/or Aa by Moody's, and hold only securities rated BBB- or higher by Standard & Poor's and/or Baa3 or higher by Moody's.

The following schedule displays the credit ratings as provided by Moody's Investor Service for debt securities held as of June 30, 2015 (in millions). Obligations of the United States and obligations explicitly guaranteed by the U.S. government have been included in the Aaa rating below.

UWS	
Ratings	**Fair Value**
Aaa	$ 60.6
Aa1	0.7
Aa2	0.9
Aa3	1.0
A1	3.4
A2	3.3
A3	3.0
Baa1	4.7
Baa2	2.3
Baa3	2.4
Ba2	7.5
B1	0.4
B2	16.7
B3	0.2
Caa2	0.7
No Rating	4.3
Unrated Pooled Cash	28.9
Total	$ 141.0

Wisconsin Retirement System (WRS)

With the exception of derivative instrument credit risk, there are no fund-wide or system-wide investment guidelines related to credit risk exposures for investments of the WRS. Fixed income credit risk investment guidelines outline the minimum ratings required at the time of purchase by individual portfolios, or groups of portfolios, based on the portfolios' investment objectives. In addition, some fixed income portfolios are required to carry a minimum weighted average rating at all times.

The following schedule displays the lowest credit rating assigned by nationally recognized statistical rating organizations on debt securities held as of December 31, 2014 (in millions).

WRS	
Rating	**Fair Value**
P-1 or A-1	$ 523.0
P-2 or A-2	341.5
AAA/Aaa	522.3
AA/Aa	12,487.9
A	2,551.8
BBB/Baa	2,768.5
BB/Ba	579.9
B	559.9
CCC/Caa	171.8
CC/Ca	0.1
Commingled Fixed Income Funds	7,357.0
Not rated	865.2
Total	$ 28,728.9

Reverse Repurchase Agreements

Wisconsin Retirement System (WRS)

SWIB held $820.5 million in reverse repurchase agreements at December 31, 2014. Investment guidelines permit certain portfolios to enter into reverse repurchase agreements, which are a sale of securities with a simultaneous agreement to repurchase the securities in the future at the same price plus a stated rate of interest. The market value of the securities underlying reverse repurchase agreements exceeds the cash received, providing the

counterparty a margin against a decline in market value of the securities. If the counterparty defaults on their obligations to sell these securities back to SWIB or provide cash of equal value, SWIB could suffer an economic loss equal to the difference between the market value of the underlying securities plus accrued interest and the agreement obligation, including accrued interest. This credit exposure at December 31, 2014 was $17.0 million.

During the calendar year 2014 SWIB began entering into repurchase agreements under a new Master Repurchase Agreement with an agent who retains full control of the underlying securities. Under this new arrangement credit risk exposure is limited to $200 million per reverse repurchase agreement counterparty. The counterparty credit exposure is monitored daily and managed through the transfer of margin, in the form of cash or securities, between SWIB and the counterparty.

The cash proceeds from reverse repurchase agreements are reinvested by the Board. The maturities of the purchases made with the proceeds of reverse repurchase agreements are not necessarily matched to the maturities of the agreements. The agreed-upon yields earned by the counterparty were between 0.15 percent and 0.30 percent. The reverse repurchase agreements had open maturities, whereby a maturity date is not established upon entering into the agreement; however, interest rates on the agreements are negotiated daily. The agreements can be terminated at the will of either SWIB or the counterparty.

Custodial Credit Risk

Custodial credit risk is the risk that, in the event of a failure of the counterparty, the State will not be able to recover the value of the investment or collateral securities that are in the possession of an outside party.

Primary Government *(excluding the University of Wisconsin System (UWS), the Wisconsin Retirement System (WRS), and the State Investment Fund (SIF))*

The primary government, including the Various Funds, does not have an investment policy specifically for custodial credit risk. As of June 30, 2015, the primary government did not have any direct investment securities exposed to custodial credit risk.

University of Wisconsin System (UWS)

The UWS's investments are registered in the name of the UWS and the UWS does not participate in any securities lending programs through its custodian bank. Investment securities underlying the UWS's investment in shares of external investment pools or funds are in custody at those funds. The shares owned in these external investment pools are registered in the name of the UWS.

Wisconsin Retirement System (WRS)

The WRS does not have a formal policy for custodial credit risk. As of December 31, 2014, the WRS held 13 repurchase agreements totaling $151.5 billion. All of these repurchase agreements were tri-party agreements held in short-term cash management portfolios managed by SWIB's custodian. The underlying securities for these repurchase agreements were held by the tri-party's agent, not in SWIB's name.

Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer.

Primary Government *(excluding the University of Wisconsin System (UWS), the Wisconsin Retirement System (WRS), and the State Investment Fund (SIF)*

Although the primary government, except for the Various Funds discussed later, does not have a formal policy on limiting the exposure to concentrations of credit risk, it is the primary government's policy to comply with the provisions contained within the general resolutions of revenue bond indentures and other program policy investment criteria. For example, the College Savings Program Trust Fund's exposure to a particular industry is limited to no more than double that industry's percentage in the ML All Corporate Index (COAO).

Debt securities issued by the State of Wisconsin represent the largest concentration of investments in a single issuer. In total $339.7 million of the reported investments of the primary government were issued by the State of Wisconsin which represents 14.9 percent of total investments. Of that amount $176.6 million belongs to the Environmental Improvement Fund, and represents 79.5 percent of that fund's investments. The non-major governmental funds in aggregate hold investments of $223.1 million issued by the State of Wisconsin representing 32.1 percent of investments. The non-major governmental funds also hold investments in debt securities issued by the Farm Credit System, and the Federal Home Loan Bank totaling $122.1 million and $67.0 million respectively. The dollar figures represent 17.6 percent, and 9.6 percent of non-major governmental funds' investments respectively.

The Various Funds' investment guidelines limit concentrations of credit risk by establishing maximum issuer and/or sector exposure limits. Generally, the guidelines require that no single issuer may exceed 5 percent of the fund investments, with the exception of U.S. Government and its Agencies, whose exposure is unlimited. The LGPIF further limits AAA-rated U.S. mortgage-backed, AAA-rated asset-backed and individual corporate issuers to 3 percent of the market value of the fund investments. No investments from these issuers were owned at fiscal year-end.

Excluding investments issued or explicitly guaranteed by the U.S. government and pooled investments, as of June 30, 2015, none of the Various Funds had more than 5 percent of their total investments in a single issuer.

University of Wisconsin System (UWS)

Actively-managed, fixed income separate accounts are limited to holding no more than 7.0 percent in any one issuer (U.S. Government/Agencies are exempted). During fiscal year 2015, the largest concentration in a non-U.S. Government/Agency was Citigroup, Inc., which represented 0.4 percent of total Trust Funds assets.

Wisconsin Retirement System (WRS)

For investments of the WRS, concentration of credit risk is limited by establishing investment guidelines for individual portfolios or groups of portfolios that generally restrict issuer concentrations in any one company or Rule 144A securities to less than 5 percent of the portfolio's market value.

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates of debt investments will adversely affect the fair value of an investment.

Primary Government *(excluding the University of Wisconsin System (UWS), the Wisconsin Retirement System (WRS), and the State Investment Fund (SIF))*

Although the primary government, except for the Various Funds discussed later, does not have a formal policy on limiting the exposure to changes in interest rates, it is the primary government's policy to comply with the provisions contained within the general resolutions of revenue bond indentures and other program policy investment criteria. For example, the Lottery Fund acquires investments with maturity dates that significantly coincide with scheduled payment dates of prize annuities. Investments are held to maturity unless an annuitant requests premature termination of an annuity, then any loss or gain due to market fluctuations are passed through to the redeeming annuitant. Therefore, the Lottery Fund has minimal interest rate risk exposure. Further, as a means of limiting its exposure to interest rate risks, certain funds are required to limit at least half of the fund's investment portfolio to maturities of less than one year. In addition, interest rate risk of certain other funds such as the Retiree Life Insurance Fund is minimized by maintaining a diversified portfolio of investments and monitoring cash flow patterns in order to approximately match the expected maturity of liabilities.

The following table provides information about the interest rate risks associated with the primary government's investments, except those of the Various Funds. The investments include certain short-term cash equivalents, and various long-term items. At June 30, 2015, the primary government's investments were (in millions):

Primary Government (excluding the Various Funds, UWS, WRS, SIF, and investments in an external investment pool)

	Investment Maturities				
Investment Type	**Less Than 1 Year**	**1 to 5 Years**	**6 to 10 years**	**More Than 10 Years**	**Fair Value**
U.S. Government and U.S. agency holdings	$ 134.0	$ 22.9	$ 5.7	$ 123.2	$ 285.8
State and municipal bonds and notes	19.4	74.6	86.0	380.6	560.6
Corporate notes and bonds	0.1	0.3	--	--	0.4
Forward delivery agreements	45.6	--	--	--	45.6
Money market funds	226.4	--	--	--	226.4
Mutual funds – open ended	0.5	306.8	1,075.4	--	1,382.7
Guaranteed Investment Contracts	--	122.6	--	--	122.6
Total	$ 426.0	$ 527.2	$ 1,167.1	$ 503.8	$ 2,624.1

The Various Funds, which are managed by the Board, use the duration method to identify and manage interest rate risk. Three of the Various Funds have investment guidelines relating to interest rate risk. The LGPIF guidelines require that a bond's maturity must not exceed ten years. The SLF guidelines require the Weighted Average Maturity (WAM) of the portfolio, including cash, to be a minimum of ten years. The IPFCF guidelines require the average duration of the aggregate bond portfolio to be less than ten years.

As of June 30, 2015, the Various Funds had interest rate risk statistics as detailed below (in millions):

Various Funds
Duration or WAM (in years) for Fixed Income Securities

Investment Type	**SLF**		**IPFCF**		**Historical Society**		**Tuition Trust**	
	Fair Value	**WAM**	**Fair Value**	**Duration**	**Fair Value**	**Duration**	**Fair Value**	**Duration**
Govt/Agency	$ 43.4	12.73	$ 394.0	6.26	$ --	--	$ 3.2	2.26
Corporate	67.2	16.15	538.5	5.64	--	--	0.4	2.16
Bond Fund	--	--	--	--	3.3	5.77	--	--
Total/Wtd Ave	$ 110.6	14.81	$ 932.6	5.90	$ 3.3	5.77	$ 3.6	2.25

External Investment Pool

Investments of the Retiree Life Insurance Fund and the Local Retiree Life Insurance Fund (reported as pension and other employee benefit trust funds) are held in an external investment pool with the investment objective of maintaining levels in its general account sufficient to guarantee principal amounts of reserves. The interest rate exposure of this pool expressed in terms of duration and the weighted average life is 6.3 and 8.9 years, respectively.

University of Wisconsin System (UWS)

The UWS uses the option adjusted modified duration method to analyze interest rate risk. As of June 30, 2015, the UWS had interest rate risk statistics as detailed below (in millions):

UWS Fixed Income Sector	Fair Value	Modified Duration
Corporates and Other Credit	$ 17.8	3.12
Government	16.9	4.74
Collateralized Mortgage Obligations: U. S. Agencies	11.3	2.12
U.S. Private Placements	5.1	2.75
Asset Backed Securities	0.4	0.08
Commercial Mortgage Backed Securities	2.2	6.97
Treasury Inflation Protected Securities	19.2	7.09
U.S. Government Mortgages	1.3	5.82
Total	$ 74.3	
Fixed Income Commingled Fund		
Seix Advisors High Yield Fund	$ 29.7	3.56

Wisconsin Retirement System (WRS)

Generally, analysis of long or intermediate term portfolios' interest rate risk is performed using various duration calculations. Modified duration, which is stated in years, is the measure of price sensitivity of a fixed income security to an interest rate change of 100 basis points. The calculation is based on the weighted average of the present values for all cash flows. Some pooled investments are analyzed using an option adjusted duration calculation which is similar to the modified duration method. Option adjusted duration incorporates the duration shortening effect of any embedded call provisions in the securities.

Short term portfolios' interest rate risk is analyzed using the weighted average maturity (to next reset). Weighted average maturity is the maturity of each position in a portfolio weighted by the dollar value of the position to compute an average maturity for the portfolio as a whole. This measure indicates a portfolio's sensitivity to interest rate changes: a longer weighted average maturity implies greater volatility in response to interest rate changes.

SWIB's investment guidelines related to interest rate risk vary by portfolio. Some fixed income portfolios are required to be managed within a range of a targeted duration, while others are required to maintain a weighted average maturity at or below a specified number of days or years.

Aggregated interest rate risk exposure as of December 31, 2014, stated in terms of modified duration (for long term instruments) and weighted average maturity (for repurchase agreements and short term pooled investments), is presented below (in millions):

WRS		
Investment Type	**Fair Value**	**Modified Duration (Years)**
Asset Backed Securities	$ 49.4	1.61
Commercial Paper	870.4	0.17
Corporate Bonds & Private Placements	4,992.1	5.74
Foreign Government/Agency Bonds	3,752.3	7.73
Futures Contracts*	3,690.7	4.94
Municipal Bonds	117.6	10.73
U.S. Government Agencies	633.8	1.78
U.S. Treasury Inflation Protected Securities	6,878.8	7.87
U.S. Treasury Securities	3,926.0	4.78
Commingled Funds:		
Emerging Market Fixed Income	526.9	7.15
Global Fixed Income	501.0	4.66
Domestic Fixed Income	6,325.6	6.23
Subtotal	$ 32,264.6	

Investment Type	**Fair Value**	**Weighted Average Maturity (days)**
Repurchase Agreements	$ 151.5	3
Commingled Funds:		
Short Term Cash Management	3.5	1
Subtotal	$ 155.0	
Total	$ 32,419.6	

*Notional amount presented for fair value

Foreign Currency Risk

Foreign currency risk is the risk that changes in exchange rates will adversely impact the fair value of an investment.

Primary Government *(excluding the University of Wisconsin System (UWS), the Wisconsin Retirement System (WRS), and the State Investment Fund (SIF)*

The primary government, except for the Various Funds discussed later, does not have a formal policy to limit foreign currency risk, however, certain funds such as the Environmental Improvement Fund are not permitted to invest in foreign currency based on provisions contained in its bond indenture general resolution. However, foreign currency risk of the Retiree Life Insurance Fund is minimized by utilizing short-duration spot forward contracts to minimize the adverse impact of foreign currency exchange rate risks inherent in the elapsed time between trade processing and trade settlement. At June 30, 2015, the primary government, excluding the Various Funds, did not own any issues denominated in a foreign currency.

The Various Funds' investment guidelines do not specifically address foreign currency risk with the exception that the SLF only allows investments in U.S. dollar denominated instruments. As of June 30, 2015, the Various Funds did not directly own any issues denominated in a foreign currency.

University of Wisconsin System (UWS)

As of June 30, 2015, the Long Term and Intermediate Term Funds held equity securities denominated in foreign currencies within pooled investment vehicles only, with market values totaling $107.6 million and $6.1 million, respectively. Some of the trades for such foreign positions will not settle in foreign currencies until after the fiscal year end. For the Long Term and Intermediate Term Funds, it is generally expected and desired that foreign currency exposure is not hedged, as this enhances the diversification benefits from non-U.S. investments.

Wisconsin Retirement System (WRS)

The WRS held foreign currency denominated cash and securities directly in designated actively managed portfolios and indirectly through its investment in certain commingled invest funds.

As of December 31, 2014, the WRS had the following currency exposure (all assets stated in millions of United States Dollars):

Currency Exposures by Investment Type

Currency	Cash & Cash Equivalents	Stocks	Fixed Income	Limited Partnerships	Preferred Securities	Futures Contracts	Short Sell Obligations	Other Investments*	Total
Australian Dollar	9.8	978.3	55.2	-	-	1.0	-	-	1,044.3
Brazilian Real	2.9	91.2	21.7	-	72.0	-	-	-	187.7
Canadian Dollar	14.4	1,372.5	54.0	-	-	1.3	(3.0)	-	1,439.2
Colombian Peso	-	-	1.9	-	-	-	-	-	1.9
Czech Koruna	-	0.7	-	-	-	-	-	-	0.7
Danish Krone	-	224.4	26.1	-	-	-	-	-	250.5
Euro Currency Unit	23.7	4,866.1	1,640.0	703.4	94.2	1.4	(88.2)	(0.6)	7,240.0
Hong Kong Dollar	3.3	702.5	-	-	-	-	-	-	705.8
Hungarian Forint	-	-	7.3	-	-	-	-	-	7.3
Indian Rupee	1.6	154.3	-	-	-	-	-	-	156.0
Indonesian Rupiah	0.1	8.5	15.4	-	-	-	-	-	24.1
Israeli New Shekel	1.2	46.9	-	-	-	-	(0.1)	-	48.1
Japanese Yen	15.0	3,238.1	969.3	-	-	(2.6)	(78.2)	-	4,141.6
Malaysian Ringgit	1.7	47.8	37.5	-	-	-	-	-	87.0
Mexican New Peso	38.1	34.2	82.8	-	-	-	-	-	155.1
New Taiwan Dollar	-	197.7	-	-	-	-	-	-	197.7
New Turkish Lira	-	69.9	-	-	-	-	-	-	69.9
New Zealand Dollar	0.6	31.9	7.4	-	-	-	-	-	39.9
Norwegian Krone	1.1	114.0	7.8	-	-	-	-	-	122.9
Peruvian Nuevo Sol	-	-	0.7	-	-	-	-	-	0.7
Philippine Peso	-	4.4	-	-	-	-	-	-	4.4
Polish Zloty	1.2	26.4	33.0	-	-	-	-	-	60.5
Pound Sterling	19.6	3,610.6	366.4	77.4	-	1.9	-	-	4,075.8
Russian Ruble	-	-	4.3	-	-	-	-	-	4.3
South African Rand	2.5	72.6	32.8	-	-	-	-	-	108.0
Singapore Dollar	2.3	187.0	0.5	-	-	-	(4.6)	-	185.2
South Korean Won	0.4	280.4	8.8	-	-	-	-	-	289.6
Swedish Krona	3.1	436.1	11.5	20.9	-	-	(15.5)	-	456.1
Swiss Franc	-	1,492.8	-	-	-	-	(15.9)	-	1,476.9
Thailand Baht	-	77.3	-	-	-	-	-	-	77.3
United States Dollar	1,719.3	32,358.8	23,749.7	9,752.9	55.2	(3.3)	(268.1)	4,927.0	72,291.5
Uruguayan Peso	-	-	5.2	-	-	-	-	-	5.2
Total Investments by Currency Exposure	1,861.9	50,725.3	27,139.3	10,554.6	221.4	(0.3)	(473.5)	4,926.4	94,955.0

*Other Investments include Multi Asset, Real Estate, Convertible Securities, Options and Swaps

Securities Lending Transactions

Wisconsin Retirement System (WRS)

Securities Lending Transactions – State statutes and Board policies permit the use of investments of the WRS to enter into securities lending transactions. These transactions involve the lending of securities to broker-dealers and other entities in exchange for collateral, in the form of cash or securities, with the simultaneous agreement to return the collateral for identical securities in the future. The securities custodian is an agent in lending the domestic and international securities. When securities are delivered to a borrower as part of a securities lending agreement, the borrower is required to place collateral equal to 102 percent of the loaned securities' fair value, including interest accrued, as of the delivery date with the lending agent. In the event that securities are loaned against collateral denominated in a different currency, the borrower is required to place collateral totaling 105 percent of the loaned securities' fair value, including interest accrued, as of the delivery date with the lending agent. Collateral is marked to market daily and adjusted as needed to maintain the required minimum level.

Cash collateral is reinvested by the lending agent in two separate pools, a U.S. dollar cash collateral pool and a pool denominated in Euros, in accordance with contractual investment guidelines, which are designed to minimize the risk of principal loss and provide a modest rate of return. Investment guidelines limit credit and liquidity risk by restricting new investments to overnight repurchase agreements collateralized with high quality U.S. government, U.S. government agencies, and sovereign debt securities. The earnings generated from the collateral investments, plus or minus the rebates received from or paid to the dealers and less fees paid to agents, results in the net earnings from lending activities, which are then split on a percentage basis with the lending agent.

At December 31, 2014, minimal credit risk exposure to borrowers existed because the amounts owed the borrowers exceeded the amounts the borrowers owed. The contract with the lending agent requires it to indemnify the WRS if the borrowers fail to return the loaned securities and the collateral is inadequate to replace the securities lent. Losses resulting from violations of investment guidelines are also indemnified.

The majority of security loans are open-ended and can be terminated on demand. The risk that SWIB would be unable to return collateral to securities borrowers upon termination of the loan is low because the majority of investments made with cash collateral mature in one to two business days. At December 31, 2014, the average maturities of the loans and the assets of the collateral reinvestment pools did not materially differ.

Securities lending is allowed in certain commingled fund investments. All earnings of these funds are reported in the Statement of Changes in Fiduciary Net Position.

Derivative Instruments

Wisconsin Retirement System (WRS)

Derivatives may be used to implement investment strategies for the Core and Variable Funds. All derivative instruments are subjected to risk analysis and monitoring processes at the portfolio, asset class and fund levels. Investment guidelines define allowable derivative activity for each portfolio and are based on the investment objectives which have been approved by the Board. Where derivatives are permitted, guidelines stipulate allowable instruments and the manner and degree to which they are to be used.

Gains and losses for all derivative instruments are reported in the Statement of Changes in Fiduciary Net Position.

SWIB seeks to mitigate counterparty credit risk through counterparty credit evaluations and approvals, counterparty credit limits, and exposure monitoring techniques. Additionally, policies have been established which seek to implement master netting arrangements with counterparties that permit the closeout and netting of transactions with the same counterparty. Agreements may also require daily collateral postings to further mitigate credit risk. At December 31, 2014, SWIB posted $18.7 million in cash collateral to OTC counterparties. No securities were pledged relating to OTC positions.

Certain investments and cash deposits were posted as collateral for exchange-traded derivatives positions. At December 31, 2014, the Core and Variable Funds posted $98.0 million in cash and $68.7 million in equity securities as collateral with exchange clearing brokers.

The aggregate fair value of receivables relating to OTC derivative contracts at December 31, 2014 was $4.0 billion. This represents the maximum loss that would be recognized at the reporting date if all sixteen counterparties failed to perform as contracted. This maximum exposure is reduced to $196.4 million when counterparty collateral and master netting arrangements are taken into account.

The table below summarizes, by credit rating, the retirement fund's exposure to OTC derivative instruments' counterparty credit risk as of December 31, 2014 (in millions), without respect to any collateral or netting arrangement.

OTC Derivative Investments Subject to Counterparty Credit Risk

Counterparty Credit Rating	Payable	Receivable	Fair Value
AA	$ (227.1)	$ 228.8	$1.7
A	(2,063.5)	2,051.6	(11.9)
BBB	(1,716.5)	1,715.8	(0.7)
Total	$(4,007.1)	$3,996.2	$(10.9)

Foreign Currency Spot and Forward Contracts — Foreign Currency Spot and Forward contracts are OTC agreements between two counterparties to exchange designated currencies at a specific time in the future. No cash is exchanged when a foreign exchange spot or forward contract is initiated. Amounts due are paid or received on the contracted settle date.

Currency exposure management is permitted through the use of currency derivative instruments. Direct hedging of currency exposure back to the U. S. dollar is permitted when consistent with the strategy of the portfolio. Cross-currency exposure management to transfer out of an exposed currency and into a benchmark currency is permitted. In some portfolios, currencies of non-benchmark countries may be held through the use of forward contracts, provided that the notional value of any single non-benchmark currency does not exceed 5 percent of the market value of the portfolio.

Discretionary currency overlay strategies at the total fund and asset class level may be employed when currency market conditions suggest such strategies are warranted.

The net receivable or payable for spot and forward contracts is included in Foreign Currency Contracts on the Statement of Fiduciary Net Position. Losses may arise from future changes in the value of the underlying currency, or if the counterparties do not perform under the terms of the contract. Spot and forward contracts are valued daily with the changes in fair value included in the Net Appreciation (Depreciation) in Fair Value of Investments on the Statement of Changes in Fiduciary Net Position.

During the year, currency exposure management involved the use of foreign currency spot and forward contracts. The following table presents the fair value of foreign currency spot and forward contract assets and liabilities held as of December 31, 2014 (in millions):

Foreign Currency Spot and Forward Contracts

	Foreign Currency Contract Receivables			Foreign Currency Contract Payables		
Currency	Notional (local currency)	Fair Value $US	Unrealized Gain/(Loss) $US	Notional (local currency)	Fair Value $US	Unrealized Gain/(Loss) $US
Australian Dollar	294.0	240.2	(3.6)	(81.8)	(66.9)	2.0
Brazilian Real	54.5	20.3	(0.1)	(29.5)	(11.0)	0.2
British Pound Sterling	138.3	215.6	(4.6)	(357.7)	(557.6)	3.9
Canadian Dollar	431.3	372.2	(2.1)	(267.8)	(231.1)	5.4
Chilean Peso	5,563.0	9.1	--	--	--	--
Colombian Peso	2,630.6	1.1	--	(5,261.3)	(2.2)	--
Danish Krone	99.0	16.1	(0.3)	(274.9)	(44.7)	0.9
Euro Currency Unit	364.4	441.0	(11.1)	(442.6)	(535.7)	12.9
Hong Kong Dollar	552.9	71.3	--	(531.0)	(68.5)	--
Indian Rupee	3,004.6	47.2	(0.2)	--	--	--
Indonesian Rupiah	--	--	--	(7,175.2)	(0.6)	--
Israeli New Shekel	39.3	10.1	0.2	(16.9)	(4.3)	(0.1)
Japanese Yen	51,562.6	430.1	(15.8)	(17,912.0)	(149.4)	1.7
Malaysian Ringgit	2.0	0.6	--	(48.0)	(13.7)	0.6
Mexican New Peso	795.5	53.9	(1.2)	(553.6)	(37.4)	1.6
New Zealand Dollar	6.5	5.1	--	(9.0)	(7.0)	0.2
Norwegian Krone	177.3	23.6	(1.2)	(200.0)	(26.7)	1.7
Peruvian Nuevo Sol	--	--	--	(2.0)	(0.7)	--
Polish Zloty	--	--	--	(32.2)	(9.0)	0.5
Singapore Dollar	82.5	62.2	(1.0)	(23.4)	(17.7)	0.1
South African Rand	--	--	--	(100.9)	(8.7)	0.1
South Korean Won	--	--	--	(9,160.0)	(8.4)	0.1
Swedish Krona	832.4	106.3	(4.0)	(559.3)	(71.4)	2.3
Swiss Franc	93.0	93.6	(1.9)	(111.7)	(112.4)	1.7
United States Dollar	1,766.5	1,766.5	--	(2,012.0)	(2,012.0)	--
Totals		3,986.2	(46.8)		(3,997.1)	35.9
Net Foreign Currency Contract Receivable / (Payable)					(10.9)	(10.9)

Futures Contracts – A futures contract is an exchange-traded agreement to buy or sell a financial instrument, index or commodity at an agreed upon price and time in the future.

The fair value of futures contracts represents the unrealized gain/(loss) on the contracts, since trade inception, and is reflected as a portion of Financial Futures Contracts and Swaps on the Statement of Fiduciary Net Position. Futures contracts are marked to market daily, based upon the closing market price of the contract at the board of trade or exchange on which they are traded. Gains and losses resulting from investments in futures contracts are included in the Net Appreciation (Depreciation) in the Fair Value of Investments on the Statement of Changes in Fiduciary Net Position.

The following table presents the investments in futures contracts as of December 31, 2014 (in millions).

Futures Contracts

Description	Expiration	Notional Amount	Unrealized Appreciation / (Depreciation)*
Long Positions			
Fixed Income Futures	Mar 15	$4,197.6	$ 30.2
Equity Index Futures	Mar 15	897.7	19.3
Commodity Futures	Jan – Mar 15	792.4	(45.0)
Short Positions			
Fixed Income Futures	Mar 15	(506.9)	(4.4)
Equity Index Futures	Mar – May 15	(15.5)	(0.4)
Total		$5,365.3	$ (0.3)

* Unrealized appreciation/(depreciation) includes foreign currency gains/(losses).

Futures contracts involve, to varying degrees, risk of loss in excess of margin deposited with the broker. Losses may arise from future changes in the value of the underlying instrument.

Futures contracts may be entered into to efficiently gain or adjust market exposures for purposes that include trust fund rebalancing, sector, interest rate, or duration types of exposure adjustments; the securitization of cash or as a substitute for cash market transactions.

Swap Contracts - Swaps are negotiated contractual agreements between two counterparties. Periodically, the WRS enters into a total return swap agreements. Under the terms of the swaps, the Retirement Funds receive the total return of an equity index while paying the counterparty a variable rate of return based on the 3-month London Interbank Offering Rate (LIBOR). The two swaps in effect during parts of the calendar were each based on a notional value of $10 million. The first swap which was entered into during calendar year 2013 matured in December 2014. The second swap which was entered into during calendar year 2014 terminates November 2015. Fair value is determined based on quoted market prices for each leg, plus accrued interest. The fair value of swaps is reported as part of Financial Futures Contracts and Swaps on the Statement of Fiduciary Net Position and was $(27.8) thousand at calendar year-end, which also represents the unrealized loss on the position at that time. Gains and losses resulting from investments in swap contracts are included in the Net Increase (Decrease) in the Fair Value of Investments on the Statement of Changes in Fiduciary Net Position.

As is specified in SWIB's investment guidelines, OTC derivatives, including swaps, may be used as an alternative to physical securities when it is deemed advantageous for portfolio construction. In addition, swaps may be used to adjust asset class exposures for the Retirement Funds. Guideline limits and soft risk parameters for each portfolio are applied to the aggregate exposures which includes both physical and synthetic securities.

Options – An option contract gives the purchaser of the contract the right, but not the obligation, to buy (call) or sell (put) the security or index underlying the contract at an agreed upon price on or before the expiration of the option contract. The seller of the contract is subject to market risk, while the purchaser is subject to credit risk and market risk, to the extent of the premium paid to enter into the contract.

Rebalancing policies and portfolio investment guidelines permit the use of exchange-traded and over-the-counter options. Options may be used to improve market exposure efficiency, enhance expected returns, or provide market exposure hedges. Exchange rules require that the seller of exchange-traded call option contracts cover these positions either by collateral deposits in the form of cash or securities or by pledging, in escrow, the actual securities that would be transferred to the option purchaser in the event the option contract were exercised.

The fair value of option contracts is based upon the closing market price of the contract and is reflected as Options on the

Statement of Fiduciary Net Position. Gains and losses as a result of investments in option contracts are included in the Net Appreciation (Depreciation) in the Fair Value of Investments on the Statement of Changes in Fiduciary Net Position.

The table below presents the fair value of option contracts as of December 31, 2014 (in millions):

Option Contracts

Security Description	Contract Type	Expiration	Notional	Unrealized Gain (Loss)	Fair Value
Options Sold					
Exchange-Traded					
Equity	Call	Jan - Jul 15	$ (34.0)	--	$ (0.9)
Equity	Put	Jan - Apr 15	(250.0)	1.1	(1.1)
Commodity	Put	Jan - Mar 15	(4.7)	(0.5)	(0.6)
Over-the-Counter					
Equity	Call	Jan - Jul 15	(0.7)	--	--
Equity	Put	Jan - Feb 15	(163.2)	(0.1)	(0.6)
			(452.6)	0.6	(3.2)
Options Purchased					
Exchange-Traded					
Equity	Call	Jan - Jul 15	31.7	0.1	1.5
Equity	Put	Jan - Jul 15	3.5	(0.2)	--
			35.2	--	1.6
Total Option Contracts			$ (417.3)	$ 0.5	$ (1.6)

Short Sell Obligations

Wisconsin Retirement System (WRS)

The WRS may sell a security it does not own in anticipation of purchasing the security later at a lower price. This is known as a short sale transaction. For the duration of the short sale transaction, a liability is recorded under "Short Sales of Securities" on the Statement of Fiduciary Net Position. The liability presented represents the fair value of the shorted securities necessary for delivery to the purchaser and is marked-to-market daily. Realized and unrealized gains and losses associated with short sales are recorded on the Statement of Changes in Fiduciary Net Position within the "Net Appreciation (Depreciation) in Fair Value of Investments" category. While the transaction is open, the WRS incurs expenses for securities borrowing costs. In addition, as a security borrower, the WRS may incur dividend and interest expense as such payments must be remitted to the security lender during the course of the loan. Such expenses are included in "Investment Expense" on the Statement of Changes in Fiduciary Net Position.

Risks arise from short sales due to the possible illiquidity of the securities markets and from potential adverse movements in security values. The cost to acquire the securities sold short may exceed the amount of proceeds initially received, as well as the amount of the liability recorded as "Short Sales of Securities" in the Statement of Fiduciary Net Position. Short sales expose the short seller to potentially unlimited liability because there is no upward limit on the price a shorted security could attain. Certain portfolio guidelines permit short sales and, to mitigate risks, the total value of short sales in any portfolio may not exceed 50% of a portfolio's value. In addition, portfolios which engage in short sales have long only benchmarks established by the Board. Investment performance and risk associated with each portfolio is measured against benchmarks and monitored by management.

When a short sale occurs, the shorting portfolio must borrow the security and deliver it to the buyer. If the shorted security is owned by another WRS portfolio, investment policies allow the borrowing of the shorted securities from other WRS portfolios, including inter-fund borrowings.

Except in the case of borrowings within the same trust fund, the WRS is required to post collateral to the lender, at the required rate of 102% for in-currency loans and 105% for cross-currency loans. At December 31, 2014, the WRS posted $765.2 million in collateral to security lenders. This represented $32.8 million in excess of the fair market value of the securities borrowed. If the security lender recalled the security and SWIB was not able to supply the lender with the security, the lender would be permitted to use SWIB's collateral to fund the purchase of the security.

Multi Asset

Wisconsin Retirement System (WRS)

SWIB employs portfolio strategies which involve investment across multiple asset classes. The "Multi Asset" category on the Statement of Fiduciary Net Position consists of risk parity and hedge fund multi asset strategies. Risk parity and hedge fund investments are either in the form of a commingled fund, with ownership through fund shares, or a limited partnership.

The risk parity portfolios seek to equally weight asset allocation risk across multiple assets and geographies. Exposures are

expected to deliver improved risk and return tradeoffs versus conventional portfolios comprised primarily of stocks and bonds. The risk parity portfolios also intend to provide more diversified exposure over various economic environments.

The WRS invests in a diversified set of hedge fund strategies, invested across multiple asset classes. In general, a hedge fund is a private investment fund that seeks to produce absolute returns using a broad range of strategies with low to moderate levels of volatility, typically employing both long and short positions. An allocation to a diversified hedge fund portfolio is intended to have low correlation to traditional publicly traded equities and contribute to overall total fund diversification.

Hedge funds can be illiquid, either by virtue of the illiquidity of underlying assets or due to lock-up terms. However, SWIB has taken steps to minimize this risk by investing in hedge funds with more liquid asset classes and by structuring its investments to stagger lock-up periods. Hedge funds also use leverage to varying degrees, and while it is possible that a hedge fund can lose a significant portion of its capital, SWIB has limited the amount it invests in hedge funds in total and with any individual hedge fund manager.

At December 31, 2014, the majority of SWIB's risk parity and hedge fund investments are reflected within the "Multi Asset" category on the Statement of Fiduciary Net Position. Hedge fund portfolios with a long only equity strategy are included within the "Stocks" classification on the Statement of Fiduciary Net Position.

Unfunded Capital Commitments

University of Wisconsin System (UWS)

The UWS has unfunded limited partnership commitments of $25.0 million for the fiscal year ending June 30, 2015.

Wisconsin Retirement System (WRS)

The Board has entered into a number of agreements that commit the WRS to make investment purchases up to predetermined amounts over certain investment time periods. The unfunded capital commitments for private equity, real estate and multi-asset investments not reported on the Statement of Fiduciary Net Position total $6.2 billion as of December 31, 2014.

2. State Investment Fund

The State Investment Fund (SIF) functions as the State's cash management fund by "pooling" the idle cash balances of all State funds and other public institutions. In the State's Comprehensive Annual Financial Report, the SIF is not reported as a separate fund; rather, each State fund's share in the "pool" is reported on the balance sheet as "Cash and Cash Equivalents." Shares of the SIF belonging to other participating public institutions are presented in the Local Government Pooled Investment Fund, an investment trust fund.

Wis. Stat. Secs. 25.17(3)(b), (ba), (bd) and (dg) enumerate the various types of securities in which the SIF can be invested, which include obligations of the United States or its agencies, corporations wholly owned by the United States or chartered by an act of Congress, securities guaranteed by the United States, the unsecured notes of financial and industrial issuers, direct obligations of or guaranteed by the government of Canada, certificates of deposit issued by banks in the United States including solvent financial institutions in Wisconsin and bankers acceptances. The State of Wisconsin Investment Board's (the Board) Board of Trustees may specifically approve other prudent legal investments.

For financial statement purposes, the carrying value of securities depends on asset class and maturity date. Per GASB No. 31, Repurchase Agreements and non-negotiable Certificates of Deposit are valued at cost because they are nonparticipating contracts that do not capture interest rate changes in their value.

Also per GASB No. 31, all short-term debt investments with remaining maturities of up to ninety days (certain U.S. Government/Agency securities & Bankers Acceptances) are valued at amortized cost, provided that the fair value of those investments is not significantly affected by the impairment of the credit standing of the issuer.

Finally, per GASB No. 31, all short-term investments with remaining maturities of over ninety days (certain U.S. Government/Agency securities) are valued at fair value as determined by quoted market prices, if available. Because quoted market prices for SIF securities are often not available, at month end BNY Mellon, as SWIB's custodial bank, compiles fair values from third party pricing services which use matrix pricing models to determine fair market value.

For purposes of calculating earnings to each participant, all investments are valued at amortized cost. Specifically, income is distributed to pool participants monthly, based on their average daily share balance. Distributions include interest income based on stated rates (both paid and accrued), amortization of discounts and premiums on a straight-line basis, realized investment gains and losses calculated on an amortized cost basis, and investment

expenses. This method does not distribute to participants any unrealized gains and losses generated by the pool's investments.

Custodial Credit Risk

The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, the Board will not be able to recover the value of investments or collateral securities that are in the possession of an outside party. Investments are exposed to custodial credit risk if the securities are uninsured and unregistered and are either held by the counterparty or by the counterparty's trust department or agent but not in the name of the Board.

Although the Board has not adopted a formal deposit or investment policy specifically related to custodial credit risk, investment staff monitors the creditworthiness of the custodian as a counterparty and depository financial institution. Concerns and issues are discussed with the Board's credit task force for further action.

Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributed to the magnitude of an organization's investment in a single issuer. The SIF's investment guidelines limit concentrations of credit risk by establishing maximum issuer and/or issue exposure limits based on credit rating. These guidelines do not place a limit on maximum exposure for any U.S. Treasury or Agency securities. As of June 30, 2015 the SIF has more than five percent of its investments in FHLB (28.8 percent), FHLMC (28.7 percent), FNMA (29.8 percent), and Repurchase Agreement collateral (11.8 percent) consisting of various securities issued by these same three U.S. Agencies. Since the Repurchase Agreements mature each day, new collateral, consisting of a different blend of U.S. Treasury and Agency securities, is assigned each night.

Credit Quality Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The Board established investment guidelines with maximum exposure limits by security type based on the minimum credit ratings as issued by Nationally Recognized Statistical Rating Organizations (NRSROs).

The following table presents these credit ratings and aggregate exposures by investment type as of June 30, 2015 (in millions):

Investment Type	Ratings	Fair Value	Percent
Repurchase Agreements (Collateral):			
U.S. Government Debt & Agencies	AA	958.0	11.8
Government Sponsored Entity U.S. Agency:			
Federal Home Loan Bank (FHLB)	A-1+	2,334.3	28.8
Federal Home Loan Mortgage Corporation (FHLMC)	A-1+	2,324.6	28.7
Federal National Mortgage Association (FNMA)	A-1+	2,417.6	29.8
Certificates of Deposit:			
Non-Negotiable (Wisconsin CD Program)	NR	39.8	0.5
Banker's Acceptances	A-1+	30.7	0.4
Total Investments		$ 8,105.1	100.0

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The Weighted Average Maturity (WAM) method is used to analyze interest rate risk. Investment guidelines mandate that the WAM for the entire portfolio will not exceed one year.

At June 30, 2015, the following table shows the investments by investment type, amount and the weighted average maturities (in millions):

Investment Type	Fair Value	Weighted Average Maturity (Days)
Repurchase Agreements	$ 958.0	1
Government & Agencies	7,076.5	90
Certificates of Deposit	39.8	115
Banker's Acceptances	30.7	41
Total Investments	$ 8,105.1	
Portfolio Weighted Average Maturity (Days)		80

Foreign Currency Risk

Foreign currency risk is the risk that changes in exchange rates will adversely impact the fair value of an investment. SIF guidelines allow the investment in U.S. dollar denominated issues only.

Copies of the separately issued financial report that includes financial statements and other supplementary information for the SIF may be obtained at **www.swib.state.wi.us** or by writing to:

State of Wisconsin Investment Board
PO Box 7842
Madison, WI 53707-7842

3. Lottery Investments and Related Future Prize Obligations

Investments of the State Lottery Fund totaling $35.6 million are held to finance grand prizes payable over a 20-year or 25-year period. The investments in prize annuities are debt obligations of the U.S. government backed by its full faith and credit as to both principal and interest. Liabilities related to the future prize obligations are presented at their present value and included in Accounts Payable and Other Accrued Liabilities.

The following is a schedule of future prize obligations (in millions):

Fiscal Year	Amount
2016	6.1
2017	6.3
2018	5.6
2019	4.6
2020	4.1
Thereafter	12.1
Total future value	38.9
Less: Present value adjustment	(7.7)
Present value of payments	$ 31.2

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NOTE 6. RECEIVABLES AND NET REVENUES

A. Receivables

Receivables at June 30, 2015 were as follows (in thousands):

		Loans to	Other Loans Receivable					Due From	Due From	
	Taxes	Local Governments	Student Loans	Veterans Loans	Mortgage Loans	Other Loans	Other Receivables	Other Governments	Component Units	Total Receivables
Governmental Activities:										
General	$ 1,166,819	$ -	$ -	$ -	$ -	$ 18,759	$ 577,310	$ 852,024	$ -	$ 2,614,912
Transportation	99,592	-	-	-	-	14,974	11,298	212,599	-	338,463
Capital Improvement	-	-	-	-	-	-	19	-	-	19
Nonmajor Governmental	22,265	364,437	-	-	-	-	62,536	17,763	-	467,001
Total Governmental:	1,288,676	364,437	-	-	-	33,732	651,163	1,082,386	-	3,420,395
Government-wide Adjustments:										
Internal Service Funds	-	-	-	-	-	-	1,094	124	-	1,217
Accrual Adjustments	-	-	-	-	-	-	3,305	-	-	3,305
Fiduciary Receivables	-	-	-	-	-	-	62,932	-	-	62,932
Total – Governmental Activities	$ 1,288,676	$ 364,437	$ -	$ -	$ -	$ 33,732	$ 718,493	$ 1,082,510	$ -	$ 3,487,848
Related revenue not recognized in the funds because it is not available	$ 188,612	$ -	$ -	$ -	$ -	$ -	$ 18,614	$ -	$ -	$ 207,226
Business-type Activities:										
Current:										
Injured Patients and Families Compensation	$ -	$ -	$ -	$ -	$ -	$ -	$ 10,457	$ -	$ -	$ 10,457
Environmental Improvement	-	177,338	-	-	-	-	234	8,806	-	186,378
University of Wisconsin System	-	-	29,718	-	-	-	104,446	89,787	5,002	228,952
Unemployment Reserve	-	-	-	-	-	-	283,395	2,875	-	286,270
Nonmajor Enterprise	-	391	-	580	2,179	-	105,342	8,772	-	117,263
Total Current:	-	177,729	29,718	580	2,179	-	503,875	110,239	5,002	829,321
Noncurrent:										
Environmental Improvement	-	1,861,527	-	-	-	-	-	-	-	1,861,527
University of Wisconsin System	-	-	166,666	-	-	-	1,551	-	-	168,217
Unemployment Reserve	-	-	-	-	-	-	65,191	-	-	65,191
Nonmajor Enterprise	-	2,142	-	1,460	52,233	3,465	212	-	-	59,511
Total Noncurrent	-	1,863,669	166,666	1,460	52,233	3,465	66,954	-	-	2,154,445
Government-wide Adjustments:										
Fiduciary Receivables	-	-	-	-	-	-	121,822	-	-	121,822
Total – Business-type Activities	$ -	$ 2,041,398	$ 196,384	$ 2,039	$ 54,411	$ 3,465	$ 692,651	$ 110,239	$ 5,002	$ 3,105,588

B. Net Revenues

Certain revenues of the University of Wisconsin System are reported net of scholarship allowances. For Fiscal Year 2015, these scholarship allowances totaled as follows (in thousands):

Student Tuition and Fees	$ 217,119
Sales and Services of Auxiliary Enterprises	38,009
Total	$ 255,128

NOTE 7. CAPITAL ASSETS

Primary Government

Capital asset activity for the fiscal year ended June 30, 2015 was as follows (in thousands):

Primary Government	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities:				
Capital assets, not being depreciated:				
Land and Land Improvements	$ 2,599,187	$ 109,739	$ (518)	$ 2,708,407
Buildings and Improvements	165,760	608	-	166,368
Library Holdings	75,054	1,061	(226)	75,889
Construction and Software in Progress	2,836,428	1,091,671	(1,032,221)	2,895,877
Infrastructure	14,017,519	1,010,691	(52,798)	14,975,412
Total capital assets, not being depreciated	19,693,949	2,213,769	(1,085,764)	20,821,954
Capital assets, being depreciated:				
Land Improvements	154,495	1,835	-	156,330
Buildings and Improvements	2,126,138	54,256	(1,206)	2,179,188
Equipment	853,216	77,875	(32,344)	898,747
Totals	3,133,849	133,967	(33,551)	3,234,265
Less accumulated depreciation for:				
Land Improvements	87,661	6,988	-	94,649
Buildings and Improvements	960,426	58,007	(732)	1,017,702
Equipment	543,047	66,157	(30,273)	578,932
Totals	1,591,135	131,153	(31,005)	1,691,283
Total Capital Assets, being depreciated, net	1,542,714	2,814	(2,546)	1,542,982
Governmental activities capital assets, net	$ 21,236,663	$ 2,216,583	$ (1,088,310)	$ 22,364,936
Business-type activities:				
Capital assets, not being depreciated:				
Land and Land Improvements	$ 161,158	$ 321	$ (10)	$ 161,469
Library Holdings	1,139,186	22,814	(16,675)	1,145,326
Construction and Software in Progress	347,024	146,064	(179,762)	313,327
Total Capital Assets, not being depreciated	1,647,369	169,199	(196,447)	1,620,122
Capital assets, being depreciated:				
Land Improvements	20,360	1,537	(4)	21,893
Buildings	7,091,640	269,027	(4,045)	7,356,622
Equipment	1,099,781	79,774	(12,455)	1,167,100
Totals	8,211,781	350,337	(16,504)	8,545,614
Less accumulated depreciation for:				
Land Improvements	11,225	933	(4)	12,154
Buildings	2,864,983	218,291	(3,499)	3,079,775
Equipment	766,826	88,129	(16,238)	838,717
Totals	3,643,035	307,353	(19,742)	3,930,646
Total Capital Assets, being depreciated, net	4,568,746	42,985	3,237	4,614,968
Business-type activities capital assets, net	$ 6,216,115	$ 212,184	$ (193,209)	$ 6,235,090

In addition to the capital assets reported by governmental and business-type activities, the fiduciary funds reported gross capital assets of $5.0 million, with accumulated depreciation totaling $2.5 million.

Depreciation Expense

Depreciation expense was charged to the primary government as follows (in thousands):

Governmental Activities		
Commerce	$	707
Education		4,331
Transportation		9,429
Environmental Resources		11,389
Human Relations and Resources		67,360
General Executive		10,423
Judicial		1,317
Internal Service Funds		26,196
Total depreciation expense - governmental activities	$	131,153

Business-type Activities		
University of Wisconsin System	$	290,407
Lottery		13
Veterans Mortgage Loan Repayment		11
Injured Patients and Families Compensation		78
Environmental Improvement		-
Other Business-Type		16,843
Total depreciation expense - business-type activities	$	307,353

Construction and Software in Progress

Construction and software in progress of the primary government reported in the government-wide statement of net position at June 30, 2015 included the following projects (in thousands):

	Allotments	Expended to June 30, 2015	Encumbrances Outstanding	Unencumbered Allotment Balance
Governmental Activities:				
Reported through capital projects funds:				
Interstate 94 North and South Corridor Reconstruction	$ 36,480	$ 36,480	$ -	$ -
Capital Heating Power Plant - Facility Renovate and Upgrade	28,269	27,659	43	566
Preservation Storage Building	46,724	3,274	720	42,729
High Speed Rail	68,904	53,224	-	15,680
Armed Forces Reserve Center	33,046	33,046	-	-
State Highway Rehabilitation	24,473	24,473	-	-
General Land Acquisition	69,471	47,574	6,680	15,216
Wisconsin Resource Center - Female Treatment Center	16,106	15,979	34	92
Construction Field Main Shop Wausau	14,059	10,895	38	3,125
Stillwater/St Croix Xing Bridge	124,718	124,718	-	-
Wisconsin Historical Society - Learning Visitor Center	12,110	10,782	13	1,315
Waupun Central Generating Plant	15,597	14,101	161	1,335
Zoo Interchange	275,473	275,473	-	-
BCPL Land Sale/Transfer to DNR	14,000	10,908	-	3,092
Family Justice Center - Milwaukee	10,625	4,243	-	6,382
Other projects with allotments totaling less than $10 million		121,459		
Subtotal		814,289		
Projects funded through sources other than capital projects funds:				
Transportation-related		1,978,614		
Department of Natural Resources		8,274		
Department of Administration		77,964		
Department of Health Services		8,355		
Department of Children and Families		6,351		
Other agency projects		2,031		
Total construction and software in progress – governmental activities		2,895,877		
Business-type Activities:				
Reported through capital projects funds - University of Wisconsin System:				
RVF Falcon Center For Health & Education	64,147	13,154	45,873	5,120
University Houses Renovate - Madison	15,000	11,835	1,469	1,696
Liz Waters Hall Renovate - Madison	13,517	1,527	9,545	2,446
West Campus Cogen Facility Addition & Chillers Install – Madison	49,621	42,483	504	6,633
Harvey Hall Renovation - STO	27,997	14,441	9,458	4,097
Resident Hall Renovate – PLT	18,100	3,257	9,532	5,311
Children Center Renovation - Milwaukee	11,981	9,268	185	2,529
Social Science/Nursing & Education - Oshkosh	27,982	15,972	-	12,010
Memorial Theater Wing Renovation - Madison	116,541	61,861	43,535	11,145
Residence Hall Renovation - Whitewater	19,683	11,623	5,602	2,458
Lot 75 Parking Lot - Madison	32,670	1,717	23,260	7,693
Student Center – La Crosse	53,300	11,442	34,299	7,559
Multi-Building Energy Conservation - Madison	12,032	7,482	3,337	1,213
Chemistry Biology Building - STP	75,182	2,129	37	73,016
North Depot Residential Hall – STP	13,477	5,638	4,670	3,168
Projects with allotments totaling less than $10 million:				
University of Wisconsin System		58,761		
Other		17,583		
Total Construction in Progress – business-type activities		$ 290,174		

Construction and software in progress of the University of Wisconsin System and of the other business-type activities as reported in the financial statements totaled $296.0 million and $18.0 million as of June 30, 2015, respectively.

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NOTE 8. ENDOWMENTS

Primary Government

University of Wisconsin System

The University of Wisconsin System invests its trust funds, principally gifts and bequests designated as endowments or quasi-endowments, in two of its own investment pools: the Long Term Fund and the Intermediate Term Fund. Benefiting University of Wisconsin System entities receive quarterly distributions from the Long Term Fund, principally endowed assets, based on an annual spending rate applied to a 12-quarter moving average market value of the fund. The annual spending rate is currently 4.0 percent. Distributions from the Intermediate Term Fund, principally quasi-endowments and unspent income distributions, consist of interest earnings distributed quarterly. Spending rate and interest distributions from both of these funds are transferred to the State Investment Fund, pending near-term expenditures. At June 30, 2015, net appreciation of $123.2 million was available to meet spending rate distributions, of which $16.0 million was actually authorized for expenditure.

For University of Wisconsin System-controlled, donor-restricted endowments, the Uniform Prudent Management of Institutional Funds Act as adopted, permits the Board of Regents of the University of Wisconsin System to appropriate for current spending, an amount of realized and unrealized endowment appreciation as they determine to be prudent. Realized and unrealized appreciation in excess of that amount appropriated for current spending is retained by the endowments.

University of Wisconsin System investment policies and guidelines for the Long Term Fund and Intermediate Term Fund are governed and authorized by the Board of Regents. The approved asset allocation policy for the Long Term Fund sets a general target of 35.0 percent marketable equities, 30.0 percent fixed income, and 35.0 percent alternatives The approved asset allocation for the Intermediate Term Fund is 15.0 percent marketable equities, 70.0 percent fixed income, 10.0 percent alternatives, and 5.0 percent cash.

The fair value of Endowments as of June 30, 2015 was $471.4 million including an unrealized gain of $65.7 million when fair values as of June 30, 2015 are compared to asset acquisition costs.

The calculation of realized gains and losses is independent of a calculation of the net change in the fair value of investments since realized gains and losses are based on the difference between the selling price and the acquisition cost of the asset. Therefore, when assets are reported at fair value much of the realized gain or loss may have already been included in prior years as part of the overall change in the fair value of investments.

At June 30, 2015, the book value and fair value of principal funds under control of the University of Wisconsin System was (in millions):

Original Contributions and Distributed Net Gains	$ 234.6
Realized Gains – Undistributed	171.1
Book Value	405.7
Unrealized Net Gains/Losses - Undistributed	65.7
Fair Value	$ 471.4

On June 30, 2015, the portfolio at market, for the Long Term Fund, contained 38.5 percent in common stock and convertible securities, 11.4 percent in bonds and preferred stock, 21.0 percent in alternative assets, 21.0 percent in tactical allocation strategies, 6.5 percent in short-term investments, and 1.6 percent in real assets. The total return on the principal Long Term Fund including capital appreciation was 0.5 percent.

On June 30, 2015, the portfolio at market, for the Intermediate Fund, contained 14.4 percent in common stock and convertible securities, 81.2 percent in bonds and preferred stock, and 4.4 percent in short-term investments. The total return on the principal Intermediate Fund including capital appreciation was 1.2 percent.

External investment counsel was furnished for funds representing 90.4 percent of market value principal.

NOTE 9. INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

Interfund balances as of or for the year ended June 30, 2015 consists of the following (in thousands):

A. Due from/to Other Funds:

Due from Other Funds and the Due to Other Funds represent short-term interfund accounts receivable and payable. The balances in these accounts at June 30, 2015 were as follows (in thousands):

	Due to Other Funds:											
Due from Other Funds:	General	Trans-portation	Capital Improvement	Nonmajor Govern-mental	Injured Patients and Families Compensation	Environ-mental Improve-ment	University of Wisconsin System	Unemploy-ment Reserve	Nonmajor Enterprise	Internal Service	Fiduciary	**Total**
General	$ -	$ 17,566	$ 814	$ 55,015	$ 155	$ 176	$ 48,053	$ 2,124	$ 20,253	$ 14,469	$ 62,141	$ 220,766
Transportation	172,265	-	146,781	52,564	-	-	312	-	-	214	-	372,136
Capital Improvement	200	-	-	1	-	-	-	-	1,031	393	-	1,626
Nonmajor Governmental	43,945	13,216	15	8,798	-	1,035	4,456	21	1,892	-	-	73,380
Environmental Improvement	2	-	-	1	-	-	-	-	-	-	-	3
University of Wisconsin System	19,665	1,537	-	1,303	-	33	-	-	2	19	-	22,559
Unemployment Reserve	433	-	-	-	-	-	-	-	-	-	-	433
Nonmajor Enterprise	19,451	173	-	88	-	-	12	-	1,275	186	42,477	63,662
Internal Service	27,689	3,676	-	1,777	2	17	559	-	2,419	386	791	37,316
Fiduciary	22,543	3,103	-	1,852	5	3	-	-	9,733	503	3,075	40,816
Total	$ 306,192	$ 39,270	$ 147,609	$ 121,398	$ 163	$ 1,264	$ 53,393	$ 2,146	$ 36,606	$ 16,171	$ 108,483	$ 832,695

The balances in the Due from Other Funds and Due to Other Funds accounts typically result from the time lag between the dates that

(1) interfund goods and services were provided and when the payments occurred, and

(2) interfund transfers were accrued and when the liquidations occurred.

Most of the State's funds are presented on a fiscal year ended June 30. However, some funds are presented on a fiscal year ended December 31. As a result, inconsistencies may occur in amounts reported as interfund receivables or payables between funds with different fiscal year ends.

B. Interfund Receivables/Payables

Interfund Receivables/Payables represent short-term loans from one fund to another to cover cash overdrafts. Interfund receivables/payables at June 30, 2015 were as follows (in thousands):

	Interfund Receivable:			
	General	Nonmajor Enterprise	Fiduciary	Total
Interfund Payables:				
Nonmajor Enterprise	$ 39,612	$ -	$ -	$ 39,612
Internal Service	44,075	-	-	44,075
Fiduciary	-	79,677	334,900	414.577
Total	$ 83,687	$ 79,677	$ 334,900	$ 498,264

C. Advances to/from Other Funds

Advances to/from Other Funds represent long-term loans to one fund from another fund. Advances at June 30, 2015 were as follows (in thousands):

	Advances from Other Funds (liability):		
	General	Nonmajor Governmental	Total
Advances to Other Funds (asset):			
Environmental Improvement	$ -	$ 6,222	$ 6,222
Nonmajor Enterprise	685	-	685
Total	$ 685	$ 6,222	$ 6,907

D. Interfund Transfers

Interfund Transfers in and out that occurred during Fiscal Year 2015 were as follows (in thousands):

	Transfers in:								
	General	Trans-portation	Capital Improvement	Nonmajor Governmental	Environmental Improvement	University of Wisconsin System	Nonmajor Enterprise	Internal Service	Total
Transfers out:									
General	$	$ 171,370	$ 7	$ 685,559	$ -	$ 931,463	$ 88,434	$ 4,578	$ 1,881,411
Transportation	1,849	-	11,947	110,204	-	2	-	-	124,002
Capital Improvement	-	-	-	-	11,304	157,515	16,896	154	185,869
Nonmajor Governmental	19,937	22,259	4,147	68,338	-	11,751	4,339	464	131,235
Injured Patients and Families Compensation	-	-	-	15	-	-	-	-	15
Environmental Improvement	-	-	-	8,012	-	-	-	-	8,012
University of Wisconsin System	27,545	-	467	67,478	-	-	-	-	95,491
Unemployment Reserve	629	-	-	-	-	-	-	-	629
Nonmajor Enterprise	11,160	-	13	10,471	-	-	110	-	21,754
Internal Service	8,391	-	660	1,394	3	4	48	125	10,624
Fiduciary	435	-	-	472	-	-	-	-	907
Total	$ 69,945	$ 193,629	$ 17,242	$ 951,943	$ 11,307	$ 1,100,735	$ 109,827	$ 5,321	$ 2,459,948

Transfers are typically used to move: (1) revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, (2) receipts restricted to debt service from the funds collecting the receipts to the debt service fund as debt service payments become due, (3) unrestricted revenues collected in one fund to finance various programs accounted for in other funds in accordance with statute or budgetary authorizations, and (4) accumulated surpluses from other funds to the General Fund when authorized by statute.

Most of the State's funds are presented on a fiscal year ended June 30. However, some funds are presented on a fiscal year ended December 31. As a result, inconsistencies may occur in amounts reported as interfund transfers between funds with different fiscal year ends.

Nonroutine and Other Transfers

In the fiscal year ended June 30, 2015, transfers considered non-routine or inconsistent with the fund making the transfer included the following (in thousands):

Transfers in to the General Fund:

Funds Reporting the Transfer Out	Amount
University of Wisconsin System	$ 9,944
Facilities Operations and Maintenance	4,500
Technology Services	1,536
Financial Services	1,000

Transfer out from the General Fund:

Funds Reporting the Transfer In	Amount
Transportation	$ 170,961
Environmental	11,144

Transfers out from the Petroleum Inspection Fund:

Fund Reporting the Transfer In	Amount
Transportation	$ 16,000

NOTE 10. CHANGES IN LONG-TERM LIABILITIES

During the year ended June 30, 2015, the following changes occurred in long-term liabilities (in thousands):

Primary Government

Governmental Activities	Balance July 1, 2014	Additions	Reductions	Balance June 30, 2015	Amounts Due Within One Year
Bonds and Long-term Notes Payable:					
General Obligation Bonds & Notes for:					
Governmental Funds	$ 5,165,180	$ 1,324,578	$ 1,199,295	$ 5,290,463	$ 524,194
Internal Services Funds	161,139	32,837	42,409	151,567	14,529
Annual Appropriation Bonds	3,179,230	-	63,295	3,115,935	79,585
Revenue Bonds	2,099,645	301,370	372,180	2,028,835	240,947
Issuance Premiums and Discounts	513,804	247,863	149,600	612,067	-
Total Bonds Payable	11,118,998	1,906,649	1,826,779	11,198,868	859,255
Other Liabilities:					
Future Benefits and Loss Liability	105,036	39,140	37,136	107,040	44,205
Capital Leases	51,732	66,166	18,626	99,271	16,061
Installment Contracts	1,826	409	1,337	898	637
Compensated Absences	157,210	56,630	55,543	158,297	53,103
Other Postemployment Benefits	210,427	11,129	-	221,556	-
Claims, Judgments and Commitments	645	-	90	555	-
Pollution Remediation Obligations	7,490	-	-	7,490	-
Total Governmental Activities Long-term Liabilities	$ 11,653,364	$ 2,080,123	$ 1,939,512	$ 11,793,974	$ 973,261

Repayment of the general obligation bonds and notes is made from the Bond Security and Redemption Fund. The amount presented in this fund represents the liability to be paid from resources accumulated to provide debt service payments in Fiscal Year 2015. Repayment of the revenue bonds principal and interest is made from the appropriate debt service fund with payments secured by registration and inspection fees collected by the appropriate program. Most of the compensated absences and other postemployment benefits liabilities are attributed to the General, Transportation and Conservation funds. Long-term liabilities for claims, judgments and commitments are generally liquidated with resources of the governmental activities.

Business-type Activities	Balance July 1, 2014	Additions	Reductions	Balance June 30, 2015	Amounts Due Within One Year
Bonds and Long-term Notes Payable:					
General Obligation Bonds & Notes	$ 1,531,947	$ 240,817	$ 267,762	$ 1,505,003	$ 79,473
Revenue Bonds	764,745	-	58,400	706,345	59,935
Issuance Premiums and Discounts	137,432	38,661	29,555	146,539	-
Total Bonds Payable	2,434,124	279,479	355,716	2,357,887	139,408
Other Liabilities:					
Future Benefits and Loss Liability	1,008,977	84,384	158,890	934,470	149,304
Capital Leases	43,100	1,147	7,038	37,209	4,884
Compensated Absences	144,958	65,686	67,258	143,386	65,957
Other Postemployment Benefits	261,995	17,329	-	279,324	-
Total Business-type Activities Long-term Liabilities	$ 3,893,154	$ 448,026	$ 588,903	$ 3,752,277	$ 359,553

NOTE 11. BONDS, NOTES AND OTHER DEBT OBLIGATIONS

The following schedule summarizes outstanding bonds and long-term notes payable at June 30, 2015 (in thousands):

Primary Government	
Governmental Activities:	
General Obligation Bonds and Notes	$ 5,850,298
Annual Appropriation Bonds	3,112,148
Revenue Bonds:	
Transportation	2,167,294
Petroleum Inspection	69,128
Total Governmental Activities	11,198,868
Business-type Activities:	
General Obligation Bonds and Notes:	
University of Wisconsin System	1,492,934
Other Business-type	106,236
Revenue Bonds:	
Environmental Improvement	758,716
Total Business-type Activities	2,357,887
Total Primary Government	$ 13,556,754

A. General Obligation Bonds

The State of Wisconsin Building Commission, an agency of the State, is empowered by law to consider, act upon, authorize, issue and sell all debt obligations of the State. To date, the Commission has authorized and issued general obligation bonds and notes primarily to provide funds for the acquisition or improvement of land, water, property, highways, buildings, equipment or facilities for public purposes. Occasionally, general obligation bonds are also issued for the purpose of providing funds for veterans housing loans and to refund general obligation bonds. All general obligation bonds and notes authorized and issued by the State are secured by a pledge of the full faith, credit and taxing power of the State of Wisconsin and are customarily repaid over a period of twenty to thirty years.

Article VIII of the Wisconsin Constitution and Wis. Stat. Section 18.05 set limits on the amount of debt that the State can contract in total and in any calendar year. In total, debt outstanding cannot exceed five percent of the value of all taxable property in the State. Annual debt issued cannot exceed the lesser of three-quarters of one percent or five percent of the value of all taxable property in the State less net indebtedness at January 1.

At June 30, 2015, $3.6 billion of general obligation bonds were authorized but unissued.

General obligation bonds issued and outstanding as of June 30, 2015 were as follows (in thousands):

Fiscal Year Issued	Series	Dates	Interest Rates	Maturity Through	Amount Issued	Amount Outstanding
1999	1998 Series 1, and E;	8/98; 10/98	4.75 to 5.5	5/17	$ 163,735	$ 17,145
2001	2000 Series E; 2001 Series A	11/00; 2/01	7.0	5/31	20,000	1,900
2002	2002 Series B, D	3/02; 6/02	6.25	5/33	35,000	3,435
2003	2002 Series E, F, and H; 2003 Series 2	9/02; 9/02; 12/02; 4/03	4.25 to 5.25	5/33	43,740	7,895
2004	2003 Series B, and 3; 2004 Series CWGBC	7/03; 10/03; 4/04	0 to 5.0	11/33	214,731	72,885
2005	2004 Series C, and D; 2005 Series C	8/04; 8/04; 4/05	5.15 to 5.65	5/35	26,000	2,805
2006	2005 Series D; 2006 Series A	8/05; 3/06	4.5 to 5.0	5/26	517,855	53,510
2007	2006 Series B, and C; 2007 Series AW, BW, and 1;	7/06; 8/06; 2/07; 2/07; 2/07;	4.25 to 5.65	5/37	382,690	275,776
2008	2007 Series 2, and C; 2008 Series 1, A, AW, B, and BW	10/07; 12/07; 6/08; 4/08; 3/08; 5/08; 6/08	3.87 to 6.26	5/38	385,480	99,440
2009	2008 Series C, and D; 2009 Series AW, A, and B	9/08;12/08; 1/09; 6/09; 6/09	4.0 to 6.0	5/30	521,875	167,920
2010	2009 Series C, D and 1; 2010 Series 1, A, B, and AW	9/09; 9/09; 9/09; 3/10; 4/10; 4/10; 4/10	3.25 to 5.9	5/40	1,016,483	753,953
2011	2010 Series C, D, and BW; 2011 Series A, and 1	9/10; 9/10;12/10; 2/11; 6/11	3.45 to 5.25	5/41	1,175,535	955,060
2012	2011 Series 2, B, and C; 2012 Series 1 ,2, AW and A	10/11; 8/11; 12/11; 3/12; 5/12; 4/12; 6/12	0.97 to 5.0	5/42	1,359,920	1,248,940
2013	2012 Series B; 2013 Series A	11/12; 5/13	2.55 to 5.0	5/33	703,320	665,030
2014	2013 Series 1; 2014 Series 1, 2, A, and AW	11/13; 2/14; 4/14; 2/14; 4/14	0.2 to 5.0	5/34	1,071,155	1,057,290
2015	2014 Series 3, 4 and B; 2015 Series 1, A, and B	9/14; 1/15; 7/14 4/15; 2/15; 6/15	1.0 to 5.0	5/35	1,318,765	1,284,240
Total					8,956,284	6,667,224
Premiums/Discounts					--	502,435
Total General Obligation Bonds					$ 8,956,284	$ 7,169,659

As of June 30, 2015, general obligation bond debt service requirements for principal and interest for governmental activities and business - type activities are as follows (in thousands):

Fiscal Year	Governmental Activities		Business-Type Activities	
Ended June 30	Principal	Interest	Principal	Interest
2016	$ 454,100	$ 243,909	$ 62,971	$ 69,142
2017	357,914	222,142	58,632	66,055
2018	372,511	205,679	59,549	63,342
2019	404,911	187,941	66,701	60,449
2020	378,230	168,706	67,103	57,229
2021-2025	1,612,624	592,972	393,819	233,635
2026-2030	1,183,004	258,353	399,131	134,836
2031-2035	431,737	41,033	282,053	47,641
2036-2040	--	--	67,295	13,768
2041-2045	--	--	14,940	858
Total	5,195,030	1,920,737	1,472,194	746,956
Premiums/Discounts	408,268	--	94,168	
Total	$ 5,603,297	$ 1,920,737	$ 1,566,362	$ 746,956

Qualified Build America Bonds

The State has issued four series of general obligation bonds, in the aggregate amount of $769.2 million, that are "qualified Build America Bonds" pursuant to Section 54AA of the Internal Revenue Code of 1986, as amended (Code). Based on the credit allowed for "qualified Build America Bonds", the State has elected to receive from the United States Treasury on each payment date a direct payment in the amount of 35 percent of the interest payable by the State with respect to such date, and the credit will not be allowed to the taxpayers holding the bonds.

With respect to the direct payments the State expects to receive, since such payments are not Program Income and not pledged to the payment on the Bonds, there is no direct impact on the Bonds with these direct payments being subject to the mandated across-the-board cuts to the Federal budget for the federal fiscal year that started October 1, 2014 and ends September 30, 2015. The impact of these cuts for the current federal fiscal year is a 7.3% reduction in the direct payment amount that the State expected to receive.

- The interest rates on the 2009 Series B bonds, in the amount of $54.5 million, range from 5.15 percent to 5.40 percent payable semiannually on May 1 and November 1 beginning with the first interest payment date of November 1, 2009. These bonds are callable at par on May 1, 2019 or any date thereafter. The bonds mature beginning May 1, 2023 through 2030.

- The interest rates on the 2009 Series D bonds, in the amount of $225.8 million, range from 4.9 percent to 5.9 percent payable semiannually on May 1 and November 1 beginning with the first interest payment date of May 1, 2010. These bonds are callable at par on May 1, 2020 or any date thereafter. The bonds mature beginning May 1, 2023 through 2040.

- The interest rates on the 2010 Series B bonds, in the amount of $179.1 million, range from 4.3 percent to 5.65 percent payable semiannually on May 1 and November 1 beginning with the first interest payment date of November 1, 2010. These bonds are callable at par on May 1, 2020 or any date thereafter. The bonds mature beginning May 1, 2020 through 2030.

- The interest rates on the 2010 Series D bonds, in the amount of $309.7 million, range from 3.45 percent to 5.1 percent payable semiannually on May 1 and November 1 beginning with the first interest payment date of May 1, 2011. These bonds are callable at par on May 1, 2021 or any date thereafter. The bonds mature beginning May 1, 2020 through 2041.

B. General Obligation Long-term Notes

In April 2015, the State issued $279.8 million of General Obligation Long-term Notes Payable for the purpose of refunding General Obligation Bonds. The face value of the notes are reported as part of General Obligation Bonds and Notes in the Statements of Net Position and bear interest at rates from 1.94 percent to 3.43 percent, payable semi-annually on each May 1 and November 1 until their maturity dates. Principal outstanding at year end totaled $279.8 million.

As of June 30, 2015, long-term general obligation note debt service requirements for principal and interest for governmental activities and business-type activities are as follows (in millions):

Fiscal Year	Governmental Activities		Business-Type Activities	
Ended June 30	Principal	Interest	Principal	Interest
2016	$ -	$ 6,694	$ -	$ 928
2017	69,727	6,396	6,178	887
2018	72,664	5,025	10,216	765
2019	34,241	3,279	5,079	519
2020	45,387	2,320	6,073	377
2021	24,983	869	5,262	183
Total	$ 247,001	$ 24,583	$ 32,809	$ 3,659

C. Annual Appropriation Bonds

2003 Annual Appropriation Bonds

In December 2003, the State issued $1.8 billion of General Fund Annual Appropriation Bonds consisting of Series A (Taxable Fixed Rate) and Series B (Taxable Auction Rate Certificates). These appropriation obligations were authorized by Wisconsin Statutes to obtain proceeds to pay the State's anticipated unfunded accrued prior service (pension) liability under Wis. Stat. Section 40.05(2)(b) and its unfunded accrued liability for sick leave conversion credits under Wis. Stat. Section 40.05(4)(b), (bc), and (bw) and Subchapter IX of Chapter 40. In April and June 2008, the State issued $1.0 billion of General Fund Annual Appropriation Refunding Bonds to refund the Series B (Taxable Auction Rate Certificates) that were issued in 2003. The 2008 issuance consisted of Series A (Taxable Fixed Rate) and Series B and C (Taxable Floating Rate Notes). In November 2012, the State issued $251.6 million bonds to refund a portion of the 2003 Series A bonds.

These appropriation obligations are not general obligations of the State, and do not constitute "public debt" of the State as that term is used in the Constitution and in the State Statutes. The payment of the principal of, and premium, if any, and interest on the obligations is subject to annual appropriation; that is, payments due in any fiscal year of the State will be made only to the extent sufficient amounts are appropriated by the Legislature. The State is not legally obligated to appropriate any amounts for payment of debt service. The Legislature, recognizing its moral obligation to make timely appropriations from the General Fund sufficient to pay debt service on such obligations, expresses in Wis. Stat. Section 16.527(10) its expectation and aspiration that it will do so. The Legislature's recognition of a moral obligation, however, does not create a legally enforceable obligation.

The General Fund Annual Appropriation Bonds of 2003, Series A (Taxable Fixed Rate) in the outstanding principal amount of $568.7 million ("2003 Series A Bonds"), bear interest at rates from 5.20 percent to 5.70 percent computed on the basis of a 30 day month and a 360-day year, payable semiannually on each May 1 and November 1 until their maturity dates.

The General Fund Annual Appropriation Refunding Bonds of 2008, Series A (Taxable Fixed Rate) in the outstanding principal amount of $363.0 million ("2008 Series A Bonds"), bear interest at rates from 5.05 percent to 5.238 percent computed on the basis of a 30-day month and a 360-day year, payable semiannually on each May 1 and November 1 until their maturity dates.

The General Fund Annual Appropriation Bonds of 2008, Series B (Taxable Floating Rate Notes), in the outstanding principal amount of $300.0 million, bear interest at rates 120 basis points over the one-month LIBOR, computed on the basis of a 360-day year and for the number of days actually elapsed, payable monthly on the first business day of the month.

The General Fund Annual Appropriation Bonds of 2008, Series C (Taxable Floating Rate Notes), ("2008 Series C Bonds") in the outstanding principal amount of $188.5 million, bear interest at rates 110 basis points over the one-month LIBOR computed on the basis of a 360-day year and for the number of days actually elapsed, payable monthly on the first business day of the month.

The General Fund Annual Appropriation Refunding Bonds of 2012, Series A (Taxable Fixed Rate) in the outstanding principal amount of $217.0 million ("2012 Series A Bonds"), bear interest at rates from 1.077 percent to 4.019 percent computed on the basis of a 30-day month and a 360-day year, payable semiannually on May 1 and November 1 until their maturity dates.

As of June 30, 2015, the debt service requirements for principal and interest on these bonds are as follows (in millions):

Fiscal Year Ended June 30	Principal	Interest
2016	51.3	88.2
2017	58.3	86.9
2018	429.0	85.2
2019	41.0	64.3
2020	51.8	62.0
2021 – 2025	353.8	266.9
2026 – 2030	515.4	120.3
2031 – 2032	136.7	9.5
Total	1,637.2	783.2
Unamortized Prem./Discount	(0.8)	--
Total, net	$ 1,636.3	$ 783.2

The principal due in the fiscal year ended June 30, 2018 includes $363.0 million maturity that the State intends to refund prior to the May 1, 2018 maturity date.

Derivatives

The State has entered into interest rate exchange agreements, or swap agreements, to modify interest rates for nearly all of the 2008 Series B bonds and 2008 Series C bonds. All interest rate agreements at June 30, 2015, are classified as effective cash flow hedges. Since the interest rate exchange agreements qualify as an effective hedge, changes to fair value are not reported in the Statement of Activities. The State has contracted with a third party advisor to provide estimates of the fair value of the aggregate swap agreements as of June 30, 2015.

Objective – In December 2003, the State entered into four interest rate exchange agreements with four different counterparties in order to reduce the interest rate risk in connection with $595.2 million of the Series B (Taxable Auction Rate Certificates) issued in 2003. In June 2005, the State entered into four additional interest rate exchange agreements with three counterparties in order to reduce the interest rate risk on the balance of the Series B (Taxable Auction Rate Certificates) issued in 2003, ($349.7 million). In April and June 2008, the State issued $509 million of annual appropriation refunding bonds as floating rate notes having variable interest rate set every month (2008 Series B Bonds and 2008 Series C Bonds). In conjunction with issuance in April 2008, at its option the State terminated and made corresponding termination payments in the aggregate amount of $40.0 million on some, and a portion of other, interest rate exchange agreements previously entered into in December 2003 and June 2005. As of June 30, 2015, interest rate exchange agreements remain to reduce the interest rate risk in connection with $480.3 million in floating rate notes.

Terms – Nearly all of the outstanding 2008 Series B Bonds and 2008 Series C Bonds are subject to the interest rate exchange agreements with a notional amount totaling $480.3 million as of June 30, 2015. 2008 Series B Bonds and Series C Bonds mature and a related notional amount of the related interest rate exchange agreements decline from May 1, 2016 through 2032. Based on the interest rate exchange agreements, the State owes to the counterparties an amount calculated at fixed rates ranging from 4.661 percent to 5.47 percent and the counterparties owe the State interest on an amount based on a variable rate, which is the one-month LIBOR. The net amount is paid monthly.

Fair Value – As of June 30, 2015, the aggregate fair value of the interest exchange agreements was negative $158.4 million, a decrease of $12.9 million compared to the aggregate fair value of negative $145.5 million reported as of June 30, 2014. Since the interest rate exchange agreements qualify as effective cash flow hedges, a deferred outflow of resources and a liability are reported in the statement of net position for the fair value of the swap agreements. Changes in the fair value are not reported in the statement of activities.

The fair value was valued by a third party consultant based on information contained in the broker Interest Rate Swap Confirmations supplied by the three counterparties -- JP Morgan Chase, Citigroup N.A. New York, and UBS AG. The fair value takes into consideration the prevailing interest rate environment and the specific terms and conditions of the interest rate exchange agreement. The fair value was estimated using the zero-coupon discounting method. This method calculates the future payments required by the interest rate exchange agreements, assuming that the current forward rates implied by the yield curve are the market's best estimate of future spot interest rates. These payments are then discounted using the spot rates implied by the current yield curve for a hypothetical zero-coupon rate bond due on the date of each future net settlement payment on the interest rate exchange agreements. The fair value may vary throughout the life of the swap agreements due to any changes in fixed swap interest rates and swap market conditions.

Associated Debt – Using rates as of June 30, 2015, debt service requirements are presented for the 2008 Series B Bonds and 2008 Series C Bonds that are subject to the interest rate exchange agreements and the net swap payments assuming that interest rates remain the same for their term. As rates vary, interest payments on the floating rate notes and net swap payments will vary.

(in millions)

Fiscal Year Ended June 30	Principal	Interest	Interest Rate Swaps, Net	Totals
2016	1.1	6.6	24.9	32.6
2017	1.1	6.6	24.9	32.5
2018	1.1	6.5	24.8	32.5
2019	1.1	6.5	24.8	32.4
2020	1.1	6.5	24.7	32.3
2021 – 2025	48.9	31.2	118.8	198.9
2026 – 2030	316.9	20.0	76.6	413.5
2031 – 2032	109.0	1.7	6.7	117.4
	$ 480.3	$ 85.6	$ 326.2	$ 892.1

Interest Rate Risk – Currently, the State does not have interest rate risk because it is paying a fixed-rate of interest on the interest rate exchange agreements. However, if for some unforeseen reason any of the swap agreements are terminated prior to maturity; the State will have interest rate risk associated with the outstanding 2008 Series B Bonds and 2008 Series C Bonds until their maturity.

Credit Risk – As of June 30, 2015, the State was exposed to only a minimal amount of credit risk, as the fair values of all of the four interest rate exchange agreements were negative. Should rates change, the State could have increased exposure in the future. The State has entered into four interest rate agreements with three different counterparties. The lowest rating assigned to these counterparties is, as of June 30, 2015, A2 by Moody's, A by Standard & Poor's, and A by Fitch Ratings. Under the interest rate exchange agreements and to mitigate the potential for credit risk, if any of the counterparties' credit quality falls below A2 by Moody's Investors Service or A- by either Standard & Poor's or Fitch Ratings, the fair value of the interest rate exchange agreement for that respective counterparty will be fully collateralized by that counterparty. In addition, an event of termination occurs if any of the counterparties' credit quality falls below Baa2 by Moody's Investors service or BBB by either Standard & Poor's or Fitch Ratings.

Basis Risk – The interest rate exchange agreements expose the State to basis risk (i.e., a shortfall or surplus between the variable interest rate received on the interest rate exchange agreements and the interest rate paid on the floating rate notes), however this risk is fixed at the spreads for the respective series.

Termination Risk – The interest rate exchange agreements may be terminated by the State, upon two business days' written notice, designating to the counterparty the termination date. In addition, the State or the counterparties may terminate the interest rate exchange agreements if the other party fails to perform under the terms of the interest rate exchange agreements or if other various events occur. As of June 30, 2015, there have not been any such events. If any interest rate exchange agreement is terminated, the State would be unhedged and exposed to additional interest rate risk on the 2008 Series B Bonds and the 2008 Series C Bonds. In addition, if the interest rate exchange agreement has a negative fair value at the time of termination, the State would incur a loss and would be required to make a settlement payment to the related counterparty. Actual termination payments, if required to be made, can be made, at the State's discretion, from the Stabilization Fund, or delayed until funds are available in the Subordinated Payment Obligations Fund or until the next biennium when appropriations can be made in the biennial budget for the termination payments.

Market-Access Risk and Rollover Risk – The State's swap agreements are for the term (maturity) of the 2008 Series B Bonds and the 2008 Series C Bonds and, therefore, there is no market-access risk or rollover risk.

Foreign Currency Risk – The State's swap agreements are not subject to foreign currency risk.

2009 Annual Appropriation Bonds

In April 2009, the State issued $1.5 billion of General Fund Annual Appropriation Bonds. These appropriation obligations were authorized by Wisconsin Statutes for the purpose of purchasing the tobacco settlement revenues that had been sold by the Secretary of Administration to the Badger Tobacco Asset Securitization Corporation pursuant to Wis. Stat. Section 16.63. The 2009 General Fund Annual Appropriation Bonds bear interest rates from 4.00 percent to 6.25 percent computed on the basis of a 30-day month and a 360-day year, payable semiannually on each May 1 and November 1, until their maturity dates.

These appropriation obligations are not general obligations of the State, and do not constitute "public debt" of the State as that term is used in the Constitution and in the State Statutes. The payment of the principal of, and premium, if any, and interest on the obligations is subject to annual appropriation; that is, payments due in any fiscal year of the State will be made only to the extent sufficient amounts are appropriated by the Legislature. The State is not legally obligated to appropriate any amounts for payment of debt service. The Legislature, recognizing its moral obligation to make timely appropriations from the General Fund sufficient to pay debt service on such obligations, expresses in Wis. Stat. Section 16.527(10) its expectation and aspiration that it will do so.

The Legislature's recognition of a moral obligation, however, does not create a legally enforceable obligation.

As of June 30, 2015, the debt service requirements for principal and interest on these bonds are as follows (in millions):

Fiscal Year Ended June 30	Principal	Interest
2016	28.3	85.0
2017	22.2	83.6
2018	24.8	82.6
2019	32.7	81.4
2020	28.1	79.8
2021 – 2025	187.5	374.4
2026 – 2030	302.5	312.8
2031 – 2035	568.8	193.3
2036 - 2037	284.0	26.3
Total	1,478.8	1,319.2
Unamortized Premium/Discount	(3.0)	--
Total, net	$ 1,475.8	$ 1,319.2

D. Revenue Bonds

Chapter 18, Wisconsin Statutes, authorizes the State to issue revenue obligations secured by a pledge of revenues or property derived from the operation of a program funded by the issuance of these obligations. The resulting bond obligations are not general obligations of the State.

Transportation Revenue Bonds

Transportation Revenue Bonds are issued to finance part of the costs of certain transportation facilities and major highway projects. Chapter 18, Subchapter II of the Wisconsin Statutes as amended, Wis. Stat. Sec. 84.59 and a general bond resolution and series resolutions authorize the issuance of these bonds.

The Department of Transportation is authorized to issue a total of $3.8 billion of revenue bonds. Presently, there are fourteen issues of Transportation Revenue Bonds outstanding totaling $2.0 billion. Debt service payments are secured by driver and vehicle registration fees and the program resolution provides for a reserve fund, which if funded, will be used in the event that a deficiency exists in the redemption fund.

The Transportation Revenue Bonds issued and outstanding as of June 30, 2015 were as follows (in thousands):

Issue	Issue Date	Interest Rates	Maturity Through	Issued	Outstanding
2015 1	4/15	5.0	7/29	$ 207,240	$ 207,240
2014 2	12/14	1.0 to 5.0	7/27	94,130	94,130
2014 1	4/14	2.0 to 5.0	7/34	339,745	242,940
2013 1	3/13	4.0 to 5.0	7/33	259,680	259,680
2012 2	6/12	4.0 to 5.0	7/24	116,400	116,400
2012 1	4/12	3.5 to 5.0	7/32	343,725	284,945
2010 B	12/10	4.7 to 6.0	7/31	123,925	123,925
2010 A	12/10	5.0	7/21	76,075	57,005
2009 B	10/09	2.23 to 3.8	7/30	147,130	147,130
2008 A	8/08	5.0	7/29	185,000	30,780
2007 1	3/07	4.35 to 5.0	7/22	206,900	203,580
2005 B	9/05	5.0	7/15	158,400	10,400
2005 A	3/05	5.0 to 5.25	7/21	235,585	165,545
1998 A	8/98	5.5	7/16	130,590	17,185
				2,624,525	1,960,885
Unamortized Premium / Discount				--	206,409
Total				$ 2,624,525	$ 2,167,294

Petroleum Inspection Fee Revenue Bonds

Petroleum Inspection Fee (PIF) Revenue Bonds are issued to finance claims made under the Petroleum Environmental Cleanup Fund Award (PECFA) Program for reimbursement of cleanup costs to soil and groundwater contamination. The program reimburses owners for 75 percent to 99 percent of cleanup costs associated with soil and groundwater contamination. As of June 30, 2015, PIF Bonds outstanding are $68.0 million. Debt service payments are secured by petroleum inspection fees.

The PIF revenue bonds issued and outstanding as of June 30, 2015 were as follows (in thousands):

Issue	Issue Date	Interest Rate	Maturity Through	Issued	Outstanding
2009-1	10/09	2.5 to 5.0	7/17	$ 117,460	$ 67,950
Unamortized Premium / Discount				--	1,178
Total				$ 117,460	$ 69,128

Clean Water Revenue Bonds

The Environmental Improvement Fund (the Fund) provides loans and grants to local municipalities to finance wastewater treatment planning and construction. The Fund is authorized to issue up to $2.5 billion in Revenue Bonds. At June 30, 2015, there were fifteen issues of Revenue Bonds outstanding totaling $706.3 million. These bonds are secured by payments on program loans and earnings of investments.

Bonds issued and outstanding for the Environmental Improvement Fund as of June 30, 2015 were as follows (in thousands):

Issue	Issue Date	Interest Rates	Maturity Through	Issued	Outstanding
2013-1	3/13	3.75 to 5.0	6/27	$ 82,845	$ 82,845
2012-2	7/12	2.65 to 5.0	6/24	92,450	87,950
2012-1	7/12	2.0 to 5.0	6/33	55,000	51,075
2010-5	11/10	5.0	6/23	36,760	36,760
2010-4	11/10	2.0 to 5.0	6/31	116,290	100,635
2010-3	2/10	3.96 to 5.44	6/25	49,690	49,690
2010-2	2/10	5.0	6/21	14,070	14,070
2010-1	2/10	3.0 to 5.0	6/31	67,415	51,625
2008-3	12/08	3.0 to 5.5	6/26	92,210	71,850
2008-2	2/08	5.0	6/18	27,335	27,335
2008-1	2/08	4.0 to 5.0	6/28	100,000	76,105
2006-1	3/06	3.5 to 5.0	6/27	80,000	3,575
2004-2	1/05	3.25 to 5.25	6/20	107,025	37,305
2002-2	8/02	3.0 to 5.5	6/16	85,575	3,935
1998-2	8/99	4.0 to 5.5	6/17	104,360	11,590
				1,111,025	706,345
Unamortized Premium / Discount				--	52,371
Total				$ 1,111,025	$758,716

As of June 30, 2015, revenue bond debt service requirements for principal and interest for governmental activities and business-type activities are as follows (in thousands):

	Governmental Activities				Business-Type Activities	
	Transportation Revenue Bonds		Petroleum Inspection Fee Revenue Bonds		Clean Water Revenue Bonds	
Fiscal Year Ended June 30	Principal	Interest	Principal	Interest	Principal	Interest
2016	196,090	91,916	26,540	2,588	59,935	34,657
2017	102,395	84,855	27,800	1,270	60,775	31,729
2018	100,870	80,281	13,610	290	60,510	28,825
2019	117,025	75,010	--	--	55,315	25,857
2020	122,050	69,174	--	--	54,780	23,144
2021-2025	612,910	252,950	--	--	239,810	78,095
2026-2030	448,215	120,084	--	--	147,475	25,573
2031-2035	261,330	24,698	--	--	27,745	1,798
Total	1,960,885	798,998	67,950	4,148	706,345	249,678
Unamortized Premium / Discount	206,409	--	1,178	--	52,371	--
Total	$ 2,167,294	$ 798,998	$ 69,128	$ 4,148	$ 758,716	$ 249,678

Qualified Build America Bonds

The State has issued three series of revenue bonds, in the aggregate amount of $320.8 million, that are "qualified Build America Bonds" pursuant to Section 54AA of the Internal Revenue Code of 1986, as amended (Code). Based on the credit allowed for "qualified Build America Bonds", the State has elected to receive from the United States Treasury on each payment date a direct payment in the amount of 35 percent of the interest payable by the State with respect to such date, and the credit will not be allowed to the taxpayers holding the bonds.

With respect to the direct payments the State expects to receive, since such payments are not Program Income and not pledged to the payment on the Bonds, there is no direct impact on the Bonds with these direct payments being subject to the mandated across-the-board cuts to the Federal budget for the federal fiscal year that started October 1, 2014 and ends September 30, 2015. The impact of these cuts for the current federal fiscal year is a 7.3% reduction in the direct payment amount that the State expected to receive.

The interest rates on the 2009 Series B (taxable) Transportation Revenue Bonds in the amount of $147.1 million range from 3.5 percent to 5.8 percent payable semiannually on January 1 and July 1 beginning with the first interest payment date of July 1, 2010. These bonds are callable at par on July 1, 2019 or any date thereafter. The bonds mature beginning July 1, 2015 through 2030.

The interest rates on the 2010 Clean Water Revenue, Series 3 bonds in the amount of $49.7 million bonds range from 3.957 percent to 5.441 percent payable semiannually on June 1 and December 1 beginning with the first interest payment date of June 1, 2010. These bonds are callable at par on June 1, 2020 or any date thereafter. The bonds mature beginning June 1, 2017 through 2025.

The interest rates on the 2010 Series B (taxable) Transportation Revenue Bonds in the amount of $123.9 million range from 4.7 percent to 6.0 percent payable semiannually on January 1 and July 1 beginning with the first interest payment date of July 1, 2011. These bonds are callable at par on July 1, 2020 or any date thereafter. The bonds mature beginning July 1, 2022 through 2031.

E. Refundings, Exchanges and Early Extinguishments

Refunding Provisions of GASB Statement No. 23

The State implemented the provisions of GASB Statement No. 23. *Accounting and Financial Reporting for Refunding of Debt Reported by Proprietary Activities* beginning with Fiscal Year 1996. This Statement requires proprietary activities to adopt certain accounting and reporting changes for both current refunding and advance refunding resulting in defeasance of debt. GASB Statement No. 23 permits, but does not require, retroactive application of its provisions. The State has chosen not to apply the provisions retroactively to previously issued financial statements.

Current Year Refundings/General Obligation Bonds

In September 2014, the State issued $275.9 million of general obligation refunding bonds (2014 Series 3), the proceeds of $325.7 million were deposited in an escrow account to provide for future debt service payments and redemption of $287.4 million of various general obligation bonds outstanding at the time of the refunding. As a result of the advance refunding, the $287.4 million of various general obligation bonds for which future debt service payments and redemption are paid from the escrow account are considered defeased and the associated liability removed from the financial statements. The refunding resulted in a decrease in total debt service payments by $24.5 million and an economic gain of $21.2 million.

In January 2015, the State issued $257.4 million of general obligation refunding bonds (2014 Series 4), the proceeds of $308.7 million were deposited in an escrow account to provide for future debt service payments and redemption of $277.6 million of various general obligation bonds outstanding at the time of the refunding. As a result of the advance refunding, the $277.6 million of various general obligation bonds for which future debt service payments and redemption are paid from the escrow account are considered defeased and the associated liability removed from the financial statements. The refunding resulted in a decrease in total debt service of $19.7 million and an economic gain of $19.4 million.

In April 2015, the State issued $171.1 million of general obligation refunding bonds (2015 Series 1), the proceeds of which were used to current refund on May 1, 2015 principal of various general obligation bonds outstanding in the amount of $63.5 million and advance refund various general obligation bonds outstanding in the amount of $108.2 million. For the advance refunding, the proceeds of $123.2 million were deposited in an escrow account to provide for future debt service payments and redemption of $108.2 million of various general obligation bonds outstanding at the time of the refunding. As a result of the advance refunding, the $108.2 million of various general obligation bonds for which future debt service payments and redemption are paid from the escrow account are considered defeased and the associated liability removed from the financial statements. The refunding resulted in a decrease in total debt service of $10.1 million and an economic gain of $9.8 million.

In April 2015, the State issued $279.8 million of General Obligation Long Term Notes Payable, the proceeds of which were used to current refund various general obligation bonds with outstanding principal of $278.3 million. The refunding resulted in a decrease in total debt service of $20.5 million and an economic gain of $18.9 million.

Prior Year Refundings/General Obligation Bonds

Government Accounting Standards Board Statement No. 7 *Advance Refundings Resulting in Defeasance of Debt*, provides that refunded debt and assets placed in escrow for the payment of related debt service be excluded from the financial statements. At June 30, 2015, $991.3 million of general obligation bond principal has been defeased.

Current Year Refundings/Revenue Bonds

In December 2014, the State issued $94.1 million of transportation revenue refunding bonds (2014 Series 2), the proceeds of $112.0 million were deposited in an escrow account to provide for future debt service payments and redemption of $101.2 million of various transportation revenue bonds outstanding at the time of the refunding. As a result of the advance refunding, the $101.2 million of various transportation revenue bonds for which future debt service payments and redemption are paid from the escrow account are considered defeased and the associated liability removed from the financial statements. The refunding resulted in a decrease in total debt service of $8.2 million and an economic gain of $6.5 million.

In April 2015, the State issued $207.2 million of transportation revenue refunding bonds (2015 Series 1), the proceeds of which were used to current refund on July 1, 2015 principal of various transportation revenue bonds outstanding in the amount of $88.4 million and advance refund various transportation revenue bonds outstanding in the amount of $137.2 million. For the advance refunding, the proceeds of $155.3 million were deposited in an escrow account to provide for future debt service payments and redemption of $137.2 million of various transportation revenue bonds outstanding at the time of the refunding. As a result of the advance refunding, the $137.2 million of various transportation revenue bonds for which future debt service payments and redemption are paid from the escrow account are considered defeased and the associated liability removed from the financial statements. The refunding resulted in a decrease in total debt service of $23.8 and an economic gain of $20.5 million.

Prior Year Refundings/Revenue Bonds

For financial reporting purposes, the following primary government revenue bonds have been defeased, and therefore, removed as a liability from the balance sheet:

- Environmental Improvement Fund revenue bonds – At June 30, 2015, revenue bonds outstanding of $53.3 million have been defeased.
- Transportation revenue bonds – At June 30, 2015, revenue bonds outstanding of $506.19 million have been defeased.

F. Short-term Financing

The State of Wisconsin Building Commission, an agency of the State, is empowered by law to consider, authorize, issue, and sell debt obligations of the State. To date, the Commission has authorized the issuance of notes. When this short-term debt does not meet long-term financing criteria, it is classified among fund liabilities.

General Obligation Commercial Paper Notes

The State has authorized General Obligation Commercial Paper Notes for the acquisition, construction, development, extension, enlargement, or improvement of land, waters, property, highway, buildings, equipment or facilities. Periodically, additional commercial paper notes are issued to pay for maturing commercial paper notes.

The State intends to make annual May 1 payments on the outstanding commercial paper notes that reflect principal amortization of the notes. The State also intends to make regular payments to the issuing and paying agent that will be used to pay interest due on maturing notes. On June 30, 2015, the amount of commercial paper notes outstanding was $163.3 million which had interest rates ranging from 0.07 percent to 0.09 percent and maturities ranging from July 16, 2015 to September 2, 2015.

Short-term debt activity for the year ended June 30, 2015 for general obligation commercial paper notes was as follows (in millions):

Balance July 1, 2014	Additions	Reductions	Balance June 30, 2015
$ 155.1	$ --	$ 8.2	$ 146.9

General Obligation Extendible Municipal Commercial Paper

The State has authorized General Obligation extendible municipal commercial paper for the acquisition, construction, development, extension, enlargement, or improvement of land, waters, property, highway, buildings, equipment or facilities. Periodically, additional extendible municipal commercial papers are issued to pay for maturing extendible municipal commercial paper. The State intends to make annual May 1 payments on the outstanding commercial paper notes that reflect principal amortization of the paper. The State also intends to make regular payments to the issuing and paying agent that will be used to pay the interest due on the maturing notes. At June 30, 2015, the amount of extendible municipal commercial paper outstanding was $631.8 million which had interest rates ranging from 0.08 percent to 0.20 percent and maturities from July 8, 2015, to November 10, 2015.

Short-term debt activity for the year ended June 30, 2015 for general obligation extendible municipal commercial paper was as follows (in millions):

Balance July 1, 2014	Additions	Reductions	Balance June 30, 2015
$ 532.1	$ 105.1	$ 24.6	$ 612.6

Petroleum Inspection Fee Revenue Extendible Municipal Commercial Paper

The State has authorized petroleum inspection fee revenue extendible municipal commercial paper to pay the costs of claims under the Petroleum Environmental Cleanup Fund Award (PECFA) Program. Periodically, additional extendible municipal commercial paper is issued to pay for maturing paper. The State may periodically deposit money into the Junior Subordinate Principal Account, which represents principal payments to be made on the extendible municipal commercial paper. The State also intends to make regular deposits to the issuing and paying agent that will be used to pay interest due on maturing paper. At June 30, 2015, the amount of petroleum inspection fee revenue extendible commercial paper outstanding was $71.2 million which had interest rates ranging from 0.11 percent to 0.18 percent and maturities ranging from August 12, 2015 to September 17, 2015.

Short-term debt activity for the year ended June 30, 2015 for the petroleum inspection fee revenue extendible municipal commercial paper was as follows (in millions):

Balance July 1, 2014	Additions	Reductions	Balance June 30, 2015
$ 71.2	$ --	$ --	$ 71.2

Transportation Revenue Commercial Paper Notes

The State authorized transportation revenue commercial paper notes to pay the costs of major highway projects and certain State transportation facilities. Periodically, additional commercial paper notes are issued to pay for maturing commercial paper notes. The State intends to make annual July 1 payments on the commercial paper notes that reflect principal amortization of the notes. The State also intends to make regular deposits to the issuing and paying agent that will be used to pay interest due on maturing notes. At June 30, 2015, the amount of transportation revenue commercial paper notes outstanding was $144.1 million which had interest rates ranging from 0.08 percent to 0.09 percent and maturities ranging from August 3, 2015 to October 8, 2015.

Short-term debt activity for the year ended June 30, 2015 for the transportation revenue commercial paper notes was as follows (in millions):

Balance July 1, 2014	Additions	Reductions	Balance June 30, 2015
$ 163.7	$ --	$ 19.6	$ 144.1

G. Certificates of Participation - Master Lease Program

The State established a facility in 1992 that provides lease purchase financing for property and certain service items acquired by state agencies. This facility is the Third Amended and Restated Master Lease between the State acting by and through the Department of Administration and U.S. Bank National Association. Lease purchase obligations under the Master Lease are not general obligations of the State, but are payable from appropriations of State agencies participating in the Master Lease Program, subject to annual appropriation. The interest component of each lease/purchase payment is subject to a separate determination.

Pursuant to the terms and conditions of this agreement, the trustee for the facility issues parity Master Lease certificates of participation that evidence proportionate interest of the owners thereof in lease payments. A common pool of collateral ratably secures all Master Lease certificates. Title in the property and service items purchased under the facility remains with the State and the State grants to the Trustee, for the benefit of all Master Lease certificate holders, a first security interest in the leased items.

The outstanding balance as of June 30, 2015 was as follows:

Balance Due	Average Life (Weighted Term)
$116.1 million	3.99 Years

At June 30, 2015, the following parity Master Lease certificates were outstanding:

- Master Lease Certificates of Participation of 2006, Series A, in the amount of $4.7 million. This series of Master Lease certificates has an interest rate of 4.0 percent and matures semi-annually through September 1, 2016.

- Master Lease Certificates of Participation of 2013, Series A (Revolving Credit Agreement – Taxable) in the amount of $39.8 million. This Master Lease certificate evidences the State's obligation to repay advances under a Revolving Credit Agreement, dated September 1, 2013, as amended between U.S. Bank National Association (as trustee), the State of Wisconsin, acting by and through its Department of Administration, as lessee, and PNC Bank National Association. The scheduled termination date under the Revolving Credit Agreement, as amended, is September 1, 2016. This Master Lease certificate shall bear interest at the rates and mature on the dates provided for in the Revolving Credit Agreement. The balance of this Master Lease certificate may include some accrued interest that will be payable at the next semi-annual interest payment date.

- Master Lease Certificates of Participation of 2010, Series B, in the amount of $1.6 million. This series of Master Lease certificates has interest rates ranging from of 3.0 percent to 4.0 percent and matures semi-annually through September 1, 2017.

- Master Lease Certificates of Participation of 2012, Series A, in the amount of $5.9 million. This series of Master Lease certificates has interest rates ranging from 3.0 percent to 4.0 percent and matures semi-annually through September 1, 2017.

- Master Lease Certificates of Participation of 2014, Series A, in the amount of $28.6 million. This series of Master Lease certificates has interest rates ranging from 2.75 percent to 5.0 percent and matures semi-annually through March 1, 2023.

- Master Lease Certificates of Participation of 2014, Series B in the amount of $34.9 million. This series of Master Lease certificates has interest rates ranging from 1.65 to 5.00 percent and matures semi-annually through March 1, 2023.

The Third Amended and Restated Master Lease 1992-1 provides that certain lease schedules to the facility can be terminated if the State deposits with the Trustee an amount that is equal to the outstanding amount of the lease schedule, or in amounts that are sufficient to purchase investments that mature on dates and in amounts to make the lease payments when due. At June 30, 2015, the State has not deposited with the Trustee amounts, that when invested, will terminate lease schedules.

H. Arbitrage Rebate

The Tax Reform Act of 1986 requires that governmental entities issuing tax-exempt debt subsequent to August 1986, calculate and rebate arbitrage earnings to the federal government. Specifically, the excess of the aggregated amount earned on investments purchased with bond proceeds over the amount that would have been earned if the proceeds were invested at a rate equal to the bond yield, is to be rebated to the federal government. As of June 30, 2015, a liability for arbitrage rebate did not exist.

I. Moral Obligation Debt

Through legislation enacted in 1999, the State authorized the creation of local districts. These districts (Wisconsin Center District, Southeast Wisconsin Professional Baseball Park District, and the Green Bay/Brown County Professional Football Stadium District) are authorized to issue bonds for their respective purpose, and if the State determines that certain conditions are satisfied, the State may have a moral obligation to appropriate moneys to make up deficiencies in the districts' special debt service reserve funds. To date, the Wisconsin Center District has the authority to issue up to $200.0 million in bonds and has issued one series with an outstanding balance of $121.0 million that is subject to the moral obligation. The two other local districts each have authority to issue $160.0 million of revenue obligations that, subject to the Secretary of Administration's determination that certain conditions have been met, could carry a moral obligation of the State. All of the districts have issued revenue obligations that do not carry the moral obligation of the State.

Through legislation enacted in 1999, the State authorized the issuance of up to $170.0 million principal amount of bonds to finance the development or redevelopment of sites and facilities to be used for public schools. If certain conditions are satisfied, and if a special debt service reserve fund is created for the bonds, the State will provide a moral obligation pledge, which would restore the special debt reserve fund established for the bonds to an amount not to exceed the maximum annual debt service on the bonds. Three bond issues with an aggregate outstanding balance of $81.7 million have been issued that have a special debt service reserve fund secured by the State's moral obligation.

J. Credit Agreements

The State has entered into a credit agreement that provides the State a line of credit for liquidity support for up to $200.0 million of general obligation commercial paper notes. As of June 30, 2015, $200.0 million was unused and available. The line of credit expires in March, 2016, but is subject to termination and renewal as provided for in the credit agreement. The cost of this line of credit is 0.25 percent per year.

The State has entered into a credit agreement to provide the State a line of credit for liquidity support for its transportation revenue commercial paper program. The amount of the line of credit is $175.0 million. As of June 30, 2015, $175.0 million was unused and available. This line of credit expires in April, 2016, but is subject to termination and renewal as provided for in the credit agreement. The cost of this line of credit is 0.33 percent per year.

NOTE 12. LEASE COMMITMENTS AND INSTALLMENT PURCHASES

The State leases office buildings, space, and equipment under a variety of agreements that vary in lease term, many of which are subject to appropriation from the State Legislature to continue the lease commitment. If such funding, i.e., through legislative appropriation, is judged to be assured, and the likelihood of cancellation through exercise of the fiscal funding clause is remote, leases are considered non-cancelable and reported as either a capital lease or an operating lease.

A. Capital Leases

Primary Government

Capital lease commitments in the government-wide and proprietary funds statements are reported as liabilities at lease inception. The related assets along with the depreciation are also reported at that time. Lease payments are reported as a reduction of the liability.

For capital leases in governmental funds, "Other Financing Sources - Capital Lease Acquisitions" and expenditures are recorded at lease inception. Lease payments are recorded as expenditures.

The following is an analysis of the gross minimum lease payments along with the present value of the minimum lease payments as of June 30, 2015 for capital leases (in thousands):

	Governmental Activities	
Fiscal Year	**Principal**	**Interest**
2016	$ 16,061	$ 4,441
2017	13,258	3,981
2018	12,927	3,330
2019	7,291	2,737
2020	4,235	2,438
2021- 2025	35,556	7,399
2026 - 2030	9,943	1,216
2031- 2035	-	-
2036 - 2040	-	-
2041- 2045	-	-
Total minimum future payments	99,271	-
Total minimum interest payments	$ -	25,541

	Business-type Activities	
Fiscal Year	**Principal**	**Interest**
2016	$ 4,882	$ 2,447
2017	3,366	2,242
2018	1,085	2,130
2019	561	2,076
2020	510	2,037
2021- 2025	2,757	9,627
2026 - 2030	3,925	8,439
2031- 2035	5,627	6,737
2036 - 2040	8,067	4,296
2041- 2045	6,429	989
Total minimum future payments	37,209	-
Total minimum interest payments	$ -	41,020

Assets acquired through capital leases are valued at the lower of fair market value or the present value of minimum lease payments at the inception of the lease. The following is an analysis of capital assets recorded under capital leases as of June 30, 2015 (in thousands):

	Governmental Activities	Business-type Activities
Land and Land Improvements	$ 376	$ -
Buildings and Improvements	1,000	100,237
Machinery and Improvements	181,275	14,433
Construction in Progress		
Less: Accumulated Depreciation	(52,205)	(55,703)
Carrying Amount	$ 130,446	$ 58,967

B. Operating Leases

Operating leases, those leases not recorded as capital leases, are not recorded in the statement of net assets. These leases contain various renewal options, the effect of which are reflected in the minimum lease payments only if it is considered that the option will be exercised. Certain other operating leases contain escalation clauses and contingent rentals which are not included in the calculation of the future minimum lease payments. Operating lease expenditures/expenses are recognized as incurred or paid over the lease term.

Governmental and business-type activities rental expenses under operating leases for Fiscal Year 2015 were $83.5 million. Of this amount, $83.4 million relates to minimum rental payments stipulated in lease agreements, $49.1 thousand relates to sub rental payments.

The following is an analysis of the future minimum rental payments due under operating leases (in thousands):

Fiscal Year	Governmental Activities	Business-type Activities
2016	$ 49,700	$ 18,731
2017	38,316	14,885
2018	30,179	12,996
2019	21,454	10,997
2020	16,655	9,876
2021- 2025	41,342	32,288
2026 - 2030	19,314	28,493
2031- 2035	6,703	14,647
2036 - 2040	481	152
2041- 2045	444	21
2046 - 2050	420	-
2051- 2055	9	-
Thereafter	206	-
Minimum lease payments	$ 225,223	$ 143,087

C. Installment Purchases

The State has entered into installment purchase agreements. The following is an analysis of the gross minimum installment payments, along with the present value of the minimum installment payments, as of June 30, 2015 for installment purchases (in thousands):

Fiscal Year	Governmental Activities Principal	Governmental Activities Interest
2016	$ 637	16
2017	280	3
2018	-	-
2019	-	-
2020	-	-
Total minimum future installment payments	$ 917	-
Total interest payments	$ -	19

Fiscal Year	Business-type Activities Principal	Business-type Activities Interest
2016	$ 18	1
2017	18	1
2018	13	1
2019	5	1
2020	5	-
Total minimum future installment payments	$ 57	-
Total interest payments	$ -	4

NOTE 13. POLLUTION REMEDIATION OBLIGATIONS

Governmental Accounting Standards Board (GASB) Statement No. 49, *Accounting and Financial Reporting for Pollution Remediation Obligations,* establishes accounting and financial reporting standards for pollution remediation obligations. These are obligations to address the current or potential detrimental effects of existing pollution by participating in pollution remediation activities such as site assessments and cleanups. The scope of the standard excludes pollution prevention or control obligations with respect to current operations, and future pollution remediation obligations that are required upon retirement of an asset, such as landfill closure and post closure care and nuclear power plant decommissioning.

Measurement of Obligations

GASB Statement No. 49 requires the State to calculate pollution remediation obligations using the expected cash flow technique. These estimates are subject to change over time. Costs may vary due to price fluctuations, changes in technology, changes in potential responsible parties, results of environmental studies, changes to statutes or regulations and other factors. Recoveries from other responsible parties may reduce the State's obligation. In accordance with the standard, if the State cannot reasonably estimate a pollution remediation obligation, it does not report a liability. Under specific circumstances capital assets may be created when pollution remediation is performed. The State has adopted a minimum reporting threshold of $1.0 million. Therefore, only remediation sites with outlays estimated to meet or exceed that amount are reported in the financial statements.

During fiscal year 2015, the State did not recognize additional estimated liabilities for pollution remediation. The State expended nothing to clean up sites in fiscal year 2015; therefore, the beginning liability of $7.5 million remained at $7.5 million. There were no recoveries received from other responsible parties during fiscal year 2015 and none are expected for the identified obligations.

Identified Remediation Obligations:

Pollution remediation liabilities are updated annually and are based on engineering studies and the judgment of agency officials. The following table shows liabilities included in the Statement of Net Position as of June 30, 2015 (in millions):

Nature and Source of Pollution	Estimated Liability	Estimated Recovery
Contract agreement with EPA to clean up Superfund site of former wood treatment facility	$ .5	--
Voluntary commencement by the State to clean up heavy metal contamination of canal near former industrial site	7.0	--
Total estimated obligations	$7.5	--

In addition to the liability reported in the table above, the State expects to incur estimated costs of $27,000 per year indefinitely to pump and treat contamination at a former chrome plating facility. The State also expects to incur estimated costs of $70,000 per year indefinitely to operate and maintain a closed landfill. Both are Superfund sites and estimated total remediation costs for them cannot be reasonably determined. Therefore, a liability has not been reported in the Statement of Net Position for either site.

NOTE 14. RETIREMENT PLAN

The Wisconsin Retirement System (WRS) was established and is administered by the State of Wisconsin to provide pension benefits for State and local government public employees. The WRS consists of the Core Retirement Investment Trust, the Variable Retirement Investment Trust, and the Police and Firefighters Trust. Although separated for accounting purposes, the assets of these trust funds can be used to pay benefits for any member of the WRS, and are reported as one pension plan.

The WRS is considered part of the State of Wisconsin's financial reporting entity. Copies of the separately issued financial report that includes audited financial statements and required supplementary information for the year ending December 31, 2014, is available at: http://legis.wisconsin.gov/lab/ as report number 15-11.

Plan Description

The WRS, governed by Chapter 40 of the Wisconsin Statutes, is a cost-sharing multiple-employer defined benefit pension plan administered by the Department of Employee Trust Funds. Benefit terms may only be modified by the Legislature. It provides coverage to all eligible State of Wisconsin, local government and other public employees. All employees, initially employed by a participating WRS employer prior to July 1, 2011, expected to work at least 600 hours a year (440 hours for teachers and school district educational support employees) and expected to be employed for at least one year from employee's date of hire are eligible to participate in the WRS. All employees, initially employed by a participating WRS employer on or after July 1, 2011, and expected to work at least 1200 hours a year (880 hours for teachers and school district educational support employees) and expected to be employed for at least one year from employee's date of hire are eligible to participate in the WRS. Note: Employees hired to work nine or ten months per year,(e.g. teachers contracts), but expected to return year after year are considered to have met the one-year requirement.

As of December 31, 2014, the number of participating employers was:

State Agencies	57
Cities	152
Counties	71
4th Class Cities	36
Villages	261
Towns	246
School Districts	424
Wisconsin Technical College System Board Districts	16
Cooperative Educational Service Agencies	12
Other	207
Total Employers	1,482

For employees beginning participation on or after January 1, 1990 and no longer actively employed on or after April 24, 1998, creditable service in each of five years is required for eligibility for a retirement annuity. Participants employed prior to 1990 and on or after April 24, 1998 and prior to July 1, 2011 are immediately vested. Participants who initially became WRS eligible on or after July 1, 2011 must have five years of creditable service to be vested. Employees who retire at or after age 65 (54 for protective occupation employees, 62 for elected officials and State executive participants) are entitled to receive an unreduced retirement benefit. The factors influencing the benefit are: (1) final average earnings, (2) years of creditable service, and (3) a formula factor.

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

Vested employees may retire at age 55 (50 for protective occupation employees) and receive reduced benefits. Employees terminating covered employment before becoming eligible for a retirement benefit may withdraw their contributions, plus interest, and forfeit all rights to any subsequent benefits, or may leave contributions on deposit and defer application until eligible to receive a retirement benefit. The WRS also provides death and disability benefits for employees.

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

Accounting Policies and Plan Asset Matters

The financial statements of the WRS have been prepared in accordance with generally accepted accounting principles, using the flow of economic resources measurement focus and a full accrual basis of accounting. Under the accrual basis of accounting, revenues are recorded when earned and expenses are recorded at the time the liabilities are incurred. Plan member contributions are recognized in the period in which contributions are paid. Employer contributions to the plan are recognized in the accounting period in which the underlying earnings on which the contributions are based are paid and the employer has made a

formal commitment to provide contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan.

All assets of the WRS are invested by the State of Wisconsin Investment Board. The retirement fund assets consist of shares in the Variable Retirement Investment Trust and the Core Retirement Investment Trust. The Variable Retirement Investment Trust consists primarily of equity securities. The Core Retirement Investment Trust is a balanced investment fund made up of fixed income securities and equity securities. Shares in the Core Retirement Investment Trust are purchased as funds are made available from retirement contributions and investment income, and sold when funds for benefit payments and other expenses are needed.

The assets of the Core and Variable Retirement Investment Trusts are carried at fair value with all market value adjustments recognized in current operations. Investments are revalued monthly to current market value. The resulting valuation gains or losses are recognized as income, although revenue has not been realized through a market-place transaction.

The WRS does not have any investments (other than those issued or guaranteed by the U.S. Government) in any one organization that represent 5.0 percent or more of plan net position.

Contributions Required

Required contributions are determined by an annual actuarial valuation in accordance with Chapter 40 of the Wisconsin Statutes. The employee required contribution is one-half of the actuarially determined contribution rate for general category employees, including teachers, and executives and elected officials. Required contributions for protective contributions are the same rate as general employees. Employers are required to contribute the remainder of the actuarially determined contribution rate. The employer may not pay the employee required contribution unless provided for by an existing collective bargaining agreement. Contribution rates as of June 30, 2015 are:

	Employee	Employer
General (including teachers)	6.8%	6.8%
Executives & Elected Officials	7.7%	7.7%
Protective with Social Security	6.8%	9.5%
Protective without Social Security	6.8%	13.1%

Employers are required to contribute an actuarially determined amount necessary to fund the remaining projected cost of future benefits.

State of Wisconsin Net Pension Asset, Pension Contributions, Pension Expenses, and Deferred Outflows and Inflows of Resources

At June 30, 2015, the State reported a net pension asset of $686.9 million for its proportionate share of the WRS' net pension asset. The net pension asset is reported as a Net Pension Asset on the Statement of Net Position.

The net pension asset was measured as of December 31, 2014, and the total pension liability was based on an actuarial valuation as of December 31, 2013. Update procedures were used to roll forward the total pension liability to the measurement date. No material changes in assumptions or benefit terms occurred between the actuarial valuation date and the measurement date.

The State's proportionate share of the net pension asset was determined based on the average of the State's contributions to the WRS over the three most recent calendar years relative to the average contributions of all employers for the same period. At December 31, 2014, the State's proportionate share was 28.0 percent, which is an increase of 0.2 percent from its proportionate share as of December 31, 2013.

For calendar year 2014, State employers made $276.0 million in contributions recognized by the WRS.

For the year ended June 30, 2015, the State recognized pension expense of $269.0 million. At June 30, 2015, the State reported deferred outflows and inflows of resources related to pensions of $552.8 million and $12.4 million, respectively. More information about deferred outflows and inflows related to pensions, including the types and the amounts applicable to each type, can be found in Note 21.

A schedule presenting multi-year trend information of the State's proportionate share of the net pension liability or asset is presented as required supplementary information following the notes to the financial statements.

Actuarial Valuation

The pension measurements as of December 31, 2014 were based upon the following actuarial assumptions.

Actuarial Valuation Date	December 31, 2013
Measurement Date of Net Pension Asset	December 31, 2014
Actuarial Cost Method	Entry Age
Asset Valuation Method	Fair Value
Long-Term Expected Rate of Return	7.2%
Discount Rate	7.2%
Salary Increases	
Inflation	3.2%
Seniority/Merit	0.2% - 5.8%
Mortality	Wisconsin 2012 Mortality Table
Post-retirement Adjustments*	2.1%

* Post-retirement adjustments are not guaranteed. Actual adjustments are based on recognized investment return, actuarial experience, and other factors. The assumed annual adjustment based on the investment return assumption and the post-retirement discount rate is 2.1%.

Actuarial assumptions are based upon an experience study conducted in 2012 using experience from 2009-2011.

Long-Term Expected Return on Plan Assets

The long-term expected rate of return on WRS investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return, net of WRS investment expense and inflation, are developed for each major asset class. The ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The long-term expected rate of return is reviewed every three years in conjunction with the WRS experience study. For each major asset class that is included in the Core Retirement Investment Trust fund's target asset allocation as of December 31, 2014, these best estimates of geometric long-term real rates of return were used:

Asset Class	Target Allocation	Rate of Return
Domestic Equity	21.0%	5.3%
International Equity	23.0	5.7
Fixed Income	36.0	1.7
Inflation Sensitive	20.0	2.3
Real Estate	7.0	4.2
Private Equity/Debt	7.0	6.9
Multi-asset	6.0	3.9
Cash	(20.0)	0.9

For each major asset class that is included in the Variable Retirement Investment Trust fund's target asset allocation as of December 31, 2014, these best estimates of geometric long-term real rates of return were used:

Asset Class	Target Allocation	Rate of Return
Domestic Equity	70.0%	5.3%
International Equity	30.0	5.7

The money-weighted rates of return on pension plan investment for the Core and Variable funds for the calendar year ended 2014 were 5.4% and 7.2%, respectively. The money-weighted rate of return expresses investment performance, net of pension plan expenses, adjusted for the changing amounts actually invested.

Discount Rate

A single discount rate of 7.2% was used to measure the total pension liability. This rate was based on the expected rate of return on pension plan investments of 7.2% and a long term bond rate of 3.56%. Because of the unique structure of the WRS, the 7.2% expected rate of return implies that a dividend of approximately 2.1% will always be paid. For purposes of the single discount rate, it was assumed that the dividend would always be paid. The projection of cash flows used to determine this single discount rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments (including expected dividends) of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

The following presents the State's proportionate share of the net pension (liability) asset, calculated using a single discount rate of 7.2%, as well as what the State's net pension (liability) asset would be if it were calculated using a single discount rate that is 100 basis points lower or 100 basis points higher:

	State's share of the net pension (liability) asset
1% Decrease (6.2%)	$ (1,937,788,328)
Current Rate (7.2%)	$ 686,873,469
1% Increase (8.2%)	$ 2,759,725,231

NOTE 15. MILWAUKEE RETIREMENT SYSTEM

The Milwaukee Retirement System (MRS) is reported as an Investment Trust Fund. MRS participants provide assets to the State of Wisconsin, Department of Employee Trust Funds (DETF) for investing in its Core Retirement Investment Trust Fund (Core Fund) and the Variable Retirement Investment Trust Fund (Variable Fund) of the Wisconsin Retirement System. Participation of the MRS in the Core Fund and Variable Fund is described in the DETF Administrative Code, Chapter 10.12. The State of Wisconsin Investment Board (SWIB) manages the Core Fund and Variable Fund with oversight by a Board of Trustees as authorized in Wis. Stat. 25.14 and 25.17. SWIB is not registered with the Securities and Exchange Commission as an investment company.

The investments of the Core Fund and Variable Fund consist of a highly diversified portfolio of securities. Wis. Stat. 25.17(3)(a) allows investments in loans, securities and any other investments as authorized by Wis. Stat. 620.22. Permitted classes of investments include bonds of governmental units or of private corporations, loans secured by mortgages, preferred or common stock, real property and other investments not specifically prohibited by statute.

Investments are revalued monthly to fair value, with unrealized gains and losses reflected in income.

Monthly, the DETF distributes a pro-rata share of the total Core Fund and Variable Fund earnings less administrative expenses to the MRS accounts. The MRS accounts are adjusted to fair value and gains/losses are recorded directly in the accounts per DETF Administrative Code, Chapter 10.12(2). Neither State statute, a legal provision nor a legally binding guarantee exists to support the value of shares.

Copies of the separately issued financial report that includes audited financial statements along with the accompanying footnote disclosures and supplementary information for the Core Fund and the Variable Fund is available at www.swib.state.wi.us or may be obtained upon request from:

State of Wisconsin Investment Board
P.O. Box 7842
Madison, Wisconsin 53707-7842

NOTE 16. POSTEMPLOYMENT BENEFITS – STATE HEALTH INSURANCE PROGRAM

Effective Fiscal Year 2008, the State implemented the Governmental Accounting Standards Board (GASB) Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. This Statement establishes standards for the measurement, recognition, and display of other postemployment benefit expense/expenditures and related liabilities (assets), note disclosures, and, if applicable, required supplementary information in financial reports of state and local governmental employers.

Plan Description

The State's Health Insurance Program, a cost-sharing multiple employer, defined benefit plan, is an employer-sponsored program (not administered as a trust) offering group medical coverage to eligible employees and retirees of State and participating local government employers. Created under Chapter 40, of the Wisconsin Statutes, the State Department of Employee Trust Funds and the Group Insurance Board have program administration and oversight responsibilities under Wis. Stat. Sections 15.165(2) and 40.03(6). As of January 2013 (most recent actuarial valuation date), there were 55,197 active, and 8,151 retirees and beneficiaries participating in the plan.

Under this plan, retired employees of the State are allowed to pay the same healthcare premium as active employees, creating an implicit rate subsidy for retirees. This implicit rate subsidy, which is calculated to cover pre-age 65 retirees (since at age 65 retirees are required to enroll in Medicare when eligible), is treated as an other postemployment benefit (OPEB).

The Department of Employee Trust Funds issues a publicly available financial report. That report is available at www.etf.wi.gov or may be obtained upon request from:

The Department of Employee Trust Funds
801 West Badger Road
P.O. Box 7931
Madison, Wisconsin 53707-7931

Funding Policy

The health insurance plan is currently funded on a "pay-as-you-go" basis. GASB Statement No. 45 does not require funding of the OPEB expense and the State does not currently intend to prefund the OPEB obligation. Under this plan, retirees contribute premiums directly to the plan either through "out-of-pocket" or from unused accumulated sick leave conversion credits. The value of the sick leave benefit is defined as compensated absences and reported under the provisions of GASB Statement No. 16, *Accounting for Compensated Absences*.

Contribution requirements are established and may be amended by the Group Insurance Board. For retirees that participate in the health insurance plan, premiums, for non-Medicare retirees, are based on an effective rate structure for the health care service provider selected. Monthly Rates range from $602.10 to $1,392.80 for single coverage and $1,497.80 to $3,477.80 for family coverage.

The annual required contribution of the employer (ARC) is an amount actuarially determined in accordance with the parameters of GASB Statement No. 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 funding excess) over a period not to exceed thirty years. At June 30, 2015, the ARC was $86.2 million while the employer contributions were $41.8 million, and the ARC adjustment, with interest, was $34.6 million.

Annual OPEB Cost

The State's annual OPEB cost, the percentage of annual OPEB costs contributed to the plan, and the net OPEB obligation were as follows (in thousands):

Fiscal Year	Annual OPEB Cost	Employer Contributions	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2015	$ 70,510	$41,802	59.3%	$502,559
2014	69,740	41,649	59.7	473,851
2013	78,158	38,919	49.8	445,760

Interest on the net OPEB obligation was $18.9 million while the net OPEB obligation increased $28.7 million.

Funded Status and Funding Progress

The funded status of the plan as of January 1, 2013 (most recent actuarial valuation date) was as follows (in thousands):

Actuarial accrued liability (AAL)	$ 892,844
Actuarial value of plan assets	0
Unfunded actuarial accrued liability (UAAL)	$ 892,844
Funded ratio (actuarial value of plan assets/AAL)	0.0%
Covered payroll (active plan members)	$3,108,942
UAAL as a percentage of covered payroll	28.7%

Effective January 1, 2012, prescription drug coverage for Medicare eligible retirees enrolled in the State group health insurance program is provided by Navitus Health Solutions through a self-funded, Medicare Part D Employer Group Waiver Plan (EGWP). A Medicare "Wrap" product is also included to provide full coverage to members, as required by uniform benefits, when they reach the Medicare coverage gap, also known as the "donut hole".

As result of the implementation of the EGWP + Wrap, the State no longer receives the Retiree Drug Subsidy; therefore, there is no liability for the State associated with their Medicare retirees.

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 healthcare cost 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.

Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce 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, 2013 actuarial valuation, the entry age normal actuarial cost method was used. Actuarial assumptions included a discount rate of 4.0 percent, determined using an underlying assumption of 3.0 percent for inflation plus 1.0 percent for high quality investments with durations of one year or less, and a 3.2 percent assumed annual payroll growth. The projected annual healthcare cost trend rate is (1.64) percent initially, adjusted by increments to an ultimate rate of 5.0 percent. Other assumptions used, such as mortality, disability and retirement rates for active members, are consistent with an actuarial valuation on the Wisconsin Retirement Plan dated December 31, 2012. In addition, a 30 year, level percent of pay, closed amortization period was used for the initial UAAL, while a 15 year, level percent of pay, closed amortization period was used for any future gains and losses.

Currently, the health insurance plan is not funded by assets held in a separate trust. The discount rate (discussed above) was based on the State's general assets not earmarked for certain uses, such as building funds. The State's general assets are held in short-term fixed income investments. Therefore, the discount rate reflects that type of investment policy.

A Schedule of Funding Progress, presented as required supplementary information following the notes to the financial statements, is designed to present multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

NOTE 17. OTHER POSTEMPLOYMENT BENEFIT (OPEB) PLANS

The State of Wisconsin, Department of Employee Trust Funds (DETF), administers three postemployment benefit plans other than pension plans – the State Retiree Health Insurance Fund, the Duty Disability Fund, and the Retiree Life Insurance Fund.

Plan Descriptions

State Retiree Health Insurance Fund

The State *Retiree Health Insurance Fund* is a multiple-employer defined benefit OPEB plan offering group health insurance. Disclosures relating to the plan are provided in Note 16 – *Postemployment Benefits of the State Other Than Pensions – Health Insurance Program*.

Duty Disability Fund

The *Duty Disability Fund* is a cost-sharing multiple-employer defined benefit OPEB plan. The plan offers special disability insurance for state and local participants in protective occupations. The plan is self-insured, and risk is shared between the State and local government employers in the plan. The plan is administered under Wis. Stat. Section 40.65. The plan is reported as a pension and other employee benefit trust fund.

Contributions are actuarially determined in accordance with Wis. Stats. Section 40.05 (2)(ar). All contributions are employer paid based on a graduated, experienced-rated formula. During Calendar Year 2014 contribution rates ranged from 0.21 percent to 6.56 percent of covered payroll based on employer experience.

Eligibility for program benefits is based upon whether a duty-related injury or disease is likely to be permanent, which causes a protective occupation participant to retire, accept reduced pay or light duty assignment, or in some cases, that impairs promotional opportunities. Benefits approximate 80 percent of salary (75 percent if partially disabled and not a State Employee), less certain offsets such as; social security, unemployment compensation, worker's compensation and other retirement benefits. Survivor benefits are also offset by certain benefits based on program requirements.

Retiree Life Insurance Fund

The *Retiree Life Insurance Fund* is a cost-sharing multiple-employer defined benefit OPEB plan. The plan provides post-employment life insurance coverage to all eligible employees. The plan is administered under Wis. Stats. Section 40.70. The plan is reported as a pension and other employee benefit trust fund.

Generally, members may enroll during a 30-day enrollment period once they satisfy a six-month waiting period. They may enroll after the initial 30-day enrollment period with evidence of insurability. Members under evidence of insurability enrollment must enroll in group life insurance coverage before age 55 to be eligible for Basic or Supplemental coverage.

Employers are required to pay the following contributions for active members to provide them with basic coverage after age 65. There are no employer contributions for pre-65 annuitant coverage. All contributions are actuarially determined.

	State	Local
50 percent post retirement coverage	28 percent of the employee premium	40 percent of employee premium
25 percent post retirement coverage	N/A	20 percent of employee premium

At retirement, the member must have active group life insurance coverage and satisfy one of the following:

- Wisconsin Retirement System (WRS) coverage prior to January 1, 1989, or
- At least one month of group life insurance coverage in each of five calendar years after 1989 and one of the following:
- Eligible for an immediate WRS benefit, or
- At least 20 years from their WRS creditable service as of January 1, 1990, plus their years of group life insurance coverage after 1989, or
- At least 20 years on the payroll of their last employer.

In addition, terminating members and retirees must continue to pay the employee premiums until age 65 (age 70 if active).

After retirement, basic coverage is continued for life in amounts for the insurance in force before retirement. Additional coverage may be continued until age 65 at 100 percent of the amount of the insurance in force before retirement at the employee's expense, and spouse and dependent coverage benefits is terminated.

Summary of Significant Accounting Policies

Basis of Accounting

The OPEB plans are reported in accordance with GASB Statement No. 43, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, and accounted for using the flow of 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.

Method Used to Value Investments

Duty Disability Fund

Investments for the *Duty Disability Fund* are invested in the Core Retirement Investment Trust, which is managed by the State of Wisconsin Investment Board (SWIB). These investments are valued at fair value. Generally, fair value information represents actual bid prices or the quoted yield equivalent at the end of the year for securities of comparable maturity, quality, and type, as obtained from one or more major investment brokers. If quoted market prices are not available, a variety of third-party pricing methods are used, including appraisals, certifications, pricing models, and other methods deemed acceptable by industry standards.

Retiree Life Insurance Fund

Investments for the *Retiree Life Insurance Fund* are held with the insurance carrier (the Company). The Retiree Life Insurance Fund's investment is a share in the investment pool.

Fixed maturity securities, which may be sold prior to maturity, including fixed maturities on loan, are classified as available-for-sale and are carried at fair value. Premiums and discounts are amortized or accreted over the estimated lives of the securities based on the interest yield method.

The Company uses book value as cost for applying the retrospective adjustment method to loan-backed fixed maturity securities purchased. Prepayment assumptions for single class and multi-class mortgage-backed securities were obtained from broker/dealer survey values or internal estimates.

Marketable equity securities are classified as available-for-sale and are carried at fair value. Mutual funds and exchange traded fund investments in select asset classes that are sub-advised are carried at the fair value of the underlying net position of the funds.

Available-for-sale securities are stated at fair value.

Mortgage loans are carried at amortized cost less any valuation allowances. Premiums and discounts are amortized or accreted over the terms of the mortgage loans based on the effective interest yield method. Impairments are determined by specific identification. A mortgage loan is considered impaired if it is probable that amounts due for principal and interest will not be collected in accordance with the contractual terms. Impaired mortgage loans are valued at the present value of expected future cash flows discounted at the loan's effective interest rate, or the fair value of the underlying collateral, if the loan is collateral dependent.

Private equity investments in limited partnerships are carried at the amount invested, adjusted to recognize the Company's ownership share of the earnings or losses of the investee after the date of the acquisition, adjusted for any distributions received (equity method accounting).

Investments in partnerships, which represent minority interests owned in certain general agencies, are carried at the amount invested, adjusted to recognize the Company's ownership share of the earnings or losses of the investee after acquisition adjusted for any distributions received (equity method accounting).

Fair values of fixed maturity securities are based on quoted market prices where available. Fair values of marketable equity securities are based on quoted market prices. Fair values of private equity investments are obtained from the financial statement valuations of the underlying fund or independent broker bids. For fixed maturity securities not based on quoted market prices, generally private placement securities, securities that do not trade regularly, and embedded derivatives, an internally developed pricing model using a commercial software application is most often used. The internally developed pricing model is developed by obtaining spreads versus the U.S. Treasury yield for corporate securities with varying weighted average lives and bond ratings.

Real estate is carried at cost less accumulated depreciation and an allowance for estimated losses.

The Company's derivative instrument holdings are carried at fair value. All derivatives are recorded as non-hedge transactions. Derivative instrument fair values are based on quoted market prices or dealer quotes. If a quoted market price is not available, fair value is estimated using current market assumptions and modeling techniques, which are then compared with quotes from counterparties.

For mortgage-backed securities of high credit quality, excluding interest-only securities, the Company recognizes income using a constant effective yield method based on prepayment assumptions obtained from an outside service provider or upon analyst review of the underlying collateral and the estimated economic life of the securities.

For interest-only securities and mortgage-backed securities not of high credit quality, the Company recognizes the excess of all cash flows, including estimated prepayments, attributable to the security estimated at the acquisition date over the initial investment using the effective yield method with adjustments made as a result of subsequent cash flow information recorded prospectively. If the fair value of the security has declined below its carrying amount, the Company will write the security down to fair value if the decline is deemed other-than-temporary.

Policy loans are carried at the unpaid principal balance.

Cash and cash equivalents are carried at cost, which approximates fair value. The Company considers all money market funds and commercial paper with original maturity dates of less than three months to be cash equivalents.

Finance receivables that management has the intent and ability to hold for the foreseeable future or until maturity or payoffs are reported at their outstanding unpaid principal balances reduced by any charge-offs.

The Company holds "To-Be-Announced" (TBA) Government National Mortgage Association forward contracts that require the Company to take delivery of a mortgage-backed security at a settlement date in the future. Most of the TBAs are settled at the first available period allowed under the contract. However, the deliveries of some of the Company's TBA securities happen at a later date, thus extending the forward contract date. These securities are reported at fair value as derivative instruments with the changes in fair value reported in net realized investment gains and losses on the consolidated statements of operations.

Required Supplementary Information

Required Supplementary Information about the OPEB plans is presented in the Department of Employee Trust Funds audited financial statements. The December 31, 2013 financial report is available at www.etf.wi.gov and on request from:

The Department of Employee Trust Funds
801 West Badger Road
P.O. Box 7931
Madison, Wisconsin 53707-7931

The December 31, 2014 financial report will be available at a later date.

NOTE 18. PUBLIC ENTITY RISK POOLS ADMINISTERED BY THE DEPARTMENT OF EMPLOYEE TRUST FUNDS

The Department of Employee Trust Funds operates four public entity risk pools: group health insurance, group income continuation insurance, long-term disability insurance, and pharmacy benefits. The information provided in this note applies to the period ending December 31, 2014.

A. Description of Funds

The Health Insurance Fund offers group health insurance for current employees of the State government and of participating local public employers. All public employers in the State are eligible to participate. Approximately 419 local employers plus the State currently participate. The State and local government portions of the fund are accounted for separately and have separate contribution rates, benefits, and actuarial valuations. The fund includes both a self-insured, fee-for-service plan as well as various prepaid plans, primarily Health Maintenance Organizations (HMO's) and a self-insured plan that provides for pharmacy benefits of covered members.

The Income Continuation Insurance Fund offers disability wage continuation insurance for current employees of the State government and of participating local public employers. All public employers in the State are eligible to participate. Approximately 207 local employers plus the State currently participate. The State and local government portions of the fund are accounted for separately and have separate contribution rates, benefits, and actuarial valuations. The plan is self-insured.

The Long-term Disability Insurance (LTDI) Fund offers long-term disability benefits to participants in the Wisconsin Retirement System (WRS). The long-term disability benefits provided by this program are an alternative coverage to that currently provided by the WRS. All new WRS participants on or after October 15, 1992, are eligible only for the long-term disability insurance coverage, while participating employees active prior to October 15, 1992, may elect coverage through WRS or the long-term disability insurance program. Since January 2014, WRS collects actuarially-determined premiums paid by employers participating in the LTDI program and remits them to the Group Insurance Board for LTDI coverage.

B. Accounting Policies for Risk Pools

Basis of Accounting - All Public Entity Risk Pools are accounted for in enterprise funds using the full accrual basis of accounting and the flow of economic resources measurement focus.

Valuation of Investments - Assets of the Health Insurance Fund Income Continuation Insurance and Long-term Disability Insurance funds are invested in the Core Retirement Investment Trust. Investments are valued at fair value.

Unpaid Claims Liabilities - Claims liabilities are based on estimates of the ultimate cost of claims that have been reported but not settled, and of claims that have been incurred but not reported. The estimate includes the effects of inflation and other societal and economic factors. Adjustments to claims liabilities are charged or credited to expense in the periods in which they are made. Unpaid claims liability is presented at face value and is not discounted for health insurance. It is discounted using an interest rate of 7.2 percent for income continuation and long-term disability insurance. The liabilities for income continuation, long-term disability, and health insurance were determined by actuarial methods.

Administrative Expenses - All maintenance expenses are expensed in the period in which they are incurred. Acquisition costs are immaterial and are treated as maintenance expenses.

Reinsurance - Health insurance plans provided by HMO's and health insurance for local government annuitants are fully insured by outside insurers. All remaining risk is self-insured with no reinsurance coverage.

Risk Transfer - Participating employers are not subject to supplemental assessments in the event of deficiencies. If the assets of the fund were exhausted, participating employers would not be responsible for the fund's liabilities.

Premium Setting - Premiums are established by the Group Insurance Board in consultation with actuaries.

C. Unpaid Claims Liabilities

As discussed in Section B of this Note, each fund establishes a liability for both reported and unreported insured events, which is an estimate of future payments of losses. The following represents changes in those aggregate liabilities for the nonreinsured portion of each fund during Calendar Year 2014 (in millions):

	Health Insurance		Income Continuation Insurance		Long-term Disability Insurance		Pharmacy Benefits	
	2014	2013	2014	2013	2014	2013	2014	2013
Unpaid claims at beginning of the calendar year	$ 2.3	$ 2.6	$ 90.7	$ 82.2	$ 233.6	$ 213.1	$ (7.6)	$ 7.1
Incurred claims and claim adjustment expense:								
Provision for insured events of the current calendar year	17.7	16.9	20.5	36.0	47.5	50.6	163.5	149.0
Changes in provision for insured events of prior calendar years	(0.9)	(0.5)	(8.7)	(8.4)	54.0	7.2	(0.7)	(0.1)
Total incurred claims and claim adjustment expense	16.8	16.4	11.8	27.6	101.5	57.8	162.8	148.9
Payments:								
Claims and claim adjustment expenses attributable to insured events of the current calendar year	15.4	14.6	5.9	6.4	2.1	2.2	173.4	156.6
Claims and claim adjustment expenses attributable to insured events of prior calendar years	1.4	2.1	13.7	12.7	40.5	35.1	(8.3)	7.0
Total payments	16.8	16.7	19.6	19.1	42.6	37.3	165.1	163.6
Total unpaid claims and claim adjustment expenses at end of the calendar year	$ 2.3	$ 2.3	$ 82.9	$ 90.7	$ 229.5	$ 233.6	$ (9.9)*	$ (7.6)*

* Total unpaid claims at the end of 2014 are the net of $4.5 million in unpaid claims and $14.4 million in rebates due from pharmaceutical companies; unpaid claims at the end of 2013 are the net of $4.2 million in unpaid claims and $11.8 million in rebates due from pharmaceutical companies.

D. Trend Information

Historical trend information showing revenue and claims development information is presented in the Department of Employee Trust Funds audited financial statements. The separately issued financial report for the year ended December 31, 2013 is available at www.etf.wi.gov and on request from:

The Department of Employee Trust Funds
801 West Badger Road
P.O. Box 7931
Madison, Wisconsin 53707-7931

The December 31, 2014 financial report will be available at a later date.

NOTE 19. SELF-INSURANCE

It is the general policy of the State not to purchase commercial insurance for the risks of losses to which it is exposed. Instead, the State believes it is more economical to manage its risks internally and set aside assets for claim settlement in its internal service fund, the Risk Management Fund. The fund services most claims for risk of loss to which the State is exposed, including damage to State owned property, liability for property damages and injuries to third parties, and worker's compensation. All funds and agencies of the State participate in the Risk Management Fund.

State Property Damage

Property damages to State-owned properties are covered by the State's self-funded property program up to $3.0 million per occurrence and $5.0 million annual aggregate. When claims, which exceed $100,000 per occurrence, total $5.0 million, the State's private insurance becomes available. Losses to property occurring after the threshold are first subject to a $100,000 deductible. The amount of loss in excess of $100,000 is covered by the State's private insurance company. During Fiscal Year 2015, the excess insurance limits were written to $300 million.

The liabilities for State property damage are reported when it is probable that a loss has occurred and the amount of that loss can be reasonably estimated. The estimate for future benefits and loss liabilities is based on the reserves on open claims and paid claims. Losses incurred but not reported are expected to be immaterial. Claims incurred but not paid as of June 30, 2015 are estimated to total $12.3 million.

Property Damages and Bodily Injuries to Third Parties

The State is self-funded for third party liability to a level of $4.0 million per occurrence and purchases insurance in excess of this self-funded retention. The policy limit during Fiscal Year 2015 was $49.0 million.

The liabilities for property damages and injuries to third parties are reported when it is probable that a loss has occurred and the amount of that loss can be reasonably estimated. The estimate for future benefits and loss liabilities for the prior fiscal year was the reserves on open claims. The estimate for future benefits and loss liabilities is calculated by an actuary based on the reserves on open claims and prior experience. No liability is reported for environmental impairment liability claims either incurred or incurred but not reported because existing case law makes it unlikely the State would be held liable for material amounts. Because actual claims liabilities depend upon complex factors such as inflation, changes in legal doctrines, and damage awards, the process used in computing claims liability does not necessarily result in an exact amount. Immaterial non-incremental claims adjustment expenses are not included as part of the liability. Claims incurred but not paid as of June 30, 2015 are estimated to total $20.9 million.

Worker's Compensation

The Worker's Compensation Program was created by Wisconsin Statutes Chapter 102 to provide benefits to workers injured on the job. All employees of the State are included in the program. An injury is covered under worker's compensation if it is caused by an accident that arose out of and in the course of employment.

The responsibility for claiming compensation is on the employee. A claim must be filed with the program within two years from the date of injury; otherwise the claim is not allowable.

The worker's compensation liability has been determined by an actuary using paid claims and current claims reserves. Liabilities include an amount for claims that have been incurred but not reported. Because actual claims liabilities are affected by external factors, the process used in computing claims liabilities does not necessarily result in an exact amount. Claims incurred but not paid as of June 30, 2015 are estimated to total $80.3 million.

Changes in the balances of claims liability for the Risk Management Fund during the current and prior fiscal years are as follows (in thousands):

	2015	2014
Beginning of fiscal year liability	$ 105,036	$ 99,567
Current year claims and changes in estimates	39,140	67,601
Claim payments	(30,796)	(27,502)
	113,380	139,666
Excess insurance reimbursable	(6,340)	(34,630)
Balance at fiscal year-end	$ 107,040	$ 105,036

Settlements have not exceeded coverages for each of the past three fiscal years.

Annuity Contracts

The Risk Management Fund purchased annuity contracts in various claimants' names to satisfy claim liabilities. The likelihood that the fund will be required to make future payments on those claims is remote and, therefore, the fund is considered to have satisfied its primary liability to the claimants. Accordingly, the annuity contracts are not reported in, and the related liabilities are removed from, the fund's balance sheet. The aggregate outstanding amount of liabilities removed from the financial statements at June 30, 2015 is $6.1 million.

NOTE 20. INSURANCE FUNDS

A. Local Government Property Insurance Fund

The purpose of the Local Government Property Insurance Fund is to provide property insurance coverage to tax-supported local government units such as counties, towns, villages, cities, school districts and library boards. Property insured includes government buildings, schools, libraries and motor vehicles. Coverage is available on an optional basis. As of June 30, 2015 the Local Government Property Insurance Fund insured 955 local governmental units. The total amount of insurance in force as of June 30, 2015 was $51.1 billion.

Valuation of Cash Equivalents and Investments - All investments of the Local Government Property Insurance Fund are managed by the State of Wisconsin Investment Board, as discussed in Note 5-B to the financial statements. At June 30, 2015, the fund had $1.8 million of shares in the State Investment Fund which are considered cash equivalents.

Premium - Unearned premium reported as unearned revenue represents the daily pro rata portion of premium written which is applicable to the unexpired terms of the insurance policies in force. Policies are generally written for annual terms.

Unpaid Loss Liabilities - The Local Government Property Insurance Fund establishes the unpaid loss liability titled future benefits and loss liabilities on the financial statements based on estimates of the ultimate cost of losses (including future loss adjustment expenses) that have been reported but not settled, and of losses that have been incurred but not reported. Estimated amounts of excess-of-loss insurance recoverable on unpaid losses are deducted from the liability for unpaid losses. Loss liabilities are recomputed periodically to produce current estimates that reflect recent settlements, loss frequency, and other economic factors. Adjustments to future benefits and loss liabilities are charged or credited to expense in the periods in which they are made.

Policy Acquisition Costs - Since the Local Government Property Insurance Fund has no marketing staff and incurs no sales commissions, acquisition costs are minimal and charged to operations as incurred.

Excess-of-Loss Insurance Coverage - The Local Government Property Insurance Fund purchases excess-of-loss insurance coverage, the operation of which is analogous to “reinsurance,” to reduce its exposure to large losses on all types of insured events. Excess-of-loss insurance permits recovery of a portion of losses from the excess-of-loss insurers, although it does not discharge the primary liability of the fund as direct insurer of the risks reinsured. The fund does not report excess-of-loss insured risks as liabilities unless it is probable that those risks will not be covered by excess-of-loss insurers. As of June 30, 2015 the fund had $800.0 million of per occurrence excess of loss reinsurance in force with a $1.8 million combined single limit retention for each occurrence, and an annual aggregate reinsurance contract with a $22.0 million annual aggregate retention plus a per claim retention of $5 thousand once the aggregate is met, as respects occurrences for the term of the agreement. Premiums ceded to excess-of-loss insurers, which is netted against premium revenue (charges for goods and services in the financial statements), amounted to $9.7 million during the fiscal year. Excess-of-loss and adjusting expense recoveries earned would typically reduce claims paid (benefit expense on the financial statements). During the fiscal year the losses recovered through excess-of-loss insurance was $18.4 million.

Unpaid Loss Liabilities

As discussed above, the Local Government Property Insurance Fund establishes a liability for both reported and unreported insured events, which includes estimates of both future payments of losses and related loss expenses. The following represents changes in those aggregate liabilities for the fund during the past two fiscal years (in thousands):

	2015	2014
Unpaid loss liabilities at beginning of the year	$30,364	$10,606
Less: Excess-of-loss insurance recoverable	16,920	1,641
Net unpaid loss liabilities at beginning of year	13,444	8,965
Incurred losses and loss expenses:		
Provision for insured events of the current year	21,923	29,668
Increase (decrease) in provision for insured events of prior years	(1,491)	1,173
Total incurred losses and loss expenses	20,432	30,841
Payments:		
Losses and loss expenses attributable to insured events of the current year	10,485	17,757
Losses and loss expenses attributable to insured events prior years	11,024	8,605
Total payments	21,509	26,362
Net unpaid loss liabilities at end of year	12,367	13,444
Plus: Excess-of-loss liabilities recoverable	11,366	16,920
Total unpaid loss liabilities at end of year	$23,733	$30,364

Trend Information

Historical trend information showing revenue and claims development information is presented in the Office of the Commissioner of Insurance June 30, 2015 financial statements. Copies of these statements may be requested from:

Office of the Commissioner of Insurance
125 South Webster Street
Madison, Wisconsin 53703

B. State Life Insurance Fund

The State Life Insurance Fund was created under Chapter 607, Wisconsin Statutes, to offer life insurance to residents of Wisconsin in a manner similar to private insurers. This fund functions much like a mutual life insurance company and is subject to the same regulatory requirements as any life insurance company licensed to operate in Wisconsin.

Premiums are reported as earned when due. Benefits and expenses are associated with earned premiums so as to result in recognition of profits over the life of the contracts. This association is accomplished by means of the provision for liabilities for future benefits and the amortization of acquisition costs.

The State Life Insurance Fund does not pay commissions nor does it incur agent expenses.

Future benefits and loss liabilities have been computed by the net level premium method based upon estimated future investment yield and mortality. The composition of liabilities and the more material assumptions pertinent thereto are presented below (in thousands):

Issue Year	Ordinary Life Insurance in Force	Amount of Policy Liability
1913-1966	$ 7,541	5,988
1967-1976	26,901	16,074
1977-1985	66,743	24,733
1986-1994	46,761	9,688
1995-2012	44,735	7,200
2013+	2,599	173
	$ 195,280	$ 63,856

Bases of Assumptions

Issue Year	Interest Rate	Mortality
1913-1966	3.0%	American Experience, ANB*
1967-1976	3.0	1958 CSO, ALB, Unisex
1977-1985	4.0	1958 CSO, ALB, Female Setback 3 years
1986-1994	5.0	1980 CSO, ALB, Aggregate
1995-2008	4.0	1980 CSO, ALB, Aggregate
2009-2012	4.0	2001 CSO, ALB, Aggregate
2013+	3.5	2001 CSO, ALB, Aggregate

* Age Next Birthday

All of the State Life Insurance Fund's life insurance in force is participating. This Fund is required by statute to maintain surplus at a level between 7 percent and 10 percent of statutory admitted assets as far as practicably possible. All excess surplus is to be returned to the policyholders in the form of policyholder dividends. Policyholder dividends are declared each year in order to achieve the required level of surplus.

The statutory assets at December 31, 2014 were $100.2 million and statutory capital and surplus was $9.9 million. Fund equity at June 30, 2015 was $26.6 million.

C. Injured Patients and Families Compensation Fund

The Injured Patients and Families Compensation Fund was created in 1975 for the purpose of providing excess medical malpractice coverage for claims exceeding the legal primary insurance limits prescribed in Wis. Stat. Section 655.23(4), or the maximum liability limit for which the health care provided is insured, whichever limit is greater. Management of the Fund is vested with a 13-member Board of Governors, which is chaired by the Commissioner of Insurance. Most health care providers permanently practicing or operating in the State of Wisconsin are required to pay Injured Patients and Families Compensation Fund assessment fees. Risk of loss is retained by the Fund.

The Future Benefits and Loss Liability account includes individual case estimates for reported losses and estimates for incurred but not reported losses based upon the projected ultimate losses recommended by a consulting actuary. The liability for incurred but not reported losses as of June 30, 2015, is determined by deducting individual case estimates of the liability for reported losses and net losses paid from inception of the Fund, and adding a risk margin to the projected ultimate loss liabilities, as follows (in thousands):

Projected ultimate loss liability	$ 1,217,603
Less: Net loss paid from inception	(861,596)
Less: Liability for reported losses	(4,001)
Risk Margin	89,002
Liability for incurred but not reported losses	$ 441,008

The Future Benefits and Loss Liability account also includes an estimate of the loss adjustment expense (LAE). Using the data available through September 30 of the fiscal year, the actuary estimates the liability for LAE as 18 percent of the estimated unpaid losses as of June 30, 2015. The percentage used in the financial statements will differ slightly, since the actuary's estimate will be adjusted to reflect actual LAE payments. Specifically, the loss adjustment expenses paid from the inception of the Fund through June 30, 2015, are deducted from the projected ultimate LAE to determine the liability for LAE as June 30, 2015 as follows (in thousands):

Projected ultimate LAE liability	$ 156,060
Less: LAE paid from inception	(91,729)
Risk Margin	16,084
Liability for LAE	$ 80,415

In accordance with Section Ins. 17.27(3), Wis. Adm. Code, the liability for reported losses, liability for incurred but not reported losses, and liability for loss adjustment expense are maintained on a present value basis with the difference from full value being reported as a contra account to these estimated loss liabilities. These estimated loss liabilities are discounted only to the extent that they are matched by cash and invested assets. Using the actuarially determined discount factor of 0.8482, which is based on an investment yield assumption of 4.5 percent approved by the Board of Governors, the discounted loss liability would be as follows as of June 30, 2015 (in thousands):

Estimated liability for incurred but not reported losses	$ 441,008
Estimated liability for reported losses	4,001
Estimated liability for loss adjustment expense	80,415
Total estimated loss liabilities	525,424
Less: Amount representing interest	(79,741)
Discounted loss liabilities	$ 445,683

Included in the above estimates of loss liabilities, both undiscounted and discounted, is a 25 percent risk margin, which was recommended by the actuary and approved by the Board of Governors.

The Office of the Commissioner of Insurance contracts for an actuarial audit of the Fund. This audit includes a review by another actuary of the reasonableness of the actuarial methodology and assumptions used in developing estimates of the Fund's liabilities. The actuarial audits have concluded that the Fund's loss liability estimates are reasonable, although conservative. The Fund's contracted actuary has considered the recommendations made in the actuarial audits and appropriately incorporated any necessary changes based on those recommendations into the actuarial methodology and assumptions used to calculate the Fiscal Year 2015 liabilities estimate.

In addition to discounted loss liabilities, the Future Benefit and Loss Liabilities account also includes a future medical expenses liability and a contributions being held liability. The future medical expenses liability consists of those accounts required by Wis. Stat. Sec. 655.015 to be established if a settlement or judgment provides for future medical expense payments in excess of $100,000. The accounts are managed by the Fund and earn a proportionate share of the Fund's interest. Any account balance remaining when a claimant dies reverts back to the Fund. The contributions being held liability consists of nonrefundable payments, generally in amounts equal to the primary coverage in effect for related claims, that primary insurers have voluntarily presented to the Fund and which are negotiable with the Fund in exchange for a release of payment for any future defense costs that may be incurred on the claim. This amount is held as a liability to the Fund until a payment on the claim is made.

The breakdown of Future Benefit and Loss Liabilities, including the portions that are estimated as current and noncurrent as of June 30, 2015 (in thousands), is as follows:

Discounted loss liabilities	$ 445,683
Future medical expense liability	38,356
Contributions being held liability	2,000
Total estimated loss liabilities	486,039
Current portion	(64,042)
Noncurrent portion	$ 421,997

The uncertainties inherent in projecting the frequency and severity of large claims because of the Injured Patients and Families Compensation Fund's unlimited liability coverage and extended reporting and settlement periods makes it likely that the amounts ultimately paid will differ from the recorded estimated loss liabilities. These differences cannot be quantified.

The estimated amounts included in the balance of Future Benefits and Loss Liabilities are continually reviewed and adjusted as the Fund gains additional experience. Such adjustments are reflected in current operations. Because of the changes in these estimates, the benefit expense for the fiscal year is not necessarily indicative of the loss experience for the year.

The following is a reconciliation of the change in the balance of Future Benefits and Loss Liabilities during Fiscal Year 2015 (in thousands):

Liability at the beginning of the year	$ 596,456
Incurred claims and related expenses for the current year and the change in estimated amounts for claims incurred in prior years	(89,360)
Less: current year payments attributable to claims incurred in current and prior years	(21,057)
Liability at the end of the year	$ 486,039

NOTE 21. DEFERRED OUTFLOWS OF RESOURCES AND DEFERRED INFLOWS OF RESOURCES

Deferred outflows and resources and deferred inflows of resources at June 30, 2015 were as follows (in thousands):

	General	Transportation	Capital Improvement	Nonmajor Governmental	Internal Service	Full Accrual Adjustments	Total Governmental Activities
Deferred Outflows of Resources							
Accumulated Decreases in the Fair Value of Hedging Derivatives	$ -	$ -	$ -	$ -	$ -	$ 158,435	$ 158,435
Debt Refunding	-	-	-	-	3,074	138,334	141,408
Advances by the State	-	142	-	-	-	-	142
Differences Between Expected and Actual Pension Experience	-	-	-	-	837	45,787	46,624
Net Difference Between Projected and Actual Earnings on Pension Investments	-	-	-	-	2,796	152,944	155,740
Changes in Proportion and Differences Between Actual and Proportionate Share of Contributions	-	-	-	-	159	8,704	8,863
Pension Contributions Subsequent to the Measurement Date	-	-	-	-	1,237	57,227	58,464
Total Deferred Outflows of Resources	$ -	$ 142	$ -	$ -	$ 8,103	$ 561,431	569,677

	General	Transportation	Capital Improvement	Nonmajor Governmental	Internal Service	Full Accrual Adjustments	Total Governmental Activities
Deferred Inflows of Resources							
Debt Refunding	$ -	$ -	$ -	$ -	$ 756	$ 16,437	$ 17,193
Unavailable Revenue	225,665	169	-	7,443	-	(233,277)	-
Changes in Proportion and Differences Between Actual and Proportionate Share of Contributions	-	-	-	-	74	4,073	4,147
Total Deferred Inflows of Resources	$ 225,665	$ 169	$ -	$ 7,443	$ 830	$ (212,767)	$ 21,340

	Injured Patients and Family Compensation	Environmental Improvement	University of Wisconsin System	Unemployment Reserve	Nonmajor Enterprise	Total Business-Type Activities
Deferred Outflows of Resources						
Debt Refunding	$ -	$ 14,412	$ 31,817	$ -	$ 1,049	$ 47,277
Advances by the State	-	-	-	-	41,841	41,841
Differences Between Expected and Actual Pension Experience	12	9	47,864	-	5,065	52,950
Net Difference Between Projected and Actual Earnings on Pension Investments	40	31	159,883	-	16,918	176,872
Changes in Proportion and Differences Between Actual and Proportionate Share of Contributions	2	2	-	-	963	967
Pension Contributions Subsequent to the Measurement Date	16	7	44,887	-	7,302	52,212
Total Deferred Outflows of Resources	$ 70	$ 14,460	$ 284,451	$ -	$ 73,138	$ 372,119

	Injured Patients and Family Compensation	Environmental Improvement	University of Wisconsin System	Unemployment Reserve	Nonmajor Enterprise	Total Business-Type Activities
Deferred Inflows of Resources						
Debt Refunding	$ -	$ -	$ 1,337	$ -	$ 131	$ 1,468
Changes in Proportion and Differences Between Actual and Proportionate Share of Contributions	1	1	7,793	-	451	8,246
Total Deferred Inflows of Resources	$ 1	$ 1	$ 9,130	$ -	$ 581	$ 9,713

The $110,678 thousand in deferred outflows of resources resulting from contributions subsequent to the measurement date will be recognized as an increase of the net pension asset in the year ended June 30, 2016. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized as pension expenses as follows (in thousands):

Fiscal Year Ended June 30		**Amount**
2016	$	84,535
2017		84,535
2018		84,535
2019		84,535
2020		84,535
Thereafter		6,956
	$	429,630

NOTE 22. SEGMENT INFORMATION AND CONDENSED FINANCIAL DATA

Primary Government

The State issues revenue bonds to finance the Leveraged Loan Program, which is accounted for as part of the Environmental Improvement Fund. Investors in those bonds rely solely on the revenue generated within the Leveraged Loan Program. Assets of this program are used primarily for loans for Wisconsin municipal waste water projects. Condensed financial statement information of the Leveraged Loan Program as of and for the year ended June 30, 2015 is presented below (in thousands):

Condensed Statement of Net Position

Assets:		
Current Assets	$	103,876
Other Assets		881,466
Total Assets		985,342
Deferred Outflows of Resources		14,412
Total Assets and Deferred Outflows of Resources	$	999,754
Liabilities:		
Due to Other Funds	$	1,453
Other Current Liabilities (Including Current Portion of Long-term Debt)		62,863
Noncurrent Liabilities		699,355
Total Liabilities		763,671
Net position:		
Restricted		236,083
Total Net Position		236,083
Total Liabilities and Net Position	$	999,754

Condensed Statement of Revenues, Expenses and Changes in Net Position

Operating Revenues (Expenses):		
Interest Income used as Security for Revenue Bonds	$	18,870
Interest Expense		(31,301)
Other Operating Expenses		(2,155)
Operating Income (Loss)		(14,585)
Nonoperating Revenues (Expenses):		
Investment Income		4,234
Income (Loss) before Transfers		(10,351)
Transfers In (Out)		-
Change in Net Position		(10,351)
Beginning Net Position		246,434
Ending Net Position	$	236,083

Condensed Statement of Cash Flows

Net Cash Provided (Used) by:		
Operating Activities	$	84,433
Noncapital Financing Activities		(95,932)
Investing Activities		16,140
Net Increase (Decrease)		4,640
Beginning Cash and Cash Equivalents		84,455
Ending Cash and Cash Equivalents	$	89,096

NOTE 23. COMPONENT UNITS – CONDENSED FINANCIAL INFORMATION

Significant financial data for the State's discretely presented component units for the year ended December 31, 2014 or June 30, 2015 is presented below (in thousands):

	Wisconsin Housing and Economic Development Authority	Wisconsin Health Care Liability Insurance Plan	University of Wisconsin Hospitals and Clinics Authority	Wisconsin Economic Development Corporation	University of Wisconsin Foundation	Total
Condensed Statement of Net Position						
Assets:						
Cash, Investments and Other Assets	$ 1,998,991	$ 50,074	$ 982,242	$ 130,537	$ 3,266,712	$ 6,428,556
Due from Primary Governments	-	-	2,393	8	-	2,401
Cash and Investments with Other Component Units	-	-	212,348	-	-	212,348
Capital Assets, net	13,232	-	747,757	1,501	17,437	779,927
Total Assets	2,012,223	50,074	1,944,740	132,046	3,284,149	7,423,233
Deferred Outflows of Resources	45,000	-	79,534	966	-	125,500
Total Assets and Deferred Outflows	$ 2,057,223	$ 50,074	$ 2,024,274	$ 133,012	$ 3,284,149	$ 7,548,732
Liabilities:						
Accounts Payable and Other Current Liabilities	$ 123,927	$ 5,535	$ 263,877	$ 5,753	$ 45,257	$ 444,349
Due to Primary Government	-	-	5,344	-	-	5,344
Amounts Held for Other Component Units	-	-	-	-	282,500	282,500
Other Liabilities	43,511	-	8,267	-	-	51,778
Long-term Liabilities (Current and Noncurrent portions)	1,228,426	10,498	531,618	2,688	47,335	1,820,564
Total Liabilities	1,395,864	16,033	809,106	8,440	375,092	2,604,535
Deferred Inflows of Resources	-	-	4,134	305	-	4,439
Net Position:						
Net Investment in Capital Assets	8,267	-	325,171	1,501	17,437	352,377
Restricted	651,226	34,041	155,665	34,894	2,674,273	3,550,099
Unrestricted	1,866	-	730,198	87,871	217,347	1,037,283
Total Net Position	661,359	34,041	1,211,034	124,267	2,909,058	4,939,758
Total Liabilities, Deferred Inflows and Net Position	$ 2,057,223	$ 50,074	$ 2,024,274	$ 133,012	$ 3,284,149	$ 7,548,732
Condensed Statement of Activities						
Program Expenses:						
Depreciation	$ 893	$ -	$ 58,358	$ 513	$ 1,140	$ 60,904
Payments to Primary Government	-	-	31,374	-	246,728	278,102
Other	249,759	(418)	1,328,863	37,910	43,697	1,659,810
Total Program Expenses:	250,652	(418)	1,418,595	38,423	291,565	1,998,817
Program Revenues:						
Charges for Goods and Services	5,741	1,728	1,478,787	245	-	1,486,502
Investment and Interest Income	78,953	1,385	-	-	96,519	176,857
Operating Grants and Contributions	171,528	-	-	60,842	380,492	612,862
Capital Grants and Contributions	-	-	4,471	-	7,580	12,051
Miscellaneous	18,337	-	24,183	-	3,472	45,992
Total Program Revenues	274,559	3,114	1,507,441	61,087	488,063	2,334,264
Net Program Revenue/(Expense)	23,907	3,532	88,846	22,664	196,498	335,447
General Revenues:						
Interest and Investment Earnings	6,992	-	3,304	1,648	-	11,944
Miscellaneous	-	-	8,008	196	-	8,204
Contributions to Endowments	-	-	104	-	-	104
Change in Net Position	30,899	3,532	100,262	24,507	196,498	355,699
Net Position, Beginning of Year	630,460	30,509	1,110,772	99,759	2,712,559	4,584,059
Net Position, End of Year	$ 661,359	$ 34,041	$ 1,211,034	$ 124,267	$ 2,909,058	$ 4,939,758

NOTE 24. RESTATEMENTS OF BEGINNING FUND BALANCES/NET POSITIONS AND OTHER CHANGES

The following reconciliations summarize restatements of the end-of-year fund balance and net position amounts as reported in the 2014 Comprehensive Annual Financial Report to the beginning-of-year amounts reported for Fiscal Year 2015 (in thousands):

A. Fund Statements – Governmental Funds

	Major Funds				
	General	Transportation	Capital Improvement	Nonmajor Funds	Total Governmental
Fund Balances June 30, 2014 as reported in the 2014 Comprehensive Annual Financial Report	$ (1,381,842)	$ 691,172	$ (678,796)	$ 1,442,651	$ 73,185
DOA Recognition of Revolving Loan Program Revenue	16,902	-	-	-	16,902
DOA State Energy Program Adjustments	(1,420)	-	-	-	(1,420)
DOC Refund of Prior Year Expenditures	635	-	-	-	635
Fund Balances July 1, 2014 as restated	$ (1,365,725)	$ 691,172	$ (678,796)	$ 1,442,651	$ 89,302
Effect of adjustments on the amount of excess revenues and other sources over expenditures and other uses of Fiscal Year 2014	$ 16,117	$ -	$ -	$ -	$ 16,117

B. Fund Statements – Proprietary Funds

	Major Funds						
	Injured Patients and Families Compensation	Environmental Improvement	University of Wisconsin System	Unemployment Reserve	Nonmajor Funds	Total Enterprise	Internal Service Funds
Net Positions June 30, 2014 as reported in the 2014 Comprehensive Annual Financial Report	$ 580,846	$ 1,923,371	$ 6,106,096	$ 329,431	$ 500,203	$ 9,439,948	$ 9,111
Adoption of GASB Statement No. 68	136	134	518,239	-	61,178	579,688	10,574
Other adjustments of assets and liabilities as of June 30, 2014	-	-	-	-	-	-	(785)
Net Positions July 1, 2014 as restated	$ 580,982	$ 1,923,506	$ 6,624,336	$ 329,431	$ 561,381	$ 10,019,635	$ 18,900
Effect of adjustments on the amount of net change in net position of Fiscal Year 2014	$ 136	$ 134	$ 518,239	$ -	$ 61,178	$ 579,688	$ 11,125

C. Fund Statements – Fiduciary Funds

	Pension and Other Employee Benefit Trust	Investment Trust	Private Purpose Trust	Total Fiduciary
Net Positions June 30, 2014 as reported in the 2014 Comprehensive Annual Financial Report	$ 91,225,902	$ 2,585,930	$ 3,681,309	$ 97,493,140
Adoption of GASB Statement No. 68	-	-	20	20
Net Positions July 1, 2014 as restated	$ 91,225,902	$ 2,585,930	$ 3,681,329	$ 97,493,160
Effect of prior period adjustments on the amount of net increase (decrease) in net positions of Fiscal Year 2014	$ -	-	$ 20	$ 20

D. Government-wide Statements

	Primary Government		
	Governmental Activities	Business-type Activities	Totals
Net Positions June 30, 2014 as reported in the 2014 Comprehensive Annual Financial Report	$ 9,961,629	$ 9,441,146	$ 19,402,775
Adoption of GASB Statement No. 68	586,284	579,688	1,165,972
Restatement of capital assets and related debt	66,391	-	66,391
Other adjustments of assets and liabilities as of June 30, 2014	14,304	-	14,304
Net Positions July 1, 2014 as restated	$ 10,628,608	$ 10,020,834	$ 20,649,441
Effect of adjustments on the amount of net increase (decrease) in net positions of Fiscal Year 2014	$ 680,966	$ 579,688	$ 1,260,654

NOTE 25. LITIGATION, CONTINGENCIES AND COMMITMENTS

A. Litigation and Contingencies

The State is a participant in various legal proceedings pertaining to matters incidental to the performance of routine governmental operations.

The State accrues liabilities related to legal proceedings, if a loss is probable and reasonably estimable. Such losses, totaling $18.9 million on June 30, 2015 reported in the governmental activities, are discussed below:

The Work Injury Supplemental Benefit Fund, administered by the Department of Workforce Development, provides compensatory payments to survivors of fatally injured employees or disabled employees with work-related injuries. The liability for annuities to be paid totaled $.6 million at June 30, 2015.

The U.S. Department of Housing and Urban Development (HUD) provided federal funding to the State through the Community Development Block Grant (CDBG) program. The funds were sub-granted to units of general local government by the former Department of Commerce, the State agency responsible for administering CDBG prior to Fiscal Year 2012. Of the amounts sub-granted, $16.2 million were determined to not meet program requirements. The State accepted HUD's finding of noncompliance and settled the matter as agreed upon with HUD. This consisted of a $1.0 million cash payment to HUD and a $7.6 million deposit into a local account in September 2015. A liability for this $8.6 million is reported at June 30, 2015 in the General Fund. In addition, the HUD entitlement grant accepted and received by the State in August 2015, was voluntarily reduced by $7.6 million.

Talgo, Inc. (Talgo) and the State entered into two contracts. The first contract was for the construction and purchase of high speed passenger rail trains. The second contract was to maintain the trains and contained a non-appropriation clause that permitted either party to terminate the agreement if the Legislature did not appropriate funds necessary to perform the contract. The State decided to discontinue the project. In November 2012, Talgo filed a lawsuit claiming the State defaulted on its legal obligations. The circuit court denied the State's motion to dismiss the case.

In August 2015 the State and Talgo settled the case and resolved all claims related to the two contracts. Under the settlement agreement, Talgo kept the trains and received a $9.75 million payment from the State to close out the contracts. Talgo will attempt to sell the trains. If the trains are sold, the State can collect up to 30 percent of the sale price up to $9.75 million. As a result, dependent on the selling price, the State could recover the entire $9.75 million payment. A liability of $9.75 million is reported at June 30, 2015 in the Transportation Fund.

Other Claims, Judgments, and Contingencies

The State is also named as a party in other legal proceedings where the ultimate disposition and consequence are not presently determinable. The potential liability amount relating to an unfavorable outcome for certain of these proceedings could not be reasonably determined at this time. However, the ultimate dispositions and consequences of any single legal proceeding or all legal proceedings collectively should not have a material adverse effect on the State's financial position.

Notice of Transferee Liability – In September 2008, the Internal Revenue Service (IRS) provided the State of Wisconsin Investment Board (SWIB) a Notice of Transferee Liability. This claim seeks taxes, penalties and interest relating to the sale of Shockley Communications Corporation (SCC) stock in 2001.

The IRS asserts that the shareholders' sale of SCC stock in 2001 should have been characterized as a sale of assets by SCC, on which SCC should have paid income taxes. The IRS asserts that the former SCC shareholders, including SWIB, would be liable for those taxes, plus penalties and interest. The SWIB's liability, as a putative transferee of SCC assets, would be limited to $46.9 million including taxes, interest and potential penalties.

The SWIB believes that the loss, if any, resulting from the claim being upheld will not have a material impact on net investment position or net income in future years. Due to uncertainty in predicting an outcome, a liability has not been recorded.

B. Commitments

Primary Government

As of June 30, 2015, encumbrances of the General Fund totaled $435.2 million, encumbrances of the Transportation Fund totaled $1.3 billion, and encumbrances of other non-major governmental funds totaled $534.0 million. Obligations at June 30, 2015 representing multi-year, long-term commitments included (in thousands):

Transportation Fund	$ 407,175
Capital Improvement Fund – WisDOT Harbors, Rails and Highway Programs	89,227
Transportation Revenue Bonds Capital Projects Fund	471.6
General Fund – Housing Programs	17,202

The Environmental Improvement Fund (the Fund) was established to administer the Clean Water Fund Loan Program. Loans are made to local units of government for wastewater treatment projects for terms of up to 20 years. These loans are made at a number of prescribed interest rates based on environmental priority. The loans contractually are revenue obligations or general obligations of the local governmental unit. Additionally, various statutory provisions exist which provide further security for payment. The Fund has made financial assistance commitments of $125.0 million as of June 30, 2015. These loan commitments are expected to be met through proceeds from issuance of revenue obligations and additional federal grants.

In addition, the revenue obligation bonds of the Leveraged Loan Program in the Fund are collateralized by a security interest in all the assets of the Leveraged Loan Program. Neither the full faith and credit nor the taxing power of the State is pledged for the payment of the Fund's revenue obligation bonds. However, as the loans granted to local units of government are at an interest rate less than the revenue bond rate, the State is obligated by the Fund's General Resolution to fund, at the time each loan is made, a reserve which subsidizes the Leveraged Loan Program in an amount which offsets this interest disparity.

The *Injured Patients and Families Compensation Fund* may be required to purchase an annuity as a result of a claim settlement. Under specific annuity arrangements, the Fund may have ultimate responsibility for annuity payments if the annuity company defaults on annuity payments. One of the Fund's annuity providers defaulted on $111 thousand in annuity payments through June 30, 2015, which the Fund subsequently paid. The annuity provider is currently making the majority of these annuity payments, but the Fund continues to make monthly annuity payments to cover defaulted payments. The Fund has received reimbursement for these payments, including interest of $93 thousand through June 30, 2015. It is unclear when the annuity provider will be able to make the remaining annuity payments and whether the Fund will be able to recover the remaining annuity payments made on the behalf of the annuity provider. The total estimated replacement value of the Fund's annuities as of June 30, 2015 was $32.8 million. The replacement value calculation includes only annuities where the Fund remains the owner. Annuities with qualified assignments are no longer included. The Fund reserves the right to pursue collection from State guarantee funds.

State Public Deposit Guarantee - As required by Wis. Stat. Sec. 34.08, the State is to make payments to public depositors for proofs of loss (e.g., loss resulting from a bank failure) up to $400 thousand per depositor above the amount of federal insurance. This statutory requirement guarantees that the State will make payments in favor of the public depositor that has submitted a proof of loss. Payments would be made in the order in which satisfactory proofs of loss are received by the State's Department of Financial Institutions, until the designated appropriation is exhausted. At June 30, 2015, the appropriation available totaled $55.1 million. Losses become fixed as of the date of the loss. A public depositor experiencing a loss must assign its interest in the deposit, to the extent of the amount paid, to the Department of Financial Institutions. Any recovery made by the Department of Financial Institutions under the assignment is to be repaid to the appropriation. The possibility of a material loss resulting from payments to and recovery from public depositors is remote.

NOTE 26. SUBSEQUENT EVENTS

Primary Government

Long-term Debt

General Obligation Bonds – In September 2015, the State issued $387.0 million of 2015 Series C general obligation bonds to be used for the acquisition, construction, development, extension, enlargement or improvement of land, water, property, highways, buildings, equipment or facilities for public purposes. The bonds had an interest rate of 4.0 to 5.0 percent payable semiannually, beginning May 1, 2016. The bonds mature annually beginning May 1, 2017 through May 1, 2036.

In July 2015, the State issued $133.2 million of 2015 Series 1 clean water revenue refunding bonds to be used for the current and advanced refunding of certain principal of previously issued clean water revenue bonds. The interest rates associated with these bonds were all set at 5.0 percent payable semiannually beginning December 1, 2015. The bonds mature annually beginning June 1, 2017 through June 1, 2028.

Revenue Bonds - In December 2015, the State issued $225.0 million of 2015 Series A transportation revenue bonds to be used to pay the costs of State transportation facilities and highway projects and to pay costs of issuance. The bonds have fixed interest rates of 3.0 to 5.0 percent payable semiannually beginning in 2017 with a final maturity in 2036.

In December 2015, the State issued $43.4 million of 2015 Series A Environmental Improvement Fund revenue bonds to be used to make loans under the Clean Water Fund Program to municipalities, primarily for the construction or improvement of their wastewater treatment facilities. The interest rates associated with these bonds had an interest rate of 3.0 to 5.0 percent payable semiannually beginning in 2016 with final maturity in 2030.

Certificates of Participation

In July 2015, the State issued $40.0 million of 2015 Series A master lease certificates of participation to be used for the acquisition of tangible property and sometimes, intangible property for various State agencies. The interest rates range from 2.0 to 5.0 percent payable semiannually beginning September 1, 2015. The certificates mature semi-annually beginning September 1, 2015 through March 1, 2023.

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Required Supplementary Information

Postemployment Benefits - State Health Insurance Program

The funding progress for the State of Wisconsin Health Insurance Plan is provided below (in thousands):

Actuarial Valuation Date	Actuarial Valuation Of Assets (a)	Actuarial Accrued Liability (AAL) – Entry Age (b)	Unfunded AAL (UAAL) (b – a)	Funded Ratio (a / b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b – a) / c)
1/1/2013	$ 0	$ 892,844	$ 892,844	0.0%	$ 3,108,942	28.7%
1/1/2011	$ 0	$ 953,110	$ 953,110	0.0%	$ 3,244,518	29.4%
1/1/2009	$ 0	$ 1,329,526	$ 1,329,526	0.0%	$ 3,053,972	43.5%

State's Proportionate Share of the Net Pension Liability or Net Pension (Asset)

The State's proportionate share of the net pension liability (NPL) or net pension (asset) (NPA) of the Wisconsin Retirement System is provided below:

Fiscal Year*	State's Proportion of the NPL/(NPA) (a)	State's Proportionate Share of the NPL/(NPA) (b)	State's Covered Employee Payroll (c)	State's Share of the NPL/(NPA) as a Percentage of Covered Payroll (b / c)	WRS' Net Position as a Percentage of the Total Pension Liability (d)
2015	(28.0%)	$(686,873,469)	$3,735,598,305	(18.4%)	102.7%

* The amounts presented were measured as of the calendar year-end or for the calendar year ended that occurred within the fiscal year listed.

GASB standards require the presentation of 10 years of information. Because fiscal year 2015 is the first year for reporting this information, a full 10-year schedule will not be available until fiscal year 2024.

State's Pension Contributions

The State's pension contributions to the Wisconsin Retirement System are provided below:

Fiscal Year*	State's Actuarially Determined Contributions (a)	State's Contributions Made (b)	Contribution Excess/ (Deficiency) (b - a)	State's Total Employee Payroll (c)	State's Contributions Made as a Percentage of Total Employee Payroll (b / c)
2015	$275,968,183	$275,968,183	$ -	$3,735,598,305	7.4%

* The amounts presented were measured for the calendar year ended that occurred within the fiscal year listed.

GASB standards require the presentation of 10 years of information. Because fiscal year 2015 is the first year for reporting this information, a full 10-year schedule will not be available until fiscal year 2024.

Infrastructure Assets Reported Using the Modified Approach

The State has adopted the modified approach for reporting infrastructure assets. Under the modified approach, infrastructure assets are not depreciated as long as the State can demonstrate that these assets are properly managed and are being preserved at or above an established condition level. Instead of depreciation, the costs to maintain and preserve infrastructure assets are expensed, while additions and improvements are capitalized. The State owns approximately 11,200 centerline miles of road and 5,200 bridges.

Road Network

Condition assessments are completed on a two-year cycle with the most current results reported for each State road. The State completes the assessment of the Eastern half of the State in one year and the Western half of the State in the next. Numerous measures are used to assess the condition of the State's road network. The State has adopted the International Roughness Index (IRI), as defined by the Federal Highway Administration, as one of its condition measures. IRI is a direct measure of road roughness, with an IRI of 2.69 mm/m (170 inches/mile) or greater being defined as a "poor" ride. Roads with a "poor" IRI assessment may cause negative impacts for the traveling public by decreasing driver comfort and potentially increasing the damage to vehicles and goods. It is the State's policy to ensure no more than 15 percent of its roads receive a "poor" IRI assessment.

Recent condition assessment results are as follows:

Year Ended June 30	Miles of Road	Percent Rated "Poor"	Established Percent	Variance Favorable/ (Unfavorable)
2015	11,200	7.3	15.0	7.7
2014	11,200	8.3	15.0	6.7
2013	11,200	6.2	15.0	8.8
2012	11,200	7.0*	15.0	8.0
2011	11,200	12.0**	15.0	3.0
2010	11,200	9.3**	15.0	5.7
2009	11,200	6.9	15.0	8.1
2008	11,200	6.9	15.0	8.1
2007	11,200	6.4	15.0	8.6
2006	11,200	5.4	15.0	9.6

* The 2012 decrease in the percentage of roads rated poor is due to inclusion of new construction in the scope of condition assessment. Without such inclusion, the percentage of poor roads would have been equivalent to the 2011 level. New construction was included because efficiencies were gained from a new van used to capture condition assessment data, resulting in new construction being included in the assessment closer to the completion date. In prior years, new construction was generally not included in condition assessments until the following year.

** The 2011 and 2010 increase in the percentage of roads rated poor compared to previous years is partially attributable to the new equipment used in assessing the IRI. For 2011, all of the miles were tested using the new equipment. For 2010, approximately half of the miles were tested using the new equipment. DOT officials believe the current data collection methods provide a more accurate view of existing ride quality because of improvements in equipment and methodology.

Each year the State estimates the costs to maintain and preserve the road network at, or above, the established condition level. Actual maintenance/preservation costs compare to estimates as follows:

Year Ended June 30	Estimated Costs (In millions)	Actual Costs (In millions)	Variance (In millions) Favorable/ (Unfavorable)
2015	$603.4	$643.3	$ (39.9)
2014	$619.4	$605.9	$ 13.5
2013	580.9	561.8	19.1
2012	611.0	585.3	25.7
2011	606.7	705.7	(99.0)
2010	660.7	669.1	(8.4)
2009	647.7	624.4	23.3
2008	531.8	537.3	(5.5)
2007	501.8	441.6	60.2
2006	495.7	367.5	128.2

Estimated costs are developed at the beginning of the fiscal year based on projects planned for the current and future years. The types of projects ultimately contracted and incurring costs during the year are often very different. In addition, the State of Wisconsin, Department of Transportation's multi-year contracting process, allowing encumbrances to carry forward, makes a comparison of actual to estimated amounts difficult since expenditures for the current year may have been budgeted and committed to a project in prior years. Estimated costs for 2006

and actual costs for 2006 through 2008 have been restated from amounts reported in prior years due to an error in classification of costs on a capital project as maintenance/preservation costs.

Bridge Network

Condition assessments are completed on a two-year cycle, with more frequent inspections completed if warranted. The most current assessment results are reported for each State bridge, making the overall assessment a blend of measures completed in the current fiscal year and those completed in the prior year.

The structural condition rating is a broad measure of the condition of a bridge. Each bridge is rated using three National Bridge Inventory (NBI) condition codes and two NBI appraisal ratings. The three NBI condition codes are Deck Condition, Superstructure Condition, and Substructure Condition. The two NBI appraisal ratings are Structural Evaluation and Waterway Adequacy. The NBI uses a 10-point scale for condition codes and appraisal ratings. A bridge is considered "structurally deficient" if any condition code is 4 or less, or if either appraisal code is 2 or less.

"Structurally deficient" bridges cause negative impacts for the public by increasing the likelihood that heavy loads will need to be rerouted to less efficient routes, thus increasing logistic costs for State businesses. It is the State's policy to ensure no more than 15 percent of its bridges are "structurally deficient".

Recent condition assessment results are as follows:

Year Ended June 30	Number of Bridges	Percent Structurally Deficient	Established Percent	Variance Favorable/ (Unfavorable)
2015	5,200	3.2	15.0	11.8
2014	5,100	3.3	15.0	11.7
2013	5,100	3.1	15.0	11.9
2012	5,100	3.3	15.0	11.7
2011	5,100	3.6	15.0	11.4
2010	5,000	4.1	15.0	10.9
2009	5,000	3.8	15.0	11.2
2008	4,900	4.5	15.0	10.5
2007	4,900	4.1	15.0	10.9
2006	4,900	4.3	15.0	10.7

Each year, the State estimates the costs to maintain and preserve the bridge network at, or above, the established condition level. Actual maintenance/preservation costs compare to estimates as follows:

Year Ended June 30	Estimated Costs (In millions)	Actual Costs (In millions)	Variance (In millions) Favorable/ (Unfavorable)
2015	$57.1	$164.4	$(107.3)
2014	$261.2	$131.0	$130.2
2013	123.2	115.3	7.9
2012	101.9	61.1	40.8
2011	42.4	64.2	(21.8)
2010	91.7	93.0	(1.3)
2009	55.9	56.9	(1.0)
2008	61.0	46.2	14.8
2007	36.0	46.9	(10.9)
2006	42.4	31.3	11.1

Estimated costs are developed at the beginning of the fiscal year based on projects planned for the current and future years. The types of projects ultimately contracted and incurring costs during the year are often very different. The State of Wisconsin, Department of Transportation's multi-year contracting process, allowing encumbrances to carry forward, makes a comparison of actual to estimated amounts difficult since expenditures for the current year may have been budgeted and committed to a project in prior years. Estimated and actual costs for 2014 have been restated from amounts reported in prior years due to an error in classification of costs on a capital project as maintenance/preservation costs.

Budgetary Comparison Schedule
General Fund
For the Fiscal Year Ended June 30, 2015

(In Thousands)

	Original Budget	Final Budget	Actual Amounts
Unexpended Budgetary Fund Balances, Beginning of Year			$ 2,383,639
Revenues and Transfers (Inflows):			
Taxes	$ 14,546,107	$ 14,753,159	14,569,760
Departmental:			
Tribal Gaming	27,013	23,534	48,878
Other	16,240,044 (A)	16,241,056 (A)	16,003,766
Transfers from:			
Nonmajor Governmental Funds	(A)	(A)	77,117
Nonmajor Enterprise Funds	(A)	(A)	352
Total Revenues and Transfers (Inflows)	30,813,164	31,017,748	30,699,873
Amounts Available for Appropriation			33,083,512
Appropriations (Outflows):			
Commerce	227,195	268,633	230,178
Education	12,971,915	13,719,459	12,984,124
Environmental Resources	372,982	432,323	334,716
Human Relations and Resources	12,743,764	16,403,794	13,887,176
General Executive	1,121,359	1,377,049	988,071
Judicial	135,823	137,229	130,744
Legislative	74,924	78,328	65,595
Tax Relief and Other General	2,345,124	2,365,665	2,267,905
Transfers to:			
Transportation Fund	143,837	143,837	169,587
Nonmajor Governmental Funds	-	-	10,296
Nonmajor Enterprise Funds	-	-	-
Total Appropriations (Outflows)	$ 30,136,922	$ 34,926,317	31,068,393
Fund Balances, End of Year			2,015,119
Less Encumbrances Outstanding at June 30, 2015			(564,687)
Fund Balances, End of Year Budgetary Basis			$ 1,450,432

Reconciliation of the End of Year, Budgetary Basis, Fund Balance to the Detail Reported in the Annual Fiscal Report:	
General Purpose:	
Designated	$ 91,276
Undesignated	135,555
Total General Purpose	226,831
Program Revenue	1,223,601
Fund Balances, End of Year Budgetary Basis	$ 1,450,432

(A) Interfund transfers to the General Fund were budgeted under departmental revenue during Fiscal Year 2015.

Budgetary Comparison Schedule
Transportation Fund
For the Fiscal Year Ended June 30, 2015

(In Thousands)

	Original Budget	Final Budget	Actual Amounts
Unexpended Budgetary Fund Balances, Beginning of Year			$ 646,790
Revenues (Inflows):			
Taxes	$ 1,066,996	$ 1,066,996	1,066,996
Departmental	1,767,392	1,767,392	1,767,392
Transfers from:			
General Fund	143,837	143,837	169,587
Nonmajor Governmental Funds	16,000	16,000	16,000
Total Revenues (Inflows)	2,994,225	2,994,225	3,019,975
Amounts Available for Appropriation			3,666,765
Appropriations and Transfers (Outflows):			
Environmental Resources	2,867,941	5,579,823	2,986,476
General Executive	1,902	1,966	1,598
Tax Relief and Other General	21,935	22,901	22,797
Total Appropriations and Transfers (Outflows)	$ 2,891,778	$ 5,604,690	3,010,871
Fund Balances, End of Year			655,894
Less Encumbrances Outstanding at June 30, 2015			(1,793,596)
Fund Balances, End of Year Budgetary Basis			$ (1,137,702)

NOTE 1. BUDGETARY INFORMATION

A. Budgetary – GAAP Reporting Reconciliation

The accompanying Budgetary Comparison Schedule compares the legally adopted budget (more fully described in RSI Note 1-B) with actual data on a budgetary basis. Because accounting principles applied for purposes of developing data on the budgetary basis differ significantly from those used to present financial statements in conformity with generally accepted accounting principles (GAAP), a reconciliation of basis and perspective differences as of June 30, 2015 is presented below (in thousands):

	General Fund	Transportation Fund
Fund balance June 30, 2015 (budgetary basis – budgetary fund structure):		
General Purpose Revenue – fund balance per budgetary basis *Annual Fiscal Report*		
Undesignated fund balance	$ 135,555	
Designated fund balance	91,276	
Total General Purpose Revenue fund balance	226,831	
Program Revenue – fund balance per budgetary basis *Annual Fiscal Report*	1,223,601	
Fund balance June 30, 2015 (budgetary basis – budgetary fund structure) as reported on the budgetary comparison schedule	1,450,432	$(1,137,702)
Reclassifications:		
To eliminate encumbrances reported as expenditures under budgetary reporting (*basis difference)*	564,687	1,793,596
To include activities of funds such as the Medical Assistance Trust, Hospital Assessment, Critical Hospital Assessment, Budget Stabilization, and Permanent Endowment Funds (reported as special revenue funds under budgetary reporting) as part of the General Fund (*perspective difference*)	362,753	--
To remove activities reported in another GAAP fund type (*perspective differences*):		
Enterprise funds (except for the University of Wisconsin System)	(41,279)	--
University of Wisconsin System	(1,193,476)	--
Internal Service funds	(46,044)	--
Fiduciary funds	(4,536)	--
Transportation Revenue Bonds capital project fund	--	(1,424)
Fund balance June 30, 2015 (GAAP fund structure – budgetary basis, excluding encumbrances treated as expenditures at year end)	1,092,537	654,470
Adjustments (*basis differences*):		
To accrue receivables and establish payables for individual income taxes (net)	(712,802)	--
To defer revenues for gross receipts public utility taxes	(279,595)	--
To adjust revenues and expenditures for tax-related items and other tax credit/aid programs (net)	(440,152)	(856)
To adjust expenditures for the municipal and county shared revenue program	(502,170)	--
To adjust expenditures for State property tax credit program	(670,312)	--
To accrue unpaid Medicaid payments to providers (net of receivable from federal government)	(250,893)	--
To adjust revenues and expenditures for certain major Health Services, and Children and Families human services payments to local governments	(144,480)	--
To accrue receivable for Medicaid drug rebates (net of payable to federal government)	148,355	--
To adjust expenditures/revenues for other Health Services, Workforce Development, and Children and Families accruals and deferrals	(105,408)	--
To recognize the tobacco settlement revenue receivable	69,016	--
To accrue State educational aids payments deferred until the subsequent year	(75,000)	--
To adjust expenditures and revenues for State Energy Program and other revolving loan programs	36,017	--
To adjust revenues and expenditures for other items (net)	55,478	123,872
Fund balance June 30, 2015 (GAAP fund structure – GAAP basis) as reported on the governmental fund statements	$(1,779,409)	$777,486

B. Budgetary Basis of Accounting

The State's biennial budget is prepared using a modified cash basis of accounting. The final budget is primarily a general purpose revenue and expenditure budget. General purpose revenues consist of general taxes and miscellaneous receipts which are paid into the General Fund, lose their identity, and are then available for appropriation by the Legislature. The remaining revenues consist of program revenues, which are credited by law to an appropriation to finance a specified program or State agency, and segregated revenues which are paid into separate identifiable funds.

While State departments and agencies are required to submit estimates of expected revenues for program revenue and segregated revenue categories, these estimates are not formally incorporated into the adopted budget except for revenue estimates of the Lottery Fund. As a result, legally budgeted revenues for these categories are not available and, consequently, actual amounts are reported in the budget column of the Budgetary Comparison Schedules.

Expenditure budgeting differs for the various types of appropriations. For most appropriations, budgeted expenditures equal the amount from the adopted budget plus any subsequent legislative or administrative revisions. Various supplemental appropriations were approved during the year and have been incorporated into the budget figures.

While State statutes prohibit spending beyond budgetary authority, a provision is made to include the value of accounts receivable, inventories and work in process in identifying available revenues. The State also utilizes nonbudget accounts for which no budget is established but expenditures may be incurred. As a result, actual expenditures may exceed budgeted amounts in certain categories.

The budgetary basis of accounting required by State law differs materially from the basis used to report revenues and expenditures in accordance with GAAP. Other variances arise because the State's biennial budget is developed according to the statutory required fund structure which differs extensively from the fund structure used in the GAAP basis financial statements. This difference is primarily caused by the elimination of the University of Wisconsin System, and various fiduciary, proprietary and other governmental fund activities from the statutory General and Transportation funds. In addition, funds such as the Medical Assistance Trust, Hospital Assessment, Budget Stabilization and Permanent Endowment, special revenue funds under statutory reporting, are included as part of the General Fund under GAAP reporting. As a consequence of these differences, a reconciliation between budgetary basis and GAAP basis is provided in Note 1-A of the notes to the required supplementary information.

The Budgetary Comparison Schedules for the General and the Transportation Fund present both the original and final appropriated budgets, as well as the actual inflows, outflows, and fund balance on the budgetary basis. The supplementary budget comparison schedule provides this same information (with the exception of the original budget data) for the nonmajor governmental funds with annual budgets. The capital project and debt service funds are excluded from this schedule because no comprehensive budget is approved for these funds. One special revenue fund, the Wisconsin Public Broadcasting Foundation, has been excluded from reporting because it is a blended component unit that is neither budgeted nor included under statutory reporting. Of the permanent funds, only the Historical Society Fund and a portion of the Common School and Normal School funds are budgeted.

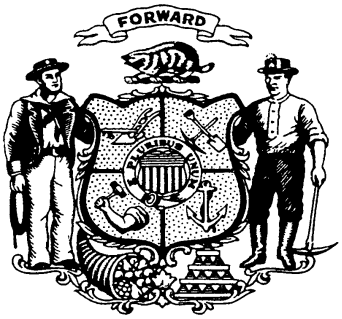
The State's biennial budget was enacted on June 30, 2013 and published on July 1, 2013. This legislation is recognized by State officials as the original budget and is treated as such on the Budgetary Comparison Schedules.

While the legal level of budgetary control for the reported funds is maintained at the appropriation line as specified by the Legislature in Chapter 20 of the Wisconsin Statutes, this level of detail is impractical for inclusion in the Comprehensive Annual Financial Report. Accordingly, a supplementary report is available upon request which provides budgetary comparisons at the legal level of control.

Appropriation unexpended balances lapse at year-end or forward to the subsequent fiscal year depending on the type of appropriation involved:

- *Continuing* - unexpended balances automatically forward to ensuing years until fully depleted or repealed by subsequent action of the Legislature.
- *Annual*:
  - *General Purpose Revenue* - unencumbered balances lapse at year end.
  - *Program Revenue* - unexpended cash balances may be forwarded to the next fiscal year.
- *Biennial* - unexpended balances or deficits automatically forward to the second year. At the end of the second year all unencumbered general purpose revenue balances lapse.
- *Sum sufficient* - moneys are appropriated and expended in the amounts necessary to accomplish the purpose specified.

Encumbrances may be carried over to the next fiscal year as a revision to the budgetary appropriation with Department of Administration approval. Under budgetary reporting, encumbrances are treated like expenditures and are shown as a reduction of fund balance.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